

10 December 2020

Agenda Item: 7

## **REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE AND EMPLOYEES**

### **THE LOCAL GOVERNMENT PENSION BOARD REVIEW 1 APRIL 2019 TO 31 MARCH 2020.**

#### **Purpose of the Report**

1. To provide a report by the Advisor of the Board reviewing the activity of the Nottinghamshire Local Pension Board for the period 1 April 2019 to 31 March 2020.
2. That the Pension Board consider the report prior to the report to be presented at the next available Pension Committee meeting.

#### **Information**

3. The Local Government Pension Board was established on 26 March 2015 and is responsible for “assisting” to secure compliance with pension legislation, regulations and guidance to ensure the effective governance and administration of the Local Government Pension Scheme.
4. The Pension Board is not a decision making body and the decision making function remains with the Administering Authority and this in Nottinghamshire is delegated to the Pension Committee.
5. The Board currently meets twice a year and the last meeting was held on 12 December 2019.
6. As part of the work activities of the Pension Board there is a requirement for the Chair of the Pension Board to provide a report to the Pension Committee updating the committee on the work of the Board and where appropriate to make recommendations to the Pension Committee.
7. The final report is attached in Appendix A. In drawing up the report the chair of the Pension Board Asked the Independent Pension Board Advisor to write the report reviewing the activities of the Pension Board since for 1 April 2019 to 31 March 2020.

## **Other Options Considered**

8. There are no other options to be considered.

## **Reason/s for Recommendation/s**

9. This report has been compiled to for the Pensions Board to consider the report prior to the report being presented to the next available Pension Fund Committee.

## **Statutory and Policy Implications**

10. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Data Protection and Information Governance**

N/A

## **Financial Implications**

N/A

## **Human Resources Implications**

N/A

## **Implications for Service Users**

N/A

## **RECOMMENDATION/S**

It is recommended that:

1) The Pensions Board receives and considers the report of the advisor of the Pension Board. along with identifying any actions required.

**Marjorie Toward**

**Service Director – Customers, Governance and Employees**

**For any enquiries about this report please contact:**

Jon Clewes, Pension Manager on 01159773434 or [Jon.Clewes@nottscg.gov.uk](mailto:Jon.Clewes@nottscg.gov.uk)

**Constitutional Comments (KK30/11/2020)**

11. The proposals in this report are within the remit of the Nottinghamshire Local Pension Board.

**Financial Comments (KP30/11/2020)**

12. There are no financial implications identified within the report

**HR Comments**

N/A

**Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 'None' or start list here

**Electoral Division(s) and Member(s) Affected**

- 'All' or start list here

# JOHN RAISIN FINANCIAL SERVICES LIMITED

## The Nottinghamshire Local Pension Board

### Pension Board Review 1 April 2019 to 31 March 2020

#### A report by the Advisor the Board

#### **Executive Summary**

This report reviews the activity of the Nottinghamshire Local Pension Board during the period 1 April 2019 to 31 March 2020.

#### **Purpose of the Nottinghamshire Local Pension Board**

Under its Terms of Reference, approved by the Nottinghamshire County Council on 26 March 2015, the purpose of the Nottinghamshire Local Pension Board is to assist the Nottinghamshire Pension Fund Committee (and its sub-committees). The Pension Fund Committee exercises the role of Scheme Manager for the Nottinghamshire Fund under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

Regulation 106(1) of the Local Government Pension Scheme Regulations 2013 (as amended) requires that each Administering Authority, which in the case of the Nottinghamshire Local Government Pension Fund is Nottinghamshire County Council, establish a Local Pension Board by 1 April 2015 responsible for “*assisting it*” to secure compliance with pension legislation, regulations and guidance; and “*to ensure the effective and efficient governance and administration*” of the Local Government Pension Scheme.

Under its Terms of Reference (and in accordance with the LGPS Regulations 2013 (As amended)), the Board does not replace the Pension Fund Committee or make any decisions or carry out other duties which are the responsibility of that Committee. Rather, its first core function is to assist the Pension Fund Committee in securing compliance with the relevant legislation relating to the governance and administration of the LGPS in Nottinghamshire. The second core function is to ensure the effective and efficient governance and administration of the Fund. In accordance with its Terms of Reference the Board may, however, determine which areas it wishes to consider and the Board has authority to make a request for information with regard to any aspect of the operation of the Pension Fund. It may also make recommendations to the County Council or any relevant committees which must be considered and a response made to the Board.

#### **Board Meetings**

The report to Council, in 2015, which resulted in the establishment of the Board proposed that the Board meet twice a year. Two meetings of the Board were held, on 11 September 2019 and 12 December 2019, during the period covered by this review. The Agenda Items considered at each Board meeting are shown in the Table below:

	11/09/19	11/12/19
Minutes of Previous Meeting	/	/

Declarations of Interest	/	/
LGPS Update	/	/
Risk Register	/	/
Pension Administration Performance Report	/	/
Transforming Pension Administration	/	
Guaranteed Minimum Pension Reconciliation Report	/	
LGPS Central Limited Update	/	
Fossil Fuel Investments Query	/	
Work Programme 2019-20	/	
The Pension Regulators Public Service Survey		/
Pension Board Review 1 April 2018 – 31 March 2019		/

James Lacey, Director of Finance at Nottingham Trent University, who was elected as Chair of the Board in April 2016 stood down as Chair after the September 2019 meeting. Councillor Tony Harper Chaired the meeting held on 12 December 2019 pending the appointment of a new Chair.

The number of Pension Board meetings to be held annually is not specified in the LGPS Regulations or Statutory Guidance issued by the MHCLG. The Pensions Regulator, however, recommended, in its September 2019 report (Governance and administration risks in public service pension schemes: an engagement report) arising from engagement with 10 LGPS Funds, that *“The pension board should meet an appropriate number of times a year, at least quarterly.”*

### **Principal Issues Considered at Board Meetings in 2019-20**

A prerequisite for the Pension Board to operate effectively is knowledge and understanding of the LGPS at a national level. An LGPS Update was therefore presented by the Advisor to the Board on both 11 September and 12 December 2019. These Updates provided Board members with information and explanation in relation to a number of major national developments in the LGPS. The 11 September Update took the form of a paper covering the Scheme Advisory Board project – Good Governance in the LGPS; the LGPS Cost Control process, “McCloud” and its potential implications; the LGPS Consultation “Changes to the Local Valuation Cycle and the Management of Employer Risk” ; Investment Pooling – the present situation regarding national Guidance. The 12 December LGPS Update primarily took the form of a 90 minute training session prior to the Board meeting but the issues covered were also briefly highlighted at the Board meeting which followed in the afternoon. The issues covered were a further update on the Scheme Advisory Board – Good Governance in the LGPS project; Investment Pooling – a National Update; the Scheme Advisory Board draft Guidance on Responsible Investment of November 2019; The Pension Regulators report on Administration and Governance in the LGPS of September 2019.

As the Foreword to the CIPFA publication “Managing Risk in the Local Government Pension Scheme” (December 2018) states *“Effective risk management stands at the heart of sound corporate governance across all organisations and functions and the Local Government Pension Scheme (LGPS) is no exception.”* Additionally, the Pensions Regulator in its September 2019 report arising from engagement with 10 LGPS Funds included the recommendations that *“A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board... The pension board should have good oversight of the risks and review these at each pension board meeting.”* Consequently, Risk Management is fundamental to effective Pension Fund governance.

It is therefore positive that at both meetings of the Pension Board held in 2019-20 the Pension Fund Risk Register was considered with Officers representing both the Administration and Investment functions in attendance and that the Board actively engaged asking questions and raising constructive challenge. At the September 2019 meeting it was reported to the Board that the Risk Register was reviewed by the Pension Fund Committee on an annual basis. Having asked questions of Officers the Board then resolved to make the recommendation *“That the Pension Fund Committee be invited to consider the Risk Register on a more frequent basis.”*

Pensions Administration remained the primary area of specific focus by the Board. This is logical as the most direct link between both Employers and Employees (representatives of whom comprise the Board membership) and the Pension Fund is with Pensions Administration. Employers have a crucial role in both providing data to the Pensions Administration Team and working with the team to communicate with individual Employees who are members of the Scheme. From an Employee perspective their benefits are entirely dependent on the Pensions Administration Team having the correct pay and service details. Not only did the Board receive a detailed Pensions Administration Performance Report at both of its meetings in 2019-20 it also received a report (11 September 2019) on the programme of work to transform the Nottinghamshire Pensions Administration service utilising digital developments; a report (11 September 2019) on the exercise to reconcile the “Guaranteed Minimum Pension” records of the Nottinghamshire Pension Fund and those held by HMRC; and a report (12 December 2019) providing the background to and a copy of the Nottinghamshire Pension Fund’s draft response to the “Public Service Governance and Administration Survey 2019” issued by the Pensions Regulator.

The Pension Administration Performance reports submitted to both meetings, held during 2019-20, together with the accompanying presentation by the Pensions Manager provided the Board with both performance statistics and commentary on the activity of the Pensions Administration Team including work in the context of continuing changes to the composition of the active Employers in the Nottinghamshire Fund. The September 2019 report on Transforming Pensions Administration provided the Board details of the digital developments implemented/been implemented to enhance data quality and communication with both Employers and individual Employees. The report explained that through the development of self service portals for both Employers and individual Employees paper processes and the double input of data could be avoided. This would enable the Pensions Administration Team to concentrate on complex issues with automation taking over more and more day to day tasks. To facilitate the development of digital solutions the report explained that it is proposed that all aspects of the digitalisation of pensions administration are brought together under one overarching programme “Transforming Pension Administration through digital development.” These reports on performance and transformation resulted in a range of questions and constructive challenge from Board members across performance, data quality and in particular resourcing.

The development and implementation of Asset (Investment) Pooling has been a high profile issue in the LGPS since 2015. In previous years the Board has received both reports and detailed training relating to Asset Pooling. Therefore, it was appropriate that the Board continued, in 2019-20, to receive reports, oral information at Board meetings and training relating to Asset Pooling at both a national level and as it specifically impacts the Nottinghamshire Pension Fund. At the meeting held on 11 September 2019 the Board received an Officer report updating the position with regard to both the development the LGPS Central asset pool and the relationship between

the Nottinghamshire Pension Fund and LGPS Central. The Advisor to the Board (again) emphasised that the determination of Investment Strategy, which is the primary determinant of investment returns, remains the responsibility of the Nottinghamshire Pension Fund Committee but that Asset Pools (LGPS Central in the case of Nottinghamshire) will, over time, take over responsibility for investment manager appointments. These are, however, from an investment viewpoint, decisions of second order importance.

The September 2019 meeting received an Officer report in response to a query received by the Chair of the Nottinghamshire Local Pension Board from Nottingham Friends of the Earth regarding the Nottinghamshire Pension Funds investments in the equities of companies exposed to fossil fuels. The Officer report included a copy of the response provided to Nottingham Friends of the Earth as well as a clear explanation of the approach of the Pension Fund Committee with links to relevant reports/documents. The Advisor to the Board also stated that William Bourne, the Independent Investment Advisor to the Nottinghamshire Pension Fund, has provided advice on the issue of responsible investment to the Pension Fund Committee within the statutory guidance on investment issued by MHCLG.

### **Pension Board Review 1 April 2018 to 31 March 2019**

A review of the activity of the Pension Board during the period 1 April 2018 to 31 March 2019 was prepared by the Advisor to the Board and presented at the meeting held on 12 December 2019. After receiving the report, the Board resolved to request that the Advisor present the review to a future meeting of the Nottinghamshire Pension Fund Committee.

On 12 March 2020 I attended the Nottinghamshire Pension Fund Committee, on behalf of the Pension Board, to present the Nottinghamshire Pension Board Review 1 April 2018 to 31 March 2019. At the Committee meeting I was given the opportunity, by the Chair, to both fully explain the background to the report as well as the content of the report itself. Following my presentation, the Members of the Committee asked a number of questions and made a number of observations. I am pleased to be able to report that the Pension Fund Committee were clearly both genuinely interested in and appreciative of the work of the Pension Board.

### **Training and Development**

Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding are specifically required of Pension Board Members by the Public Service Pensions Act 2013.

As pointed out earlier in this report there were LGPS Updates presented on both occasions that the Board met in 2019-20 which provided individual Board members with knowledge and understanding on a range of significant national LGPS issues across Governance, Pensions Administration and Investment issues. The training provided in 2019-20 sought to build upon the strong foundations of the significant and broad ranging training provided to the Board in previous years

### **Support for the Board by the Administering Authority 1 April 2019 - 31 March 2020**

The effectiveness of the Board is dependent not only on the approach and contribution of its Members but also that of the Administering Authority. Throughout the period covered by this review the Board received positive support, advice and guidance from the Officers of the

Nottinghamshire Pension Fund with responsibility for both the Administration and Investment aspects of the Pension Fund.

Meetings of the Board were also supported and attended by the Advisor to the Board who provided independent support and also an external viewpoint on the Officers reports in addition to presenting training to the Board.

**John Raisin**

**Advisor to the Nottinghamshire LGPS Local Pension Board**

**21 September 2020**

John Raisin Financial Services Limited  
Company Number 7049666 registered in England and Wales.  
Registered Office 130 Goldington Road, Bedford, MK40 3EA  
VAT Registration Number 990 8211 06

“Strategic and Operational Support for Pension Funds and their Stakeholders”

[www.jrfspensions.com](http://www.jrfspensions.com)