

Nottinghamshire Pension Fund Committee

Thursday, 12 February 2026 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|----|--|--------------|
| 1 | Minutes of the last meeting held on 11 December 2025 | 5 - 8 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below) | |
| 4 | Nottinghamshire Pension Fund Funding Strategy Statement | 9 - 72 |
| 5 | Pensions Administration Privacy Notice and Retention Schedule | 73 - 94 |
| 6 | Proxy Voting | 95 - 98 |
| 7 | Local Authority Pension Fund Forum Annual Conference 2025 | 99 - 102 |
| 8 | Breaches Policy and Update on New Items Added to the Breaches Log | 103 - 124 |
| 9 | Training and Conferences | 125 - 130 |
| 10 | Local Government Pension Scheme in England and Wales - Fit for the Future - Technical Consultation | 131 - 152 |
| 11 | Working Party | 153 - 160 |

| | | |
|----|---|--------------|
| 12 | Pension Fund Treasury Management Strategy Statement 2026-27 | 161 - 172 |
| 13 | Work Programme | 173 - 178 |
| 14 | Risk Management Strategy, Risk Register and Risk Deep Dive | 179 - 198 |

15 **EXCLUSION OF THE PUBLIC**

The Committee will be invited to resolve:-

“That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

Note

If this is agreed, the public will have to leave the meeting during consideration of the following items.

EXEMPT INFORMATION ITEMS

16 Risk Management Strategy, Risk Register and Risk Deep Dive - Exempt Appendix

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Dom Monahan (Tel. 0115 977 4772) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

| | |
|---------|--|
| Meeting | NOTTINGHAMSHIRE PENSION FUND COMMITTEE |
| Date | Thursday 11 December 2025 at 10.30am |

membership

COUNCILLORS

James Gamble (Chair)
Faz Choudhury (Vice-Chair)

| | |
|------------------------------------|----------------------------|
| Barry Answer | Stuart Matthews |
| Stuart Bestwick | Stephen Pearson |
| Bert Bingham | James Rawson |
| John Clarke MBE - Apologies | Jim Vernon - Absent |
| Hari Om | |

NON-VOTING MEMBERS:

Nottingham City Council

Councillor Graham Chapman
Councillor Zafran Khan - **Absent**
Councillor Adele Williams - **Absent**

District / Borough Council Representatives

Councillor Darrell Pulk
Councillor Andy Edyvean

Trade Unions

John Cockcroft
Everton Lewis-Gordon

Scheduled Bodies

Aegon
LGPS Central

Pensioners' Representatives

Chris King - **Apologies**
Neil Timms

Independent Adviser

William Bourne

Officers in Attendance

| | |
|-----------------|------------------------------|
| Dom Monahan | Chief Executive's Department |
| Tamsin Rabbitts | Chief Executive's Department |

| | |
|------------------|------------------------------|
| Nigel Stevenson | Chief Executive's Department |
| Jo Toomey | Chief Executive's Department |
| Sarah Stevenson | Chief Executive's Department |
| Ciaran Guilfoyle | Chief Executive's Department |
| Claire Thomas | Chief Executive's Department |

1. MINUTES OF THE LAST MEETING HELD ON 13 NOVEMBER 2025

The minutes of the last meeting of Nottinghamshire Pension Fund Committee held on 13 November 2025, having been previously circulated, were confirmed and signed by the Chairman. The Chairman thanked members for attending a Working Party training session provided by officers and LGPS Central on how the Fund's investments would be managed following changes arising from Fit for the Future. The Chairman also acknowledged that members of the Committee had received training on responsible investment/stewardship from LGPS Central.

2. APOLOGIES FOR ABSENCE

- Councillor John Clarke MBE (Other Reasons)
- Chris King - Pensioners' Representative

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

There were no declarations of interest.

4. NOTTINGHAMSHIRE PENSION FUND INVESTMENT MANAGEMENT FEES

Tamsin Rabbitts, Head of Pension Fund Investments, introduced the report which provided information to the Nottinghamshire Pension Fund Committee on Investment Management fees paid by the Nottinghamshire Pension Fund.

RESOLVED 2025/56

To notes the contents of the report.

5. PENSION FUND TREASURY MANAGEMENT MID-YEAR REPORT 2025-26

Ciaran Guilfoyle, Investments Officer, Investments Team, introduced the report which provided a mid-year review of the Pension Fund's treasury management activity in 2025/26 for the 6 months to 30 September 2025.

RESOLVED 2025/57

To endorse the actions taken by the Section 151 Officer to date, as set out in the report.

6. CONSULTATION RESPONSE - LOCAL GOVERNMENT PENSION SCHEME IN ENGLAND AND WALES- SCHEME IMPROVEMENTS (ACCESS AND PROTECTIONS)

Sarah Stevenson, Group Manager Business Services Centre, introduced the report which sought approval for a response to the Local Government Pensions Scheme (LGPS) in England and Wales: Scheme improvements (access and protections) consultation.

It was agreed that the Technical Performance Officer would provide members of the Committee with more information on whether firms would need to obtain a bond in every instance of post-outsourcing staff.

RESOLVED 2025/58

That the Nottinghamshire Pension Fund Committee:

- 1) approves Appendix A of the report for submission as Nottinghamshire Pension Fund's response to the LGPS England and Wales: Scheme improvements (access and protections).
- 2) delegates the incorporation of any additional technical comments reiterating points raised by the Local Government Association or large actuarial firms to the Group Manager, Business Services Centre in consultation with the Chair of the Committee.

7. INDEPENDENT ADVISER'S REPORT

William Bourne, Independent Adviser to the Committee introduced his latest update report.

During discussions, Members queried the following issue:

- The appointment of a new Chair of the United States Federal Reserve.

RESOLVED 2025/59

That the report of the Adviser to the Nottinghamshire Pension Fund Committee be noted.

8. WORK PROGRAMME

Tamsin Rabbitts, Head of Pension Fund Investments, introduced the report which covered the Committee's work programme up to July 2026.

RESOLVED 2025/60

That the work programme be noted.

9. FUND VALUATION AND PERFORMANCE

Tamsin Rabbitts, Head of Pension Fund Investments, introduced the report which covered the total value and performance of the Pension Fund to 30 September 2025.

RESOLVED 2025/61

That the contents of the fund valuation and performance report be noted.

10. EXCLUSION OF THE PUBLIC

RESOLVED 2025/62

That the public be excluded for the remainder of the meeting on the grounds that the discussions were likely to involve disclosure of exempt information described in schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

11. FUND VALUATION AND PERFORMANCE – EXEMPT APPENDIX

Members considered the contents of the exempt appendix to the Fund Valuation and Performance report.

RESOLVED 2025/63

That the exempt appendix to the Fund Valuation and Performance report be noted.

12. FUND MANAGERS' PRESENTATIONS

Aegon

Colleagues from Aegon provided an update to the Committee on the activities of Aegon.

LGPS Central

Colleagues from LGPS Central provided an update to the Committee on the activities of LGPS Central.

The meeting concluded at 13:18pm.

CHAIR



12 February 2026

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE AND IMPROVEMENT

NOTTINGHAMSHIRE PENSION FUND FUNDING STRATEGY STATEMENT

Purpose of the Report

1. The report asks Nottinghamshire Pension Fund Committee to approve the new Funding Strategy Statement (FSS) (**Appendix A**).

Information

2. Regulation 58 of the Local Government Pension Scheme Regulations 2013 sets out that administering authorities are required to prepare and maintain an FSS.
3. The FSS plays an integral role in setting out the Fund's approach to managing long-term funding requirements and risk in the LGPS whilst enabling stability and sustainability for participating scheme employers.
4. The purpose of an FSS is to:
 - Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities will be met going forwards
 - Support the desirability of maintaining as constant and stable a primary contribution rate as possible as defined in Regulation 62(5) of the Local Government Pension Scheme (England and Wales) Regulations 2013
 - Ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost-effectiveness of the Fund are met
 - Explain how the Fund balances the interests of different employers
 - Explain how the Fund deals with conflicts of interest and references other policies/strategies

5. In January 2025, the Scheme Advisory Board, CIPFA and the Ministry of Housing, Communities and Local Government produced guidance for preparing and maintaining a Funding Strategy Statement.
6. The guidance:
 - Sets out expectations about how the FSS should be developed and reviewed
 - Provides common understanding and terminology between different stakeholders as to the types of issues that an FSS needs to address, occasions when input may be needed from employers and when notifications and/or engagement needs providing to employers and those with financial obligations to the scheme (i.e. guarantors)
 - Identifies and provides guidance on the range of scenarios and events a Fund and FSS may need to navigate which should be reflected in a robust FSS whilst allowing for local policies, flexibility, and approaches to be taken in the final published strategy
 - To provide a common structure to the content of an FSS to aid consistency, completeness, and ease of access to users, many of whom interact with more than one Local Government Pension Scheme fund
7. In preparing their FSS, funds must seek input from their actuary, or take professional advice, however the FSS must be owned and adopted by the administering authority (the Fund). In Nottinghamshire, the FSS is produced in partnership with the Fund's actuary, Barnett Waddingham.
8. The FSS must be reviewed every three years alongside the actuarial valuation. It sets out all the key assumptions the Actuary will use in preparing the actuarial valuation, together with the administering authority's policies in the areas where it has discretion to manage the funding position of the Fund.
9. Key financial and demographic assumptions in the FSS are set following advice from the Fund Actuary after consultation with the Administering Authority.
10. The FSS must consult stakeholders on the contents of the FSS. At its meeting on 13 November 2025, the Nottinghamshire Pension Fund Committee agreed the engagement plan for the FSS consultation. The plan was prepared with the new guidance in mind, together with the Fund's learning from consultations it had run previously when updating the FSS.
11. FSS consultations should be informative, and consultees need sufficient information to properly understand the issues and sufficient time to prepare informed responses. The consultation was published on Friday 14 November 2025 in line with the engagement plan. A copy was also sent to members of Nottinghamshire Pension Fund Committee and the Local Pensions Board at the same time, in case they had comments they wished to feed into the consultation process.
12. It had been anticipated that all employers would have the draft valuation results in December 2025, allowing time for them to respond to the consultation in the context thereof. A small number of employers did not receive the draft results as early as anticipated and one asked for an extension to the deadline. In the interests of fairness, the deadline for responses was

therefore extended from 5pm on Friday 2 January 2026 to 5pm on Friday 9 January 2026 for all employers and their guarantors.

13. The Fund received 7 responses to the consultation. An overview of the responses received and how they have influenced the final FSS is included in **Appendix B** to this report.
14. In addition to the changes outlined in **Appendix B** that arose from the consultation, the following changes were also made to the draft Funding Strategy Statement:
- Tidying of language, formatting and correction of typographical issues
 - Removal of the engagement plan for the draft FSS from the document and updates throughout to the labelling of appendices
 - An update to the narrative around New Fair Deal to confirm that the consultation has now closed; when the draft was published, the consultation was ongoing

Other Options Considered

15. Responses to the consultation put forward alternative suggestions. **Appendix B** explains where comments and suggestions made during the consultation period have been incorporated in the FSS, and, where they have not been incorporated, explains the reason why.

Reason/s for Recommendation/s

16. The Fund is required to have an FSS that is reviewed regularly and takes account of feedback received during consultation.

Statutory and Policy Implications

17. 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.

Financial Implications

18. Any costs associated with the preparation of the Funding Strategy Statement are met by the Fund.
19. The outcome of the actuarial valuation and the review of the FSS will have an impact on employers within the Fund, including the council. This process is key to ensuring the long-term sustainability of the Fund, and, so far as possible, providing stability in the contributions paid by employers.

Consultation

20. Feedback received during the consultation is summarised in **Appendix B**. All employers who submit responses to the consultation are sent a full, direct response, which answers any

questions they raise and explains how those responses have influenced the final FSS. Where changes have not been made, employers also receive an explanation as to why.

RECOMMENDATION

- 1) That Nottinghamshire Pension Fund Committee approves the adoption of the revised Funding Strategy Statement (**Appendix A**).

Nigel Stevenson
Service Director, Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Jo Toomey, Governance Officer
Telephone: 0115 977 4506
E-mail: jo.toomey@nottscc.gov.uk

Legal Comments (GR 03/02/2026)

21. The Nottinghamshire Pension Fund Committee has the delegated authority to receive this report and make the recommendation contained within it

Financial Comments (TMR 28/01/26)

22. The financial implications of this report are set out in paragraphs 18 and 19.

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.

- Funding Strategy Statement guidance (published January 2025):
<https://lgpsboard.org/images/Guidance/FSS%20guidance%20Final%20January%202025.pdf>

Electoral Division(s) and Member(s) Affected

- All

NOTTINGHAMSHIRE PENSION FUND

Funding Strategy Statement

Table of Contents

| | |
|---|----|
| Section A – Purpose of the fund and the FSS..... | 4 |
| Introduction..... | 4 |
| Aims and objectives of the FSS..... | 4 |
| Monitoring and review of the FSS..... | 5 |
| Section B: Key funding principles..... | 6 |
| Funding target..... | 6 |
| Managing risk..... | 12 |
| Main actuarial assumptions..... | 12 |
| Links to the Investment Strategy Statement (ISS)..... | 15 |
| Primary rate of employers’ contribution..... | 16 |
| Secondary rate of the employers’ contribution..... | 17 |
| Payment of additional contributions..... | 17 |
| Actuarial valuation..... | 17 |
| Review of employer contributions between valuations..... | 18 |
| Fund approach to managing surpluses and deficits..... | 18 |
| Employer covenant..... | 19 |
| Guarantors..... | 19 |
| Admission bodies..... | 20 |
| Links to administration strategy..... | 22 |
| Section C: Employer events..... | 23 |
| Joining the fund and employer contribution rate setting and monitoring..... | 23 |
| Preparing for exit and events which may trigger termination..... | 26 |
| Deferred debt agreements or debt spreading arrangements..... | 28 |
| Suspension notices..... | 28 |
| Partial terminations..... | 28 |
| Bulk transfers (both to or from the LGPS)..... | 28 |
| Annex A: Contribution review policy..... | 30 |
| The contribution review process..... | 30 |
| Timelines..... | 31 |
| Responsibility of costs..... | 31 |
| Triggering a contribution review..... | 31 |
| Information required from the Scheme employer..... | 33 |
| Assessing the appropriateness of a review..... | 33 |
| Method used for reviewing contribution rates..... | 34 |

| | |
|---|----|
| Appeals process | 35 |
| Annex B: Deferred debt agreement and debt spreading arrangement policies..... | 36 |
| Introduction | 36 |
| Approach for exiting employers | 36 |
| Choosing a DDA or DSA | 37 |
| Deferred Debt Agreements (DDAs) | 38 |
| Monitoring a DDA | 40 |
| Terminating a DDA | 41 |
| Debt Spreading Arrangements (DSAs) | 42 |
| Entering a DSA..... | 42 |
| Monitoring a DSA..... | 44 |
| Terminating a DSA | 45 |
| Annex C: Exit Credit Policy..... | 47 |
| Annex D: Managing Risks | 48 |
| Annex E: Glossary | 53 |

Section A – Purpose of the fund and the FSS

Introduction

This is the Funding Strategy Statement (FSS) for the Nottinghamshire Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Nottinghamshire County Council in our capacity as Administering Authority of the Fund.

We have prepared this statement:

- in accordance with Regulation 58 of the LGPS Regulations 2013 as amended (the Regulations);
- with regard to the guidance ([Guidance for Preparing and maintaining a Funding Strategy Statement \(FSS\)](#)) jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG); and
- having taken advice from the Fund Actuary, Barnett Waddingham.

This statement should be read in conjunction with our Investment Strategy Statement (ISS) [here](#).

Employers and other relevant parties have been consulted during the development of this FSS.

This FSS was approved by the Nottinghamshire Pension Fund Committee on 12 February 2026 following consultation with our employers.

We have included an explanation of the key terminology used in this document in Annex E: Glossary.

Contact details

Any queries relating to this FSS should be directed to lgpsemployersupport@nottsccl.gov.uk

Aims and objectives of the FSS

The aims and objectives of this FSS are to:

- Enable our Fund Actuary to undertake appropriate funding calculations for the Fund, whether as part of a triennial actuarial valuation exercise or otherwise, which also meet the requirements of the LGPS Regulations and guidance and their professional obligations;
- Establish a clear and transparent fund-specific strategy that will identify how our employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set employer contributions to ensure the solvency and long-term cost efficiency of the Fund are met in the context of fiduciary duty;
- Explain how we seek to balance the interests of different employers; and
- Explain how we deal with conflicts of interest and references other policies/strategies.

They have been set in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations.

Our aims in relation to long-term funding are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Conflicts of interest

There is a potential conflict of interest in that the FSS is prepared by the Administering Authority which is itself an employer in the Fund. We will ensure that the contents of the FSS are not unduly influenced by any one employer by undertaking a consultation which is extended to all employers.

The Fund's Conflict of Interest Protocol is available [here](#).

Monitoring and review of the FSS

The FSS will be monitored annually and it will be reviewed before the completion of the next actuarial valuation of the Fund unless circumstances suggest an earlier review would be desirable or required.

Examples of when we may wish to review the FSS include:

- Material changes to the LGPS benefit structure or regulations;
- Significant changes to our investment strategy;
- Significant changes to our membership profile;
- Such significant changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant);
- A material change in the affordability of contributions and/or employer(s) financial strength which has an impact on the future solvency of the Fund;
- Recommendations from MHCLG/Government Actuary's Department (GAD); or
- On the advice of the Fund Actuary.

In a review of the FSS, we would consider whether an update to the FSS was required (and consequently whether an update to the ISS was also required). If we felt an update was required, we will consider communicating with those employers specifically impacted by any changes.

Section B: Key funding principles

Funding target

Employer contribution rates are required by Regulations to be set by an actuarial valuation exercise and securing the solvency and long-term cost efficiency of our Fund is a regulatory requirement. The Regulations also state it is desirable to maintain as nearly constant a Primary rate of employers' contribution as possible and the Fund aims to achieve this. A key principle in determining employer contribution rates is to establish a funding target, with employer contribution rates then set to meet that target over an agreed period.

The past service funding level (often referred to as simply the funding level) is the ratio of assets to liabilities in respect of accrued past service.

We define the funding target as having at least sufficient assets in the Fund to meet the accrued past service liabilities (i.e. a funding level of 100%). We may set different funding targets for different employers or groups (pools) of employers in the Fund.

The Fund Actuary can then assess how the value of the assets held by the Fund compares to the funding target and calculate the past service funding level.

We have many different employers in our Fund and our strategy seeks to strike the right balance between affordable, stable contributions whilst also recognising that failure of an employer to pay contributions, can lead to financial consequences for other employers. More information on the funding target for different employers is set out in the Summary of funding approach table.

How we set employer funding objectives

Members' benefits are payable many years into the future and positive investment returns can help make the benefits more affordable for employers. Investment returns are not guaranteed or known in advance so the assumed future rate of investment return (also known as the discount rate) is the key assumption the Fund Actuary makes in calculating the liabilities. In general:

- the lower the investment return over a time period the higher the required contributions to the Fund over that time period and vice versa;
- the higher the assessed risk an employer (or group of employers) may cease to exist in future and be unable to meet their obligations to the Fund, the lower the assumed rate of future investment return may be, whilst recognising this must be balanced with affordability considerations; and
- the time period over which it is appropriate to consider the contributions and investment return may vary depending on the circumstances of an employer (or group of employers).

There are broadly three categories of employer according to the Regulations:

- Schedule 2 Part 1 ("Scheduled") bodies which must admit eligible employees to the LGPS (for example County and District councils, police and fire bodies and academies);
- Schedule 2 Part 2 ("Resolution") bodies which designate employees or posts as being eligible to join the LGPS (for example town and parish councils);

- Schedule 2 Part 3 (“Admission”) Bodies which participate by virtue of paragraph 1(d)¹ (generally where a service has been outsourced to a private sector contractor) – “Transferee Admission Bodies” (TABs) and meet the criteria in paragraphs 1(a) to (c) or 1(e) are typically referred to as Community Admission Bodies (CABs) (for example Charities and Housing associations).

We aim to be fair and consistent across our employers, so for all employers within a category, unless justified by a covenant assessment or agreed with the Fund Actuary, we will:

- adopt the same maximum periods to recover any deficit or surplus;
- apply the same minimum employer contribution rate;
- use the same funding basis to set the employer contributions for the actuarial valuation;
- use the same cessation basis in the event of an employer exit;
- apply the same maximum terms for any deferred debt agreement and debt spreading arrangements.

¹ of Part 3 of Schedule 2 to the Regulations

Summary of funding approach

Below we have summarised the funding approach to participating employers in the Nottinghamshire Pension Fund (the Fund).

| Employer Category | Council Related | External Guarantee | Transferee Admitted Bodies (TABs) with Guarantor | TABs (Pass-through) | Tier 3 Employer (no guarantee) | Tier 3 Employer (with security guarantee) | Deferred Employer |
|--|---|--|--|--|--|--|---|
| Definition | Employers with tax raising powers. Local authority or a related employer. | Employers who do not have a guarantee with another employer in the Fund but who do have a guarantee of last resort from the Department for Education (DfE) | Contractors with responsibility for their members. | Contractors where the funding risk has been retained by the letting authority. | Employers who do not have a guarantee with another employer in the Fund, so should they cease responsibility would pass to the Fund. | Employers who do not have a guarantee with another employer in the Fund but who have some form of external guarantee.* | Employers who have ceased participation in the LGPS as an active employer but continue to contribute into the Fund through a DDA. |
| Types of employer within category | All Councils Police Authorities Fire Authorities Schools (non-academy) | Academies Further Education (FE) bodies falling under the guarantee of the Department | Transferee Admission Bodies (full risk transfer route) | Transferee Admission Bodies (pass-through route) | Community Admission Bodies Housing Associations Higher education bodies | Community Admission Bodies Housing Associations Higher education bodies | Ceased employers who have a DDA extension |

| Employer Category | Council Related | External Guarantee | Transferee Admitted Bodies (TABs) with Guarantor | TABs (Pass-through) | Tier 3 Employer (no guarantee) | Tier 3 Employer (with security guarantee) | Deferred Employer |
|---|---|---|---|--|--|--|-----------------------------|
| | | for Education (DfE) | | | | | |
| Valuation basis for funding | Ongoing basis | Ongoing basis | Ongoing basis | n/a | Ongoing basis | Ongoing basis | Projected cessation basis** |
| Details of pooling approach | Small scheduled bodies pool for Town and Parish Councils, pools for Newark and Sherwood District Council and Broxtowe Borough Council otherwise individually funded | Pool for Academies Pool for West Nottinghamshire College | None - individually funded | n/a | Past service pooling possible between comparable employers | Past service pooling possible between comparable employers | None |
| Primary contribution rate | Open Primary rate (of pool if appropriate) | Open Primary rate (of pool if appropriate) | Open/Closed Primary rate | Letting Authority Primary rate (default) - other approaches possible | Open/Closed Primary rate | Open/Closed Primary rate | n/a |
| Approach to recovering a funding deficit | Pooled secondary contributions, Max recovery period 17 years | Pooled secondary contributions, Max recovery | Max recovery period 17 years If closed then shorter of EFWL | n/a | If closed then shorter of EFWL and contract end | If closed then shorter of EFWL and contract end | Term length |

| Employer Category | Council Related | External Guarantee | Transferee Admitted Bodies (TABs) with Guarantor | TABs (Pass-through) | Tier 3 Employer (no guarantee) | Tier 3 Employer (with security guarantee) | Deferred Employer |
|---|---|----------------------|--|---------------------|---|--|---|
| | | period 17 years | and contract end date | | date, if open EFWL | date, if open EFWL | |
| Surplus Retention Limit (% funding position) | 115% | 115% | 115% | 115% | 100% on the full cessation basis | 100% on the full cessation basis | None |
| Approach to spreading a funding surplus*** | <p>Negative secondary rates are possible on funds exceeding surplus retention limit.</p> <p>Negative secondaries are not possible if the Funding Level (FL) is less than the surplus retention limit.</p> | | | n/a | Negative secondary rates are always possible. | Negative secondary rates are possible on funds which exceed surplus retention limit. Negative secondaries are not possible if the Funding Level (FL) is less than the surplus retention limit. | Negative secondary rates are always possible. |
| Cessation basis | Ongoing basis | Full cessation basis | Ongoing basis | n/a | Full cessation basis | Full cessation basis | n/a |

*The purpose of the security is to protect the Fund against a loss should the employer default. The financial value of the security should therefore be at least equal to the full cessation deficit as at 31 March 2025.

**The projected cessation basis is more prudent than the ongoing basis but not as prudent as the full cessation basis. It is set such that the employer will be fully funded on the full cessation basis after a set time period and therefore ideal for active employers that are going to cease without any guarantor or security.

***The maximum period allowed for deficit recovery or surplus spreading is 17 years. This applies to all employers in the Fund.

Managing risk

Whilst our funding strategy aims to satisfy the funding objectives of ensuring sufficient assets to meet liabilities and stable levels of employer contributions, there are risks that may impact on the ability of the strategy to meet our funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

We maintain a risk register, which is kept under regular review. In line with our [Risk Management Strategy](#), any changes and developments are reported to Nottinghamshire Pension Fund Committee and the Local Pensions Board. Agendas and minutes of these meetings are available to view through [Nottinghamshire County Council's website](#). See Annex D: Managing Risks for further information.

Main actuarial assumptions

To value liabilities, the Fund Actuary needs to make assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and employee turnover etc.

The assumptions adopted at the valuation can be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimated value of the amount of benefits and contributions payable.

A summary of our methodology to determine and monitor the actuarial assumptions is explained below. Financial assumptions are based on a particular date and consider average market yields over the six months straddling the relevant date. The relevant date may be the date of the valuation, or the date an employer joins or leaves the Fund.

Retail Prices Index (RPI) inflation

To measure the future level of price inflation over the long-term, we use the 20 year point on the Bank of England implied RPI inflation curve. A fixed inflation risk premium deduction of 0.3% p.a. is made to the assumption.

Consumer Prices Index (CPI) inflation (future revaluation and pension increases)

Pension increases, both in payment and the rate of revaluation applied to pension accounts, are linked to changes in the level of the CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. Based on analysis undertaken by the Fund Actuary, a deduction of 0.4% p.a. is made to the RPI assumption to derive the CPI assumption as at 31 March 2025. This deduction will taper down to 0.2% p.a. by February 2030 when it is anticipated that the RPI will be aligned with the Consumer Prices Index including owner occupiers' housing costs (CPIH).

Pay increases

As some of the benefits are still linked to final pay, the Fund Actuary needs to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/ discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to present day values. The discount rate that is applied to all projected liabilities reflects an estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the relevant date.

The discount rate is this rate of return with an adjustment for prudence. The adjustment for prudence has the effect of, all else being equal, increasing the value of liabilities.

The level of prudence incorporated within the ongoing discount rate is a fixed deduction which has been set using modelling carried out by the Fund Actuary.

The level of "prudence" in the ongoing discount rate has been determined based on a success probability of 70% which translates to a fixed deduction of 1.3% p.a. to the estimated rate of return.

The adjustment for prudence is higher if the discount rate is used to value liabilities where the employer is leaving the fund. Further detail is given in Process for determining the position on termination section.

Demographic assumptions

The demographic assumptions adopted are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Valuation assumptions

The key assumptions used in the 2025 actuarial valuation as at 31 March 2025 are summarised below:

| Assumptions | Assumptions used for the 2025 valuation | |
|---|---|---|
| Financial assumptions (p.a.) | | |
| CPI inflation | | 2.7% |
| Salary increases | | 3.7% |
| Discount rate | | 5.0% |
| Demographic assumptions | | |
| Post-retirement mortality | Base table | S4PA |
| | Multiplier (male/female) | 110% / 100% |
| | CMI Model / long-term rate | 2024 / 1.5% p.a. |
| | Initial addition parameter | 0% |
| | Overlay half-life | 1 year |
| Retirement assumption | | Weighted average GAD 2020 scheme valuation : no salary scale, 50% multiplier to ill-health rates and 110%/115% multiplier to pre-retirement mortality rates (M/F) |
| Pre-retirement decrements | | |
| IH assumed proportion in each tier (T1/T2/T3) | | 75% / 15% / 10% |
| 50:50 assumption | | Member data |
| Commutation | | 50% Max |
| Family statistics | | |
| | % with qualifying dependant | 75% (M) / 65% (F) |
| | Age difference | Males 3 years older |

Further information on the assumptions used is explained in the Fund's valuation report [link](#).

Actuarial methods

The actuarial method for open employers is the projected unit method and for closed employers is the attained age method. These are explained further in the section Primary rate of employers' contribution.

Asset valuation

For the purpose of considering funding levels and setting contributions, the asset value used is the market value of the assets at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities. For the 2025 valuation this led to assets being taken into account for funding purposes at 102% of the market value.

The Fund's assets are effectively unitised and notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid). For funding pools the assets and liabilities are pooled together and calculated as if the funding pool were a single employer.

Employer pooling and risk sharing

The Fund operates several funding pools where employers share risks. This may impact the calculation of an employer's assets and is explained further in the section Pooling of individual employers.

Links to the Investment Strategy Statement (ISS)

Our ISS is available [here](#).

The funding strategy and the investment strategy are strongly connected.

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return anticipated to be achieved by the long-term strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

After employer and employee contributions, investment returns are the third key pillar of LGPS funding. We must be able to pay benefits when they are due. The payments of benefits are met from a combination of contributions (through the funding strategy) and asset return and income (through the investment strategy). Should investment performance or income fall below projected levels, it may be required to increase employer contributions to compensate to meet the cost of the benefits. Hence the required investment returns to meet the discount rate assumption set out in the FSS are considered in setting the strategic asset allocation.

A summary of the asset classes and allocation from the most recent ISS is shown below:

| Asset class | Strategic asset allocation |
|----------------------|----------------------------|
| Gilts | 8.5% |
| Cash | 4.0% |
| Corporate bonds | 9.0% |
| Equities | 54.0% |
| Property | 9.0% |
| Infrastructure | 9.3% |
| Absolute Return Fund | 6.2% |

In developing its investment strategy, the Fund has worked closely with professional advisors to establish a well-diversified portfolio intended to achieve the required return set by the actuary. The projected return from the

asset allocation is intended to support the Fund's ability to remain fully funded on an ongoing basis. A suitable margin above the actuarial target has been incorporated to allow for reasonable downside risks, while the strategy also ensures sufficient liquidity to meet the Fund's obligations as they fall due. How employer contributions are calculated.

The total contribution rates an employer must pay is the primary contribution rate plus the secondary contribution rate. The primary and secondary contribution rates are discussed in the sections below. The table in the How we set employer funding section above summarises how the primary and secondary contribution rates are set including the bases used under different circumstances of the valuation, or joining or leaving the fund.

The contribution rates that an employer must pay as calculated as part of the actuarial valuations will be communicated to the employers in the late Autumn of the valuation year through an initial results report written by the Fund Actuary.

The contribution rates that an employer must pay when they join the Fund will be calculated by the Fund Actuary and communicated via the Fund upon joining.

Frequency of employers' contributions

Contributions must be paid monthly unless we agree to a special arrangement following discussion with the Fund Actuary. Where contributions are based on a percentage of pay, the amounts paid by employers will fluctuate in line with payroll each month.

For all employers, the primary and secondary contributions they are required to pay along with the frequency of payment will be certified by the Fund Actuary in the Rates and Adjustment Certificate. The latest certificate can be found [here](#).

Prepayment policy

We will not consider requests by employers to pay their secondary contributions up front.

Primary rate of employers' contribution

The funding level considers past service, but the Fund Actuary must also calculate the cost of benefits which will be earned in the future by active members.

The primary rate of an employer's contribution, as defined in Regulation 62(5), is the level of contributions required, expressed as a percentage of the pay of active members, which, together with employee contributions, is expected to cover the cost of benefits accruing in future.

The calculation of the primary rate ignores any past service surplus or deficit but allows for any employer-specific circumstances such as whether an employer is open or closed and includes the employer's share of administration costs.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

Our approach to setting the primary rate depends on specific employer circumstances, including the strength of the employer covenant and guarantor arrangements which determine the employer categorisation (as set out in the Funding target section above). If an employer has any risk sharing arrangements, then the primary rate will depend on the arrangement in place, and if the employer is part of a pooling arrangement, then the primary rate may be set to be the same as other employers in the pool. It may also depend on whether an employer is

an “open” employer – one which allows new employees access to the Fund, or a “closed” employer – one which no longer permits new employees access to the Fund.

For open employers, in general, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year’s benefit accrual only.

For closed employers, in general, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

Secondary rate of the employers’ contribution

Whilst one of our funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, we know that at any particular point in time, the value of the assets is unlikely to be equal to the value of accrued liabilities, depending on how the actual experience of the Fund compares to the actuarial assumptions. This means there will be a past service surplus or deficit which can lead to an adjustment to employers’ contributions. This contribution adjustment is referred to as the secondary rate, as defined in Regulation 62(7). The secondary rate is a positive or negative adjustment to the primary rate to arrive at the total contribution rate each employer is required to pay.

Secondary contributions can be certified as a percentage of payroll or as monetary amounts (which can be fixed or nominal amounts).

There is a potential conflict of interest whereby a single employer i.e. the Administering Authority of the Fund, is leading the process of setting the adjustments to the primary rate. The Fund manages this conflict of interest by consulting with all employers on the contents of the FSS which sets out how secondary contribution rates are set for all categories of employer.

Payment of additional contributions

Employers will usually be expected to make additional contributions into the Fund under the following circumstances:

- Where an employee under Regulation 30(7) becomes entitled to an immediate unreduced pension as a result of redundancy or business efficiency, we will request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement;
- Where an employee makes Additional Voluntary Contributions (AVC), at the employer’s discretion, they may make an additional payment to the chosen AVC provider under a cost sharing arrangement with the member.

The employer is required to inform the fund if any of these situations occur, in line with our [Administration Strategy](#).

Actuarial valuation

As required by Regulation 62 (1) of the LGPS Regulations 2013, an actuarial valuation of all LGPS funds is carried out every three years.

The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation of the Fund was undertaken as at 31 March 2025. The results of the 31 March 2025 valuation can be found in the [Fund's valuation report](#), which includes:

- An actuarial valuation of the assets and liabilities of the Fund;
- The funding level of the Fund as at the valuation date;
- The primary rate for the whole fund which is the weighted average (by payroll) of the individual employers' primary rates
- The financial and demographic actuarial assumptions used to value the pension liabilities, including details of the sensitivity of the results to a small change in the assumptions used;
- The valuation report must demonstrate how the demographic assumptions have been set with reference to the actual events affecting Fund members since the previous valuation;
- A Rates and Adjustments certificate outlining the minimum contributions payable by employers in the Fund; specifying both the primary rate and secondary rate of the employer's contribution for each of the three years beginning on 1st April following the year in which the valuation date occurs; and
- Summarised information of the actuarial valuation in the form of a "dashboard" which is agreed between the actuarial firms and GAD.

The valuation documentation must be provided to the Administering Authority before the first anniversary of the valuation date.

Review of employer contributions between valuations

The Fund's Contribution review policy can be accessed in Annex A: Contribution review policy.

Fund approach to managing surpluses and deficits

Section A – Purpose of the fund and the FSSAs set out in Section A – Purpose of the fund and the FSS our aim is to ensure employers’ contributions are set to meet the Regulatory requirements of achieving solvency and long-term cost efficiency but also for the primary rate to be as stable as possible.

We aim to keep primary (and also total) contribution rates stable by:

- asking the Fund Actuary to adopt a discount rate (or assumed investment return) derived from the expected investment return on the Fund’s assets;
- reviewing the level of prudence, i.e. the gap between the discount rate (or assumed investment return) and the expected investment return, at each valuation; and
- operating funding pools which increases the stability of contribution rates compared to calculating individual contribution rates for each employer, particularly for small employers.

Where there is a deficit, the secondary contribution rate is generally calculated to pay off the deficit over a maximum period of 17 years.

Where there is a surplus, the secondary contribution may include an adjustment to run off the surplus over a minimum period of 17 years.

The period adopted for individual or groups of employers will depend on:

- The significance of the surplus or deficit relative to the liabilities;
- The Employer covenant of the employer/group (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers’ contribution.

Details for different categories of employers are shown in the table above.

Employer covenant

The Pensions Regulator defines employer covenant as *“the extent of the employer’s legal obligation and financial ability to support the scheme now and in the future”*.

There is no prescribed way for an LGPS fund to assess and allow for employer covenant within their funding approach. In considering employer covenant as part of our funding strategy we will look to profile and better understand our participating employers, particularly by sector or size.

In reviewing the employer covenant, we look to:

- assess each employer’s obligation and ability to support their ongoing LGPS commitments, in the context of any guarantees or security in place,
- reappraise the “riskiness” of employers, given their updated funding position,
- further integrate covenant insights into funding and investment strategy,
- ensure contributions are set appropriately; and
- put in place pragmatic procedures to monitor employers going forward.

The Fund’s approach to allowing for employer covenant is set out below.

In certain circumstances, an employer is obliged to notify the Fund about any changes. These include:

- an insolvency event
- a merger or acquisition with another employer
- a significant change in Dun & Bradstreet score

The employer should contact the Fund via email here: lgpsemployersupport@nottsc.gov.uk

Guarantors

A guarantor of an employer in the LGPS is a formal promise by a party other than the Scheme employer, to meet any pension obligations not met by the Scheme employer. There are different types of guarantee that can be provided:

- A “subsuming guarantor” will assume future responsibility for the pension liabilities and assets following the exit of the Scheme employer. The exiting employer is generally still expected to meet any exit payment due. This is the situation for private contractors where the letting authority will be the “subsuming guarantor”.
- An “external guarantor,” such as the Department for Education, provides a guarantee that the exit payment will be made to the Fund in the scenario that the exiting employer cannot make it. This a one-off payment, the external guarantor does not assume future responsibility for the pension liabilities and assets of the exiting employer.
- A “physical guarantee”, often referred to as security. may provide the Fund the opportunity to call on the asset backing the guarantee in the event that the exiting employer cannot make the exit payment.
- A “guarantor of last resort” will be responsible for pension liabilities if the Scheme employer fails to meet its pension obligations to the Fund. The guarantor is liable to cover any exit payment and assume responsibility for pension obligations when all other avenues have been exhausted.

We will consult with guarantors on any proposed changes that significantly increase the risk of costs provided under the original guarantee.

Guarantor treatment for key funding activities

Guarantors will be treated consistently to other Scheme employers for funding purposes as follows:

- For new employers joining the Fund, the new employer should notify us of any guarantor in place and in the case of admission bodies, the existence and type of guarantor will be specified in the admission agreement;
- The guarantee for LGPS liabilities provided by the Department for Education for further education bodies and academy trusts is taken into account in setting the contribution rates for those employers covered by the guarantee (which we understand includes any admission bodies participating under a pass-through arrangement);
- Guarantors are subject to the same notifiable events process as employers. Notifiable events are set out in the Contribution Review policy; and
- For exiting employers, we will carry out a cessation valuation of the employer’s liabilities and the existence of a guarantor will affect the actuarial valuation basis used to determine the final cessation valuation. More detail can be found in section Process for determining the position on termination.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Security required by admission bodies

Under the Regulations, the Administering Authority must assess the risk a proposed new admission body poses to the Fund should the admission body become insolvent or go out of business.

For any proposed new admission bodies who are not joining the Fund using a pass-through arrangement, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and Administering Authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the Administering Authority.

This security may cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The security required upon admission to the Fund is agreed by the scheme employer, as letting authority, in conjunction with the Fund.

Risk sharing arrangements

Subject to agreement with the Administering Authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The Administering Authority may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

Pass-through arrangements

New admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority. This is commonly known as a pass-through arrangement.

We may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement. All information regarding risk sharing arrangements should be shared with the Fund. Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

As part of the risk sharing agreement, the following information should be documented:

- whether the new admission body remains responsible for pensions costs that arise from above average pay increases, including the effect on service accrued prior to contract commencement;
- redundancy and early retirement decisions; and
- treatment of the admission body on exit.

The arrangement should not lead to any undue risk to the other employers in the Fund.

For any new admission bodies as a result of an outsourcing by an academy trust or a further education body, we understand that where pass-through provisions are in place, the liabilities remain covered by the Department for Education Guarantee.

Links to administration strategy

The membership data provided by employers is used by the Fund to calculate the contributions due from the employers on joining the fund, terminating the fund or between actuarial valuations. Membership data is required for the actuarial valuations, and also when the employer joins or terminates the Fund. The quality of the data could impact the contributions that an employer is required to pay.

The Fund's administration strategy can be found [here](#).

Section C: Employer events

Joining the fund and employer contribution rate setting and monitoring

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate (unless the new employer joins under a pass-through arrangement). The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

When a new employer wants to join the Fund, this should be approved by the Fund officer with the appropriate delegated authority by the administering authority. The new employer will automatically join the appropriate employer category or funding pool as set out in the table in the section Summary of funding approach, unless representations are made by the employer to the Fund via the Fund officer.

A new employer must provide membership data where the data is as at the date of joining the Fund. The data should be of good quality as it is used by the Fund Actuary to calculate the funding level and employer contribution rates on joining.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

There are two main ways for the Fund to approach a new admission body joining the Fund.

- 1) Full risk transfer
- 2) Pass-through arrangement

More detail around the full risk transfer approach and the pass-through approach are set out below.

Approach of the Fund

The default approach for admission bodies to join the Fund is under a full risk transfer. The admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. However, the Administering Authority may consider requests for a pass-through arrangement from new admission bodies.

Funding at start of contract (full risk transfer only)

Under a full risk transfer, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

For new employers participating under a pass-through arrangement, the default approach will be for the new employer to pay the same contribution rate as the letting authority.

Depending on the details of any risk sharing arrangement, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement and agreed between the new employer and the letting authority.

Pass-through arrangements

Pass-through arrangements are allowed for at the actuarial valuation by allocating any deficit/liabilities covered by the risk sharing arrangement to the relevant responsible employer.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date. More detail on funding pools can be found below. The academy pool will be allocated assets based on the active cover of the Local Education Authority Schools pool at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities, subject to a maximum cap on the allocated assets of 100% of the active liabilities. This approach reflects the fact that deferred and pensioner members of the local authority school will not transfer to the new academy.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2025 valuation.

Where an academy joins an existing multi-academy trust in the Fund, additional contributions will be certified for the multi-academy trust to reflect the increase in pensionable pay associated with the new academy.

Pooling of individual employers

Each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

The funding pools adopted for the Fund are summarised in the table below:

| Pool | Type of pooling | Funding positions | Contribution rate |
|------------------------------------|--|--|--|
| Academies including Free Schools | For funding level and contribution rate purposes | All employers in the pool will have the same funding level | All academies in the pool pay the same total contribution rate |
| West Nottinghamshire College | For funding level and contribution rate purposes | All employers in the pool will have the same funding level | All employers in the pool pay the same total contribution rate |
| Town and Parish Councils | For funding level and contribution rate purposes | All employers in the pool will have the same funding level | All councils in the pool pay the same total contribution rate |
| Broxtowe Borough Council | For funding level and contribution rate purposes | All employers in the pool will have the same funding level | All employers in the pool pay the same total contribution rate |
| Newark & Sherwood District Council | For funding level and contribution rate purposes | All employers in the pool will have the same funding level | All employers in the pool pay the same total contribution rate |

Treatment of employers in a pool (excluding pass-through arrangements)

When an employer joins a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of joining. Any transferring assets in excess of this will get shared between the other employers in the pool.

When an employer leaves a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of leaving.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. In this scenario, employers will be consulted with before this change is made. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool. Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate. The Fund will define the criteria for employers to be a part of a pool or not. There may be a scenario where an employer may request to be excluded from the pool but this is only likely to be granted in exceptional circumstances following discussion with the Fund Actuary.

Preparing for exit and events which may trigger termination

A cessation valuation may be required for many reasons, including:

- the last active member ceasing participation in the Fund
- the contract / admission agreement expiring
- Insolvency or wind up of the admission body
- Termination of a deferred debt agreement (DDA)
- A breach of the contract e.g. failure to pay contributions within the required period

If an employer wants to leave the Fund, they should notify the Fund via lgpsemployersupport@nottsc.gov.uk

An employer should provide membership data to the Fund at the date of termination. The Fund needs the membership data before it can calculate the termination position. An employer can provide data at an earlier date to obtain an indicative termination position. If the termination takes place at a different date or if there are any changes to the membership from the data supplied then the termination position should be recalculated. The membership data should be of good quality as it affects the termination position and the amount an employer needs to pay or receive when exiting the Fund.

When a Scheme employer exits the Fund they become an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer or the exit credit payable to the exiting employer. The exit position will be determined using membership data relating to the date of exit.

Process for determining the position on termination

The Fund needs to protect the security of the remaining employers when assessing the position of the exiting employer. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing actuarial assumptions depending on the employer and the specific details surrounding the employer's termination.

Different valuation approaches are taken depending on the details surrounding the exit of the employer. This generally comes down to the following two questions:

- **What is happening to the active members?**
For example, at the end of many outsourced contracts, the members may continue in employment with a new contractor. Alternatively, members may be made redundant or transferred to a defined contribution scheme with the same employer.
- **Is there an employer in the Fund willing to underwrite the future pension liabilities?**

For example, there may be a guarantor that is compelled to or volunteers to be responsible for any future deficits, or the exiting employer may be entering into a deferred debt agreement (DDA) with the Fund.

The Fund classifies a termination into the following scenarios:

Cessation scenarios

| | |
|-------------------|---|
| Ongoing cessation | Any remaining active employees are transferred to another employer in the Fund and the deferred and pensioner liabilities are also picked up by another employer in the Fund (which is usually the same employer as the destination for the active members but may not be). The funding position under this scenario is essentially the current ongoing funding position. |
| Full cessation | No employer in the Fund will be responsible for the Employer's residual liabilities after the Employer's exit from the Fund. Therefore, an approach using a relatively high level of prudence is required to reduce the risk that the assets held in respect of the Employer's liabilities are not sufficient to pay for the members' benefits. Any members eligible for unreduced early retirement benefits on redundancy are assumed to become entitled to these. |

For any employer exiting on the ongoing cessation scenario, their valuation will be carried out under the same method and assumptions as the ongoing funding basis. i.e. the funding basis as set out in section Main actuarial assumptions.

For any employer exiting under a full cessation scenario, a more prudent discount rate is adopted than for the ongoing basis. All other assumptions are as for the ongoing funding basis. The more prudent discount rate is determined as follows:

A stochastic analysis was used to assess the "success probabilities" of certain levels of prudence as part of the 2025 valuation. The default approach to calculating the cessation position will be using a discount rate based on the success probability of 85%. This corresponds to a 3.0% prudence adjustment in the discount rate assumption. If we are satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

It may be appropriate for alternative success probabilities to be adopted, or different discount rate approaches to be taken, to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect our views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the Administering Authority.

The Fund Actuary will undertake stochastic modelling at least once every three years, or more frequently if it is deemed appropriate to do so, to recalibrate the level of prudence to ensure the success probability of 85% is retained.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless we agree with the other parties involved that an alternative approach is permissible. Alternative approaches are set out in the Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in Annex B: Deferred debt agreement and debt spreading arrangement policies.

Any surplus in the Fund in respect of the exiting employer may be treated differently to an exit payment, subject to the agreement between the relevant parties and any legal documentation. The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. The Fund's exit credit policy is here Annex C: Exit Credit Policy.

Deferred debt agreements or debt spreading arrangements

Where a valuation reveals a deficit and an exit payment is due on termination, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the Administering Authority, the Administering Authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading arrangement (DSA) under Regulation 64B.

The Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in Annex B: Deferred debt agreement and debt spreading arrangement policies.

Suspension notices

When the last active member leaves an employer in the Fund, normally under Regulation 64A this would result in a termination event for the employer and an exit valuation produced by the Fund Actuary. However, Regulation 64(2A) allows the suspending of their liability to pay an exit payment.

We will grant a suspension notice if we reasonably believe the employer is likely to have one or more active members contributing into the Fund within three years of the original cessation date. Were a suspension notice issued to a Scheme employer, and after a three-year period no further active members are enrolled, then a cessation valuation should be undertaken by the Fund Actuary, at the date the last active member left the Fund.

Partial terminations

A partial termination is where an employer exits the fund for deferred and pensioner members but seeks to remain a participating employer for active members.

The Fund will not permit any employer in the Fund to complete a partial termination from the Fund apart from under exceptional circumstances.

Bulk transfers (both to or from the LGPS)

Bulk transfers of employees into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured, or a merger or acquisition involving an LGPS employer.

If ten or more members move from one LGPS Fund to another LGPS Fund they are covered by Regulation 103 of the Local Government Pension Scheme Regulations 2013.

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

The employer is responsible for making the Fund aware of any such bulk transfer.

The Fund Actuary for both Funds is responsible for negotiating the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general, we will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). The terms must be acceptable to both Funds and if the Funds and their actuaries cannot reach an agreement then a third actuary is required to step in to determine a reasonable solution.

Membership data will be required in respect of members transferring and this will be agreed by both Funds involved.

The Funds' actuaries will agree a calculation of the transfer amount and it is the original Fund's responsibility to facilitate payment of the transfer amount to the receiving Fund.

Annex A: Contribution review policy

Introduction

This is the Contribution review policy for the Nottinghamshire Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Nottinghamshire County Council in our capacity as Administering Authority of the Fund.

This document sets out the Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Under Regulation 62 of the LGPS Regulations 2013 (the Regulations) we are required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for the three year period beginning 1 April in the following year to that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate. This policy document sets out our approach to considering the appropriateness of a review and the process through which a review will be conducted.

This policy has been prepared following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, we have taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then we can exercise our powers under Regulation 64(4) to carry out a review of contributions with a view to adjusting the contributions for the Scheme employer to exit on a fully funded basis. These cases do not fall under this contribution review policy.

The contribution review process

As part of the review process, within this policy we include detail on:

- Examples of events that may trigger a contribution review under Regulation 64(A)(1)(b).
- The general process for assessing and conducting a review.
- Timescales including a timeline to provide a rough guide of our general expectation.

Following completion of the review process, we may continue to monitor the Scheme employer's position to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by us to allow effective monitoring.

Timelines

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

Where initiation is made by the Administering Authority

Where we initiate a review (i.e. under conditions (i) and (ii) of Regulation 64(A)(1)(b)), the first stage is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 28 days from the later of the date of receipt of the evidence provided and the date of receipt of the results of the formal contribution review to respond to our proposal. Should no challenge be accepted within this period then we will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge our proposal, then we will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 4 months of the initial proposal, then we may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although we will make the ultimate decision for a review, we are committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

We will aim to provide a response to the Scheme employer within 28 days from the date of receipt. This will depend on the quality of the documents provided and any need for us to request further information from the Scheme employer. We will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where we have initiated the review of contributions, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Administering Authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the Administering Authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions above are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of employees
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the Fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of their participation in the Fund, Scheme employers are required to inform us of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, we may identify events that merit a review of contributions.

In addition, we may initiate a review of contributions if we become aware of any events that we deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant

- Concerns felt by the Administering Authority due to behaviour by a Scheme employer, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Administering Authority over a significant period of time.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This may be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

If a request is made for any other reason, then it will be considered by the Administering Authority on a case-by-case basis.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, we will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
 - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer
 - The most recent management accounts
 - Financial forecasts for a minimum of three years
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

We may require further evidence to support the request and this will be requested on a case by case basis.

Assessing the appropriateness of a review

We will take the following general considerations into account in all scenarios:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;

- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Scheme employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, we will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required. We will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer’s contribution rates. We will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

We will make the final decision of whether a review of contribution rates will be carried out after discussion with the Fund Actuary. It is acknowledged that each Scheme employer’s situation may differ and therefore each decision will be made on a case-by-case basis. Should a Scheme employer disagree with the decision, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above and:

- the size of the Scheme employer’s liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Administering Authority’s assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

This will be subject to the following considerations in addition to the general considerations set out above and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the Administering Authority, relative to the size of the Scheme employer’s liabilities

Further considerations to that set out above may be relevant and will be taken into account as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, we will take advice from the Fund Actuary on the calculation of the Scheme employer’s revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer’s ability to meet its obligations to the Fund.

The table below sets out the general approach that will be used when carrying out this review.

| | General approach |
|-------------|--|
| Member data | The starting point for reviewing a Scheme employer’s contribution rates will in some cases be the most recent actuarial valuation. |

| | |
|--|--|
| | <p>In most cases, given the review is due to an anticipated change in membership, the Administering Authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment.</p> <p>Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous valuation are known.</p> |
| Approach to setting assumptions | This will be in line with that adopted for the most recent actuarial valuation, as set out in the Fund's Funding Strategy Statement (FSS). |
| Market conditions underlying financial assumptions | Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation. |
| Conditions underlying demographic assumptions | Unless an update is deemed more appropriate by the Fund Actuary, the demographic assumptions will be in line with those at the most recent actuarial valuation. |
| Funding target | The funding target adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances. |
| Surplus/deficit recovery period | The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances. |

The Fund Actuary will be consulted throughout the review process and will be responsible for providing a revised rates and adjustments certificate. Any deviations from the general approach set out above will be agreed by us and the Fund Actuary.

Appeals process

Any appeal will follow the existing Internal Dispute Resolution Process.

Annex B: Deferred debt agreement and debt spreading arrangement policies

Introduction

This is the policy on deferred debt agreements (DDAs) and debt spreading arrangements (DSAs) for the Nottinghamshire Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Nottinghamshire County Council in our capacity as Administering Authority of the Fund.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the Administering Authority to enter into a DDA with the employer while Regulation 64B enables the Administering Authority to enter into a DSA.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remain responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the Administering Authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the Administering Authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the Administering Authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the Administering Authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued on 2 March 2021 by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities dated 5 March 2021.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the Administering Authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the Administering Authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted to the Fund at lgpemployersupport@nottsc.gov.uk within 28 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 28 days as per the Fund's Pension Administration Strategy.

Where possible, the Administering Authority encourages employers who are approaching exit to engage with the Administering Authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the Administering Authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The Administering Authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the Administering Authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The Administering Authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA from an exiting employer, the Administering Authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the DDA or DSA was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Management of costs

On receiving a request, the Administering Authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the Administering Authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated, the Administering Authority will keep the exiting employer up-to-date with any increases. The Administering Authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA is agreed or not is ultimately the decision of the Administering Authority. In the event of any dispute from the employer, please refer to the Fund's internal dispute resolution procedures document.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DDA within 28 days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the Administering Authority may not consider a DDA is appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the Administering Authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered, the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DDA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the Administering Authority and the exiting employer and will be set out in a formal legal agreement.

The Administering Authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the Administering

Authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the Administering Authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore, payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as those arising from an employer discretion, or strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the Administering Authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the Administering Authority and provided to the deferred employer;
- promptly provide all such information that the Administering Authority may reasonably request to administer and manage the agreement; and
- give notice to the Administering Authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the Administering Authority. The Administering Authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the Administering Authority and employer may agree to amend the terms of the agreement.

The Administering Authority will monitor a DDA in the following ways:

Changing funding position

The Administering Authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review, then the Administering Authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

Once an employer enters into a DDA, the Administering Authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the Administering Authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the Administering Authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the Administering Authority will check there has been no change to the security at agreed regular intervals and as a minimum as part of each actuarial valuation. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrolls new active members;
- the duration of the agreement elapses;

- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Administering Authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The Administering Authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment and any associated fees have been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the Administering Authority and in line with the Fund's exit credit policy.

Debt Spreading Arrangements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to

their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DSA within 28 days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- any legal advice as appropriate;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the Administering Authority may not consider a DSA is appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period;
- or
- the exiting employer cannot afford the accelerated payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the Administering Authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a DDA but the Administering Authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the

exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;

- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the Administering Authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DSA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The Administering Authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration affordability for the exiting employer's and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 28 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the Administering Authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the Administering Authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The Administering Authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the Administering Authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The Administering Authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the Administering Authority will monitor if contributions are paid on time. Successive late, or in particular missing payments, would contribute towards further interest charges, or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the Administering Authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the Administering Authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The Administering Authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate, the exiting employer will no longer have any obligations to the Fund.

In the event that the Administering Authority believes that the exiting employer may not be able to make any of their remaining payments, the Administering Authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the Administering Authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the Administering Authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the Administering Authority will seek to obtain from the exiting employer as much of the outstanding exit payment as possible or look at alternative arrangements such as a DDA.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Annex C: Exit Credit Policy

This is the Exit Credit policy for the Nottinghamshire Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Nottinghamshire County Council in our capacity as Administering Authority of the Fund.

The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between us, the exiting employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, we will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- All information regarding risk sharing arrangements should be shared with the Fund, so we can be satisfied that the risk sharing arrangement has been in place before we will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund's rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- We will pay out any exit credits within six months of the cessation date where possible. We may agree to a longer time with the exiting employer where necessary. For example if the employer does not provide us with all the relevant information within one month of the cessation date, we will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, we have the discretion to take into account any other relevant factors in the calculation of any exit credit payable and we will seek legal advice where appropriate.

Applications for adjudication and disagreements

An exiting employer, or other employers affected by the decision (such as guarantors), will be able to make representations if there is any conflict or difference of opinion regarding the amount of an exit credit paid or the process by which it was determined. In this situation, the review and adjudication provisions set out in Regulations 74-78 of the LGPS Regulations 2013 will apply.

Annex D: Managing Risks

Investment risks

The main financial risk is that the investment strategy fails to deliver the discount rate, or assumed rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

The Nottinghamshire Pension Fund Committee regularly monitors the investment returns achieved and receives advice from the independent adviser, LGPS Central Ltd (the Fund's pooling company) and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related investment matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

The Fund Actuary makes an allowance for future improvements in life expectancy when calculating the liabilities. The main demographic risk is that the assumptions underestimate future longevity, noting that the Fund Actuary has advised that an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

Information on pensioner deaths in the Fund is reviewed by the Fund Actuary at each actuarial valuation and the assumptions for how long members will live in retirement in future are adjusted as needed. For the past two funding valuations, we have commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than planned as a result of the additional financial costs of early retirements, including ill-health retirements. We monitor the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

Our policy in this area is included in our Investment Strategy Statement [here](#).

When considering funding issues related to climate change, we have regard to the key principles document for preparing climate scenario analysis, agreed by the actuarial firms who act as fund actuary for the LGPS funds and approved by GAD, MHCLG and SAB. The relevant information will then be provided to GAD by our Fund Actuary for the purpose of their reporting under Section 13 of the Public Service Pensions Act.

As part of the 2025 valuation, we have commissioned scenario analysis to assess the resilience of the funding strategy against climate change risk over the agreed period of 30 years. The quantitative analysis will involve at least two alternate scenarios to test if the funding strategy is sufficiently robust and identify any potential contribution impacts. We will also undertake a qualitative analysis to identify any potential actions the Fund is taking to improve resilience to climate change. The Fund Actuary will produce a report on the climate analysis and will also summarise the analysis/commentary in the final valuation report.

The climate risk analysis is integrated into our funding strategy by having regard to the climate analysis when setting the prudence level to include in the discount rate assumptions.

We will assess the implications of climate risk on funding strategy at least as part of each actuarial valuation.

Maturity risk

The maturity of a fund (or of an employer) is an assessment of the balance between active (contributing) members and pensioner members as well as how close on average the non-pensioner members are to retirement. The more mature the fund or employer, the greater proportion of its membership that is near or in retirement. For a mature fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

We consider the cashflow profile of the Fund alongside the level of maturity: as the Fund matures, the amount of pensions in payment increases compared to contributions being paid in for active members. This increases the risk of the Fund having to sell assets in order to meet its benefit payments.

Regulatory and compliance risks

The benefits provided by the LGPS and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the LGPS and changes to the tax regime which may affect the cost to individual employers participating in the LGPS as well as members, whose behaviour may change if tax relief on pension contributions is reduced/removed.

To mitigate this risk, we participate in any consultation process of any proposed changes in Regulations and seek advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- As a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- Changes to the State Pension Age changing the benefits.

At the time of preparing this FSS, specific regulatory risks of particular relevance to our funding strategy are in relation to the McCloud/Sargeant judgments and recent consultations as discussed in the sections below.

McCloud/Sargeant judgments

Following the McCloud and Sargeant cases the transitional protections implemented when the new career average schemes were introduced to public service pension schemes, were found to constitute unlawful age discrimination. In the case of the LGPS, a new underpin was introduced for qualifying members, covering benefits relating to the period from 1 April 2014 to 31 March 2022. The McCloud remedy became law on 1 October 2023.

As part of the 2025 valuation, the Fund will determine an allowance for the McCloud underpin for eligible members as determined by the LGPS McCloud remedy regulations. An estimate for the McCloud ruling was included in the 2022 valuation for active members, but not for deferred or pensioner members. There is a risk that McCloud data provided for the 2025 valuation will not be good quality or be incomplete. However, the Fund Actuary is able to make informed estimates if sufficient data is not provided.

Devolution and Local Government Reorganisation

On 16 December 2024, the Government published the English Devolution White Paper. The paper invited proposals for reorganisation in areas where there are two tiers of local authority creating new unitary councils with final deadlines in September and November 2025. Whilst any changes are not expected before 2027, this falls within the period of the 2025 valuation Rates and Adjustments certificate so we will need to consider the cessation of some councils and the establishment of new employers which participate in the Fund as part of the 2025 valuation. The risk is that the new and ceasing employers are not treated appropriately for funding purposes, including the approach to exit valuations and setting contribution rates. To mitigate this risk, we will ensure we consult appropriately with employers, including officers elsewhere in the Council, during the 2025 valuation to understand the expected outcome and agree the approach to funding issues.

New Fair Deal

On 13 October 2025 the Government issued its Access and Protections consultation which includes proposals to implement New Fair Deal in the LGPS. As expected, the proposals will change how pensions are protected for outsourced workers. It is proposed that admission agreements will not be needed in future, through introduction of the concept of the letting authority being the "deemed employer" for LGPS members employed by contractors and that the option for service providers to offer a broadly comparable scheme instead of continued LGPS membership for transferred employees will be removed other than in "exceptional circumstances". The consultation closed on 22 December 2025 and, as the new arrangements were not in place during the 2025 valuation process, we may need to revisit this FSS to ensure our approach to any new arrangements is appropriate.

Consultation: Fit for the Future

On 29 May 2025, the Government issued its response to the Fit for Future consultation. One requirement will be to move all listed assets to "under the management of the pool" by 31 March 2026. There is a risk that moving assets will result in a different (lower) net investment return to that assumed by the valuation. This risk is mitigated by our prudent approach to setting the discount rate, and use of various mechanisms to deliver greater stability in employer contributions if the funding position in 2028 is lower than expected due to higher investment costs/lower investment returns.

Consultation: Access and Fairness

On 15 May 2025, the Government published a wide-ranging consultation. Key proposals include backdated equalisation of eligibility for survivor pensions and making some unpaid leave automatically pensionable at employers' costs. Technical amendments are also proposed including changes to the McCloud remedy. There is a risk that outcomes from this consultation increase the cost benefits due under the LGPS which could worsen

the Fund's funding position. It is likely that backpayments will need to be made to individual members and therefore individual employers may be affected differently. Implementing the changes will also increase administration costs and put further pressure on resource.

Employer risks

Many different employers participate in the Fund. Accordingly, we recognise that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

The introduction of a Department for Education guarantee for further education bodies has helped reduce the overall level of employer risk. To further mitigate this risk, we monitor the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and take advice from the Fund Actuary when required. In particular, the Fund may commission an employer risk review from the Fund Actuary, to help identify the employers in the Fund that might be considered as high risk. In the case of admission bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, we keep in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, we have the most up to date information available on individual employer situations. We also keep individual employers briefed on funding and related issues.

Economic risks

Economic risks due to global events such as the conflict in Ukraine and the Middle East and pandemics could lead to instability in the economy and lead to high inflation which could cause unaffordable contribution increases for employers. High unemployment could lead to reduced contributions to the Fund and a change in the maturity of the membership profile meaning that contribution rates were no longer appropriate. A valuation is carried out every three years using updated membership data, and updated assumptions based on market conditions at the time of the valuation. Using updated membership data for valuation ensures the maturity of employers is priced into the employer contributions and updated market conditions takes account of the collective views of investors in the financial markets of the expectation of future inflation due to global events.

Employer data quality risks

There is a risk that the member data provided to us is inaccurate and leads to employer contribution rates which are greater or lower than required to cover the liabilities being accrued and a longer or shorter period than intended to reach a target funding level. In particular there is a risk that the administration software does not provide complete McCloud data for the 2025 valuation. To mitigate this risk, our Fund Actuary carries out a detailed analysis of the data provided for the valuation and we agree an appropriate course of action where gaps or (potential) errors are identified, which includes measures to reduce the risk of underestimating the liabilities. The Fund Actuary has also advised that the effect of the absence of complete McCloud data should not have a material effect on the funding position at whole fund or employer level.

Governance risks

The Pension Regulator's (TPR's) General Code of Practice (the Code) merged ten of its existing codes of practice into one (including the public service pension code) and came into force on 28 March 2024. The Code covers TPR's expectations on governance and best practice. The Code itself does not create new legal obligations but is framed around legal obligations which funds must comply with. In not having a separate code for the public sector, there is a risk that Funds might not comply with all aspects of the Code intended to apply to the LGPS. However, Funds should already be complying with the majority of the Code which is framed around existing legal requirements. Schemes are not expected to comply with the Code from the date it came into force.

Orphan liabilities

Orphan liabilities do not have a specific employer responsible for their liabilities in the Fund. New orphaned liabilities can arise from existing employers in the Fund ceasing their participation, where the residual liabilities are not subsumed by another employer in the Fund. There is a risk that orphan liabilities cause a significant increase in the costs for the remaining employers in the Fund. To mitigate this risk, when an employer ceases to participate in the Fund and the liabilities become orphaned, a cessation valuation is likely to be carried out on a more prudent basis than the ongoing basis and the ceasing employer is liable to pay an exit payment if in deficit. In addition, our Fund Actuary reviews all orphan liabilities as part of the valuation, and where appropriate, may consider adjusting the assets notionally allocated to employers to ensure these liabilities are fully funded on an ongoing basis.

Long-term employer covenant alongside shorter-term affordability

When considering deficit payments or exit payments, there is a risk that the initial affordability is low but there is the prospect of increased affordability in future. In extreme cases the payments due to the Fund may cause the immediate insolvency of an employer. The Fund makes use of the employer flexibilities which came into force on 23 September 2020 as set out in its DSA and DDA policy, to work with employers exiting the Fund.

Annex E: Glossary

This Glossary has been copied from Annex D of the FSS guidance [here](#) but supplemented with some additional terms as used in this FSS.

Actuarial certificates/rates and adjustments certificate

A statement of the contributions payable by each scheme employer. A statement of the contributions payable by the employer. Following the actuarial valuation exercise, the effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer.

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator's General Code of Practice.

Data

For GAD to carry out its function under Section 13 of the Public Service Pensions Act 2013, GAD will request data to be provided by the local administering authorities/local fund actuaries, and it is assumed that this data will be provided promptly and accurately.

Debt spreading arrangement

The ability to spread an exit payment over a period of time.

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members.

Discount rate

A prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy.

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compared with the liabilities.

Funding Pool

Where the Fund identifies a group of employers with similar characteristics, it is possible to form a pool for these employers. Employers within a pool will pay the same contribution rates and share risks.

Fund valuation date

The effective date of the triennial fund valuation.

GAD

Government Actuary's Department

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

Inflation Risk Premium

An adjustment to RPI inflation to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each fund.

MHCLG

Ministry of Housing, Communities and Local Government

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the Administering Authority aware of.

Past service liabilities

The cost of pensions already built up or in payment.

Pension Committee

A committee or sub-committee to which an Administering Authority has delegated its pension function. In Nottinghamshire, this is the Nottinghamshire Pension Fund Committee.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary rate of the employers' contribution

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk sharing arrangements operated by the Administering Authority), the actuarial method chosen and/or the employer's covenant. The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

SAB

Scheme Advisory Board

Secondary rate of the employers' contribution

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are required to pay is the sum of the primary and secondary rates. The actuary should also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each fund has a Scheme Manager which is the Administering Authority.

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

Long-term cost efficiency

The notes to the Public Service Pensions Act 2013 state that Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the Administering Authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.

NOTTINGHAMSHIRE PENSION FUND FUNDING STRATEGY STATEMENT

APPENDIX B

This table sets out the comments and questions raised in response to the consultation on the Funding Strategy Statement, information and advice provided by the actuary, Barnett Waddingham in response to these, and the resultant changes made in the Funding Strategy Statement together with any relevant explanations.

| Comment/Question received | Barnett Waddingham information and advice | Changes made in the FSS |
|--|--|---|
| <p>Comments on the appropriateness of the financial assumptions. In particular the discount rate is too low</p> | <p>The Fund Actuary takes the same approach to setting the discount rate assumption across all the LGPS Funds they advise and can provide wording to explain the approach.</p> <p>In particular, there have been comments about the relationship between the adopted discount rate and long-dated gilt yields. However the approach to setting assumptions at the 2025 valuation determines the discount rate on the expected risk-adjusted long-term investment return of the Fund rather than gilt yields.</p> | <p>None</p> |
| <p>Comments on the target success probability – can we reduce from 70% to 65%</p> | <p>Comments around the Fund taking an approach that is too prudent based on the target success probability of 70%.</p> <p>The draft FSS sets out a target success probability of 70%, which is consistent with the 2022 valuation. The Fund agreed that the success probability of 70% based on their own risk appetite, after consideration of the short and long term risks the Fund is exposed to.</p> <p>It is worth noting that the prudence adjustment has reduced slightly since 2022 (1.4% to 1.3%), despite the success probability staying the same, as a result of the Fund de-risking a proportion of the Fund assets.</p> | <p>None</p> <p>The 70% target success probability is reasonable and at the lower end of the range of success probabilities adopted across the BW Funds (70%-75%).</p> |
| <p>Inclusion of a minimum contribution rate should be removed</p> | <p>This doesn't apply to any employers and therefore we could remove it</p> | <p>Minimum contribution rate removed. No employers impacted by this amendment</p> |

| Comment/Question received | Barnett Waddingham information and advice | Changes made in the FSS |
|--|---|--|
| Request to remove the surplus retention level of 115% | The draft FSS states that surplus will only be refunded to employers over 115% funded. This approach has been taken as a mechanism to stabilise contributions. Employers in deficit will still be funded towards 100% | None, this is a common approach and aims to provide stability in the total contributions payable |
| Request to use a shorter surplus spreading period than the deficit spreading period | <p>Some requests asked for the surplus to spread over a shorter period to enhance investment opportunities for employer. The draft FSS applies the same recovery period for both deficits and surpluses. This approach is consistent with previous valuations and is designed to ensure fairness and consistency across all employers in the Fund.</p> <p>It is worth noting that a number of these requests came from employers in deficit, so this point would not be applicable to them.</p> | None –the Fund and Actuary discussed the appropriate recovery / surplus spreading period at the initial results meeting and agreed a maximum of 17 years for both deficit and surplus spreading was appropriate at this valuation. |
| Request for any surplus to be used to meet the costs of strain payments | <p>The current default approach is for employers to pay an additional contribution when there is an early retirement strain cost (for example as a result of a redundancy). The suggestion made is for employers in surplus to be able to use the surplus to pay the strain cost instead.</p> <p>As drafted, the FSS does allow any strains to be met from surplus, but this would not be the usual approach.</p> | <p>None. Fund do not feel comfortable accepting the proposal at this stage as:</p> <ul style="list-style-type: none"> - Fund is not in surplus - Majority of employers are not in surplus |
| Comments on the appropriateness of the demographic assumptions In particular the mortality assumption is too prudent | The assumption is the best estimate assumption and does not include any additional prudence. The reason for the increase in life expectancies is due to the observed experience of the Nottinghamshire Pension Fund which shows an increase in expected life expectancies | None |

| Comment/Question received | Barnett Waddingham information and advice | Changes made in the FSS |
|---|---|---|
| <p>Consideration of approach to post valuation experience.</p> <p>Comment also asked whether Fund takes into account contributions paid over 2025/26 when setting the secondary contributions</p> | <p>The valuation does not currently consider any post valuation experience. However, the secondary contributions do allow for the contributions which are expected to be paid over 2025/26.</p> | <p>None</p> |
| <p>Consideration of approach to exit valuations</p> | <p>Comments that the approach is too prudent</p> | <p>None – there has been additional work setting out the justification to this approach</p> |
| <p>Consideration of approach to employer’s requesting contribution reviews</p> | <p>Comments that the Fund has added in restrictions that go beyond the Regulations.</p> <p>Currently wording in draft FSS reflects the guidance.</p> | <p>The wording has been amended in response to these comments.</p> |
| <p>Clarity over whether the establishment of a wholly owned company by a scheduled body would trigger a contribution review</p> | <p>Any new employers should refer to the new employer section of the FSS and would not trigger a contribution review</p> | <p>None</p> |
| <p>Alternative funding arrangements that can be pursued</p> | <p>The draft FSS states that different security options may be explored. Employer has asked whether Fund has any preferred options</p> | <p>No change to FSS.</p> <p>It is difficult to assess what would constitute an acceptable alternative without the Fund being presented with specific options to consider.</p> |

| Comment/Question received | Barnett Waddingham information and advice | Changes made in the FSS |
|--|---|--|
| Surplus upon conversion to academies to be retained | <p>Draft FSS states that when a maintained school converts to an academy, its assets are capped at 100%.</p> <p>This issue does not arise for the Nottinghamshire Pension Fund at present as the Local Authorities are not fully funded, and therefore no surplus exists to allocate on conversion.</p> | <p>No change to FSS</p> <p>FSS has been drafted to give protection to the Local Authority in relation to the historical liabilities which will remain with them upon conversion. The decision provides security in relation to the liabilities as there would not be the ability to recover any future shortfalls.</p> |



12 February 2026

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND EMPLOYEES

PENSIONS ADMINISTRATION PRIVACY NOTICE AND RETENTION SCHEDULE

Purpose of the Report

1. The report informs Nottinghamshire Pension Fund Committee of the updated privacy notice for pensions administration and gives members assurance that it reflects new requirements associated with the pensions dashboard programme.

Information

2. In the UK, data protection is governed by the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018. Everyone responsible for using personal data must make sure the information is:
 - Used fairly, lawfully and transparently
 - Used for specified, explicit purposes
 - Used in a way that is adequate, relevant and limited to only what is necessary
 - Accurate and, where necessary, kept up to date
 - Kept for no longer than is necessary
 - Handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing, access, loss, destruction or damage
3. Additional protections are in place for sensitive data.
4. Individuals also have rights in respect of their data, which include the right to:
 - Be informed about how their data is being used
 - Access their personal data
 - Have incorrect data updated
 - Have data erased
 - Stop or restrict the processing of their data
 - Data portability
 - Object to how their data is being processed in certain circumstances

5. Individuals also have rights where an organisation uses their personal data for automated decision-making processes or profiling.
6. Organisations publish privacy notices that set out how they handle and process personal data, including an explanation of the reason personal is collected, what they plan to do with it, how long they will keep it and whether it will be shared with any other organisation. They also set out data subjects' rights over the use of their personal data.
7. In line with the requirements placed on it regarding data, Nottinghamshire Pension Fund's Pensions Administration Team publishes a privacy notice, which explains how the Fund collects, shares and uses the personal data of its members and their beneficiaries and their rights in relation to their data.
8. The Local Government Association commissioned a template privacy notice (a full notice and a short-form privacy notice). The notices enable administering authorities, in their capacity as a controller of personal data relating to the Local Government Pension Scheme fund for which they are responsible, to satisfy their obligation under data protection legislation to inform affected individuals what personal data is held and how it is used for the purposes of the pension fund.
9. Osborne Clarke LLP was commissioned to review the templates at the end of 2025 in light of updated legislation and requirements placed on Funds. In December 2025, the LGA shared the revised templates for the full privacy notice and the short form privacy notice. Funds then personalise them to reflect their local arrangements. The full privacy notice for Nottinghamshire is attached as **Appendix A** to this report, and the short-form version is attached as **Appendix B**.
10. The templates take account of guidance issued by the Information Commissioner and the European Data Protection Board. The reviewed documents incorporate changes relevant to the requirement for Funds to connect to the Pensions Dashboard (pursuant to the Pensions Dashboards Regulations 2022) and changes made under UK data protection law by the Data (Use and Access Act) 2025.

Communications

11. The updated privacy notice will be published on the Fund's website. Members will be made aware of the updated privacy notice through several communication routes including a message on the pensioners March payslip, an article within the annual pensioner leaflet and a link to the privacy notice on correspondence sent out to members. Scheme Employers will be updated on the revised privacy notice by the Employer Support & Compliance Team.

Other Options Considered

12. As a data controller, the Fund must ensure that it has privacy notices in place, setting out how it will manage and process personal data. If the privacy notices are not updated to reflect changes in legislation and practice, the Fund would be in breach of data protection requirements.

Reason/s for Recommendation/s

13. The updated privacy notices ensure that the Fund complies with its data protection obligations, and reflect the new responsibilities to which it will be subject as part of the implementation of the pensions dashboard programme

Statutory and Policy Implications

14. 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.

Financial Implications

15. There are no financial implications arising as a result of this report, however failure to meet any requirements placed on the Fund regarding the handling and processing of data could lead to fines being levied against it.

Legal Implications

16. There are no legal implications arising as a result of this report; however, the Fund may face regulatory penalty by the Information Commissioner's Office or the Pensions Regulator if it fails to meet any requirements placed on it regarding the handling and processing of data.

Local Government Reorganisation Implications

17. There are no local government reorganisation implications arising as a result of this report.

Data Protection and Information Governance

18. As part of its responsibilities as a data processor, Nottinghamshire Pension Fund must publish a privacy notice that sets out its legal basis for processing data and individuals rights in respect of their data that the Fund holds. The Funds privacy notices are kept under review to ensure they remain fit for purpose and reflect any new activities or ways of working.

RECOMMENDATION

1) That Nottinghamshire Pension Fund notes the updated full privacy notice and short form privacy notice attached as **Appendix A** and **Appendix B** of this report.

Marjorie Toward

Service Director, Customers, Governance and Employees
For any enquiries about this report please contact:

Sarah Stevenson, Group Manager, Business Services Centre

Telephone: 0115 977 5740

E-mail: sarah.stevenson@nottscc.gov.uk

Legal Comments (KK 04/02/25)

19. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 28/01/25)

20. The financial implications are set out in paragraph 15.

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

Electoral Division(s) and Member(s) Affected

- All



**NOTTINGHAMSHIRE
PENSION FUND**

Full privacy notice

For the members and beneficiaries of Nottinghamshire Pension Fund

1. Introduction

This privacy notice is for members and beneficiaries (referred to as “**you**”) of the Nottinghamshire Pension Fund (the “**Fund**”). It has been prepared by Nottinghamshire County Council (the “**Administering Authority**”, or “**we**”) in its capacity as the administering authority of the Fund.

This privacy notice describes how we collect and use personal data in accordance with data protection legislation.

This privacy notice will also be made available on the Fund's website using the following link: [Privacy Policy | Nottinghamshire Pension Fund](#)

It is important that you read this privacy notice together with any other privacy notice or fair processing policy we may provide on specific occasions when we are collecting or processing personal data about you so that you are fully aware of how and why we are using your data.

This privacy notice replaces any general privacy notice we may have previously issued and supplements any other notices and privacy policies we issue that are specific to particular data collection / processing activities.

2. Why we are providing this notice to you

As the Administering Authority of the Fund, we hold certain information about you and from which you can be identified (“**personal data**”). We use this to administer the Fund and to pay benefits from it. In line with data protection legislation, we are required to give you specified information about the personal data we hold about you, and set out

- how we use it,
- your rights in relation to it
- the safeguards that are in place to protect it.

This notice is designed to give you that information.

3. The technical bit

The Administering Authority holds personal data about you, in its capacity as a controller, for the proper handling of all matters relating to the Fund, including its administration and management. This includes the need to process your data

- to contact you,
- to calculate, secure and pay your benefits,
- for statistical and financial modelling
- for reference purposes (for example, when we assess how much money is needed to provide members' and beneficiaries' benefits and how that money should be invested),
- to manage liabilities and administer the Fund generally.



Further information about how we use your personal data is provided below.

The lawful basis for our use of your personal data will usually be that we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund, including, for example, our obligations under the pensions dashboard regulations. Where that legal basis does not apply then the legal basis for our use of your personal data will be one or more of the following:

- we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body;
- we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund;
- because we need to process your personal data to meet our contractual obligations to you in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

Please note that where we indicate that our processing of your personal data is necessary for us to comply with a legal obligation, or for us to take steps, at your request, to potentially enter into an employment contract with you, or to perform it, and you choose not to provide the relevant personal data to us, we may not be able to enter into or continue our contract with you.

4. What personal data we hold, and how we obtain it

The types of personal data we hold and process about you can include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number, employee membership numbers and, if you have used a pensions dashboard to access information about your pension, a "pension identifier" (PEI), which is used to confirm a match and identify your specific benefits under the Fund for the purposes of displaying information via a dashboard.
- Information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Information about your family, dependants or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.



- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or the Fund may be reimbursed from your benefits.
- Information about any previous membership of other public service pension schemes and other LGPS administering authorities, including your date of leaving and whether the previous scheme /authority has assessed your eligibility for underpin protection (see “How we will use your information” below).

We obtain some of this personal data directly from you. We may also obtain data:

- from your current or past employer(s) or companies that succeeded them in business, (for example, salary information)
- from a member of the Fund (where you are or could be a beneficiary of the Fund as a consequence of that person's membership of the Fund)
- from a variety of other sources including public databases (such as the Register of Births, Deaths and Marriages)
- a pensions dashboard (when you use it to access your pensions information),
- our advisers and government or regulatory bodies, including those in the list of organisations that we may share your personal data with set out below in the “How we will use your personal data” section.

Where we obtain information concerning certain "special categories" of particularly sensitive data, such as health information, extra protections apply under the data protection legislation.

We will only process your personal data falling within one of the special categories with your consent, unless we can lawfully process this data for another reason permitted by that legislation. You have the right to withdraw your consent to the processing at any time by notifying the Administering Authority in writing. However, if you do not give consent, or subsequently withdraw it, the Administering Authority may not be able to process the relevant information to make decisions based on it, including decisions regarding the payment of your benefits.

Where you have provided us with personal data about other individuals, such as family members, dependants or potential beneficiaries under the Fund, please ensure that those individuals are aware of the information contained within this notice.

5. How we will use your personal data

We will use this data to deal with all matters relating to the Fund, including its administration and management. This can include the processing of your personal data for all or any of the following purposes:

- to contact you
- to assess eligibility for, calculate and provide you (and, if you are a member of the Fund, your beneficiaries upon your death) with benefits



- to identify your potential or actual benefit options and, where relevant, implement those options
- to allow alternative ways of delivering your benefits, for example, through the use of insurance products and transfers to or mergers with other pension arrangements
- to facilitate your access to your pensions information via a pensions dashboard
- for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' and beneficiaries' benefits and how that money should be invested)
- to assess and, if appropriate, action a request you make to transfer your benefits out of the Fund
- to comply with our legal and regulatory obligations as the administering authority of the Fund
- to address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the Fund
- the management of the Fund's liabilities, including the entering into of insurance arrangements and selection of Fund investments
- in connection with the sale, merger or corporate reorganisation of or transfer of a business by the employers that participate in the Fund and their group companies

to identify whether you qualify for underpin protection. For more information please see [McCloud Judgement](#) for information about the McCloud remedy or the LGPS Member page: <https://www.lgpsmember.org/mccloud-remedy/>

6. Organisations that we may share your personal data with

From time to time we will share your personal data with advisers and service providers so that they can help us carry out our duties, rights and discretions in relation to the Fund. Some of those organisations will simply process your personal data on our behalf and in accordance with our instructions; they are referred to as processors. Other organisations will be responsible to you directly for their use of personal data that we share with them; they are referred to as controllers. The controllers may be obliged under the data protection legislation to provide you with additional information regarding the personal data they hold about you and how and why they process that data. Further information may be provided to you in a separate notice or may be obtained from the advisers and service providers direct, for example via their websites.

Whenever one of our advisers or service providers acts as a joint controller with us in respect of your personal data, because we jointly determine the purposes and means of processing it, we will agree with them how we are each going to meet our respective and collective obligations under the data protection legislation. If you would like more information about how such an arrangement works please [contact us](#)

The organisations that we may share your personal data with may include the following advisers and service providers.



Table 1 Processors

| Process | Processor - currently |
|---|--|
| Administrator | Nottinghamshire County Council |
| Additional Voluntary Contribution providers | Prudential and Scottish Widows |
| Accountants | Nottinghamshire County Council |
| Tracing bureau for mortality screening and locating members | Department for Work & Pensions and Target Professional Services (UK) Ltd |
| Overseas payments provider to transmit payments to scheme members with non-UK accounts | Citibank |
| Pensions software provider | Civica |
| Integrated service provider(s), facilitating connections to a pension's dashboard | Civica |
| Printing companies | Nottinghamshire County Council |
| Suppliers of IT, document production and distribution services | Nottinghamshire County Council |
| Pensions payroll | Nottinghamshire County Council |

Table 2 – Controllers

| Process | Processor - currently |
|---|--------------------------------|
| Fund actuary | Barnett Waddingham |
| Investment Adviser | Linchpin |
| Additional Voluntary Contributions providers | Prudential and Scottish Widows |
| Legal adviser | Nottinghamshire County Council |
| External auditor | Mazars |
| Internal auditor | Nottinghamshire County Council |
| IDRP Support | Anthony Collins LLP |



| Process | Processor - currently |
|---|---|
| LGPS National Insurance Database | South Yorkshire Pensions Authority |
| Administering authorities of other LGPS funds (or their agents, such as third-party administrators) where you have been a member of another LGPS fund and the information is needed to determine the benefits to which you or your dependents are entitled | Any other relevant LGPS Fund* |
| Administrators of other public service pension schemes where you have been a member of another public service pension scheme and the information is needed to determine if you qualify for underpin protection | Any other relevant Public Service Pension Scheme |
| Tell Us Once service | The Department for Work and Pensions |
| Transfer of past service rights | The Government Actuary's Department |
| National Fraud Initiative | Nottinghamshire County Council and The Cabinet Office |
| Tax controls | His Majesty's Revenue & customers (HMRC) |
| Processing pension sharing orders on divorce | The Courts of England and Wales |
| | Money & Pensions Service |
| | Higher Education Funding Council (Crombie cases) |

**Where we share personal data with other LGPS Funds, this will be necessary to determine amongst other things, your rights to your benefits and whether you are due a refund, if your accounts should be joined and your statutory right to a cash equivalent transfer value (CETV). Please therefore note that as this information is imperative for us to process your benefits, we do not require your consent to share your details with other pension funds.*

In each case we will only do this to the extent that we consider the information is reasonably required for these purposes.



Where we make Fund investments or seek to provide benefits for members and beneficiaries in other ways, such as through the use of insurance, then we may also need to share personal data with providers of investments, insurers and other pension scheme operators.

From time to time we may provide some of your data to your employer and their relevant subsidiaries (and potential purchasers of their businesses) and advisers for the purposes of enabling those entities to understand the liabilities and obligations of the employer regarding the Fund.

Your employer would generally be a controller of the personal data shared with it in those circumstances. For example, where your employment is engaged in providing services subject to an outsourcing arrangement, the Administering Authority may provide information about your pension benefits to your employer and to potential bidders for that contract when it ends or is renewed.

The pensions dashboard framework requires us to share personal data within the dashboards ecosystem. When a member searches for information about their pensions online via a pensions dashboard, we receive certain personal data for the purposes of identifying a match with the member's pension in the Fund. We then need to provide certain pensions information to the dashboards ecosystem so that it can be displayed via the relevant dashboard.

Where requested or if we consider that it is reasonably required, we may also provide your data to government bodies and dispute resolution and law enforcement organisations, including:

- The Pensions Regulator,
- The Pensions Ombudsman
- His Majesty's Revenue and Customs (HMRC).

They may then use the data to carry out their functions.

The organisations referred to in the paragraphs above may use the personal data to perform their functions in relation to the Fund as well as for statistical and financial modelling (such as calculating expected average benefit costs and mortality rates) and planning, business administration and regulatory purposes. They may also pass the data to other third parties (for example, insurers may pass personal data to other insurance companies for the purpose of obtaining reinsurance), to the extent they consider the information is reasonably required for a legitimate purpose.

We do not use your personal data for marketing purposes and will not share this data with anyone for the purpose of marketing to you or any beneficiary.

7. Transferring information outside the UK

In some cases recipients of your personal data may be outside the UK. As such, your personal data may be transferred outside the UK to a jurisdiction that may not offer an adequate level of protection as is required by the UK Government.



If this occurs, additional safeguards must be implemented with a view to protecting your personal data in accordance with applicable laws. Please use the contact details below if you want more information about the safeguards that are currently in place.

8. How long we keep your personal data

We will only keep your personal data for as long as we need to in order to fulfil the purpose(s) for which it was collected and for so long afterwards as we consider may be required to deal with any questions or complaints that we may receive about our administration of the Fund, unless we elect to retain your data for a longer period to comply with our legal and regulatory obligations.

In practice, this means that your personal data will be retained for **the greater of:**

- such period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund and for a period of 15 years after those benefits stop being paid. For the same reason, your personal data may also need to be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement
- 100 years from a member's date of birth; or
- 100 years from the date of birth of any beneficiary who received benefits from the Fund after the member's death.

Where you seek to access your pensions information via a pensions dashboard, the pensions dashboard regulations require us to retain different types of information (some of which includes personal data) for specific periods, as described in more detail here: <https://www.pensionsdashboardsprogramme.org.uk/standards/data-retention-schedule>.

9. Your rights

You have a right to access and obtain a copy of the personal data that the Administering Authority holds about you and to ask the Administering Authority to correct or complete your personal data if there are any errors or it is out of date or incomplete.

In very limited circumstances, you may also have a right to ask the Administering Authority to restrict the processing of your personal data, or to transfer or (in extremely limited circumstances, such as where your personal data is no longer needed for the purpose for which it is being processed) erase your personal data. You should note that we are not obliged to erase your personal data if we need to process it for the purposes of administering the Fund.

In certain circumstances you have the right to object to the processing of your personal data; for example, you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "*The technical bit*", or where processing is for direct marketing purposes.



You can obtain further information about your rights from the Information Commissioner's Office at www.ico.org.uk or via its telephone helpline (0303 123 1113).

If you wish to exercise any of these rights or if you have any queries, complaints or concerns regarding the processing of your personal data, please contact the Fund Administrator or our Data Protection Officer as indicated below.

You also have the right to lodge a complaint in relation to this privacy notice or the Administering Authority's processing activities with the Information Commissioner's Office, which you can do through the website above or their telephone helpline.

As explained in the section above headed "*How we will use your personal data*", one of the reasons we collect and hold your personal data is to administer your Fund benefits. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund. In some cases it could mean the Administering Authority is unable to put your pension into payment or has to stop your pension (if already in payment).

10. Updates

We may update this notice periodically. Where we do this, we will inform members and beneficiaries of the changes and the date on which the changes take effect.

11. Contacting us

Please contact the Fund administrator for further information:

Pensions Office
Business Services Centre
County Hall
West Bridgford
Nottingham
NG2 7QP

Email: lgpensions@nottsc.gov.uk

Telephone: 0115 977 2727



Data Protection Officer

You may also contact our data protection officer for further information or if you have a complaint about how we have handled your personal data:

The Data Protection Officer
Nottinghamshire County Council
County Hall
West Bridgford
Nottingham
NG2 7QP

Email: DPO@nottscc.gov.uk

Telephone: 0115 804 3800

Information Commissioner's Office (ICO)

You can obtain further information about your rights from the [Information Commissioner's Office](#) or via its telephone helpline (0303 123 1113).

Valid from: January 2026





NOTTINGHAMSHIRE
PENSION FUND

Privacy notice (summary)

For the members and beneficiaries of Nottinghamshire Pension Fund

1. Introduction

This privacy notice explains how and for what purpose(s) Nottinghamshire County Council (the "**Administering Authority**", or "**we**") uses personal data about for members and beneficiaries (referred to as "**you**") of the Nottinghamshire Pension Fund (the "**Fund**"). As the Administering Authority of the Fund we hold certain information about you and from which you can be identified ("**personal data**") which we need to administer the Fund.

In this privacy notice, we have summarised some of the key ways in which we collect and use personal data in accordance with our requirements under data protection legislation. Further information can be found in the Full Privacy Notice at the following link:

[Privacy Policy | Nottinghamshire Pension Fund](#)

It is important that you read this privacy notice together with any other privacy notice or fair processing policy we may provide on specific occasions when we are collecting or processing personal data about you so that you are fully aware of how and why we are using your data. This privacy notice replaces any general privacy notice we may have previously issued and supplements any other notices and privacy policies we issue that are specific to particular data collection / processing activities.

2. What personal data do we hold?

The types of data we hold and process about you can include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number, employee membership numbers and, if you have used a pensions dashboard to access information about your pension, a "pension identifier" (PEI), which is used to confirm a match and identify your specific benefits under the Fund for the purposes of displaying information via a dashboard.
- Information relating to your benefits in the Fund, including length of service or membership and salary.
- Other information in relation to your membership of the Fund or to enable the calculation or payment of benefits, for example bank account details.
- Information about your family, dependants or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.



Information about any previous membership of other public service pension schemes and other LGPS administering authorities, including your date leaving and whether the previous scheme/authority assessed your eligibility for underpin protection.

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases and the advisers and service providers that we may share your personal data which are listed in the Full Privacy Notice.

Where we obtain information concerning certain "special categories" of particularly sensitive data, such as health information, extra protections apply under the data protection legislation. We will only process your personal data falling within one of the special categories with your consent, unless we can lawfully process this data for another reason permitted by that legislation. You have the right to withdraw your consent to the processing at any time by notifying the Administering Authority in writing. However, if you do not give consent, or subsequently withdraw it, the Administering Authority may not be able to process the relevant information to make decisions based on it, including decisions regarding the payment of your benefits.

3. What will we do with your personal data?

We will use this personal data to administer the Fund and to calculate and provide you (and, if you are a member of the Fund, your beneficiaries if you die) with benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations. We will also use your personal data to facilitate your access your pensions information via a pensions dashboard. For more details about the purposes for which we process your personal data, please see the Full Privacy Notice [Privacy Policy | Nottinghamshire Pension Fund](#).

From time to time, we will share your personal data with third parties, including our contractors, advisors, government bodies and dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under data protection legislation, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to the Fund. These organisations are listed in the Full Privacy Notice.

We may also process your personal data to assess and, if appropriate, action a request you make to transfer your benefits out of the Fund.

In some cases recipients of your personal data may be outside the UK. If this occurs, we will make sure that additional safeguards are in place to protect your data in accordance with applicable data protection laws. Please use the contact details below if you want more information in connection with this.

4. What is the lawful basis for our use of your personal data?

The lawful basis for our use of your personal data will usually be that we need to process your personal data to satisfy our legal obligations as the Administering



Authority of the Fund, including our obligations under the Pensions Dashboard Regulations 2022. Where that lawful basis does not apply then the lawful basis for our use of your personal data will be one or more of the following:

- we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body;
- we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund;
- because we need to process your personal data to meet our contractual obligations in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

Please note that where we indicate that our processing of your personal data is necessary for us to comply with a legal obligation, or for us to take steps, at your request, to potentially enter into an employment contract with you, or to perform it, and you choose not to provide the relevant personal data to us, we may not be able to enter into or continue our contract with you.

5. How long will we hold your data?

We will only keep your personal data for as long as we need it to administer the Fund and to deal with any questions or complaints that we may receive about this, unless the law requires us to keep it for a longer period. In practice, this means that your personal data may be retained for **the greater of**:

- such period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund and for a period of 15 years-after those benefits stop being paid. For the same reason, your personal data may also need to be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement;
- 100 years from a member's date of birth; or
- 100 years from the date of birth of any beneficiary who received benefits from the Fund after the member's death.

Where you seek to access your pensions information via a pensions dashboard, the pensions dashboard regulations require us to retain different types of information (some of which includes personal data) for specific periods, as described in more detail here: <https://www.pensionsdashboardsprogramme.org.uk/standards/data-retention-schedule>.



6. Your rights

You have a right to access and obtain a copy of the personal data that we hold about you and to ask us to correct or complete your personal data if there are any errors or it is out of date or incomplete.

In very limited circumstances, you may also have a right to ask us to restrict the processing of your personal data or to transfer or (in extremely limited circumstances, such as where your personal data is no longer needed for the purpose for which it is being processed) erase your personal data. You should note that we are not obliged to erase your personal data if we need to process it for the purposes of administering the Fund.

In certain circumstances you have the right to object to the processing of your personal data; for example you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "*What is the legal basis for our use of your personal data?*", or where the processing is for direct marketing purposes.

You can obtain further information about your rights from the Information Commissioner's Office at: www.ico.org.uk or via its telephone helpline (0303 123 1113).

If you wish to exercise any of these rights, please contact the Fund Administrator below or our Data Protection Officer as indicated below.

You also have the right to lodge a complaint in relation to this summary notice, the Full Privacy Notice or our processing activities with the Information Commissioner's Office, which you can do through the website above or their telephone helpline.

One of the reasons we collect and hold your personal data is to administer your benefits from the Fund. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund. In some cases it could mean that we are unable to put your pension into payment or have to stop your pension (if already in payment).

7. Contacting us

Please contact the Fund administrator for further information:

Pensions Office
Business Services Centre
County Hall
West Bridgford
Nottingham
NG2 7QP

Email: lgpensions@nottsc.gov.uk



Telephone: 0115 977 2727

Data Protection Officer

You may also contact our data protection officer for further information or if you have a complaint about how we have handled your personal data:

The Data Protection Officer
Nottinghamshire County Council
County Hall
West Bridgford
Nottingham
NG2 7QP

Email: DPO@nottscc.gov.uk

Telephone: 0115 804 3800

Information Commissioner's Office (ICO)

You can obtain further information about your rights from the Information Commissioner's Office or via its telephone helpline (0303 123 1113).

Valid from: January 2026



12 February 2026

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

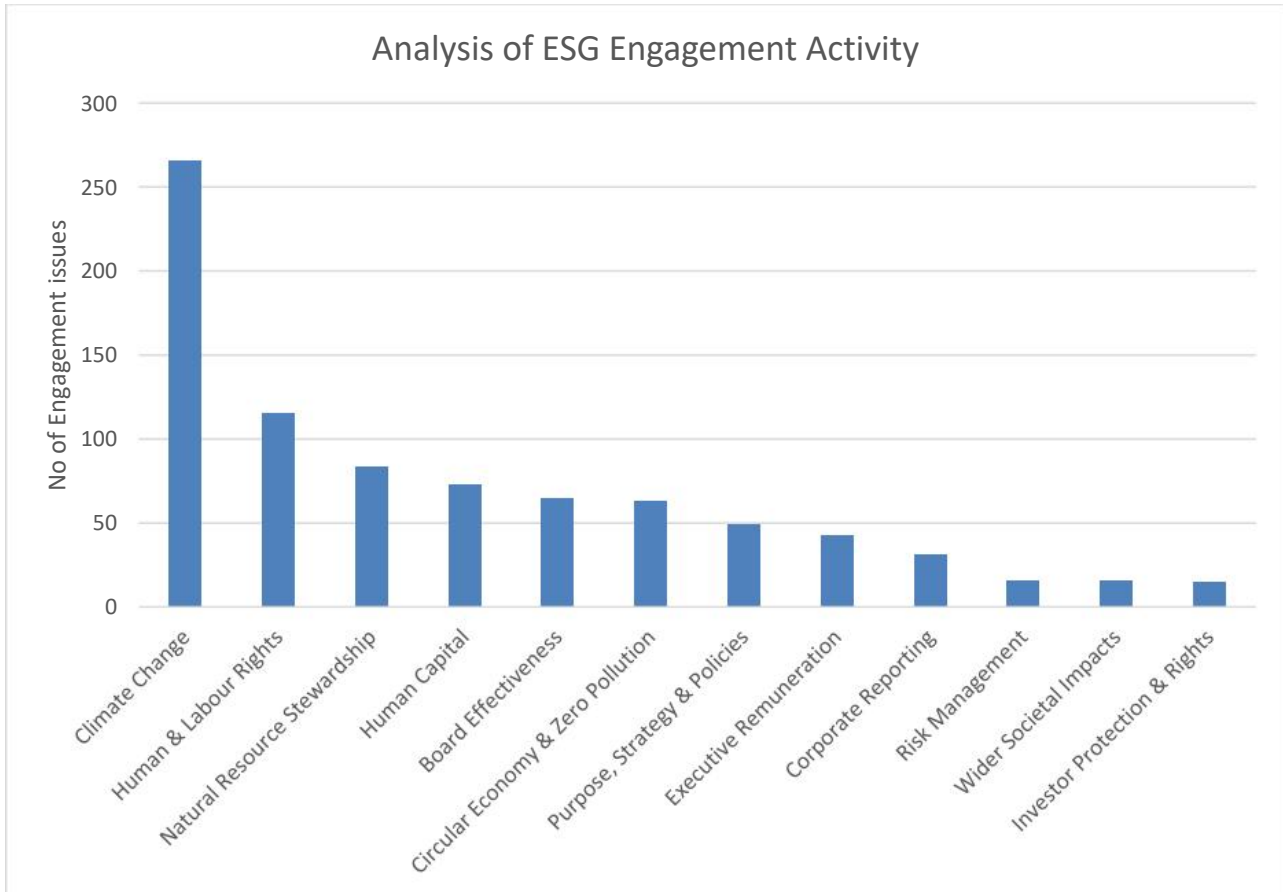
PROXY VOTING

Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in 2025 Q3 as part of this ongoing commitment.

Information

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as ‘the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society’. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.
3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Investment Strategy Statement and report periodically on the discharge of such responsibilities. The Fund’s statement on responsible investment states that ‘the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds’.
4. The Fund retains responsibility for voting any directly held shares (rather than delegating this to investment managers). Since 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.
5. Over the 3 months to September 2025 Hermes EOS voted Nottinghamshire Pension Fund shares at 153 meetings (a total of 1,504 resolutions). Hermes opposed one or more resolutions at 68 meetings and voted with management by exception at 5 meetings. Hermes supported management on all resolutions at the remaining 80 meetings.
6. Over the same period Hermes EOS engaged with 277 companies held in the Nottinghamshire Pension Fund portfolio on a range of 836 environmental, social and governance issues and objectives. An analysis of this activity is shown below:



7. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter is published on the Fund website (<http://www.nottspf.org.uk/about-the-fund/investments>) and with the meeting papers on the Council Diary (<http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>).
8. Further detail on specific issues raised at company AGMs can be found in LGPS Central's quarterly *Stewardship Update*. The most recent *Update* (Jul-Sep 2025) highlighted, among other things, a move taken to rescind the US Securities and Exchange Commission's approval of a retail voting program that would automatically opt retail shareholders into casting their votes in favour of management for all future meetings, unless shareholders actively opt out. A link to the *Update* can be found on the Nottinghamshire Pension Fund 'Approach to Responsible Investment' webpage, under 'News and Engagement': <https://www.nottspf.org.uk/about-the-fund/responsible-investment/>

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

10. That Nottinghamshire Pension Fund Committee notes the contents of the report.

Report Author:
Ciaran Guilfoyle
Investments Officer

For any enquiries about this report please contact Ciaran Guilfoyle

Constitutional Comments (KK 20/01/2026)

11. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 21/01/2026)

12. There are no financial implications arising directly from this report.

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.

- [Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q3 2025](#)
- [LGPS Central – Voting Principles \(March 2019\)](#)
- [Financial Reporting Council, *The UK Stewardship Code*, January 2020](#)



12 February 2026

Agenda Item: 7

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &
IMPROVEMENT**

LOCAL AUTHORITY PENSION FUND FORUM ANNUAL CONFERENCE 2025

Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) Conference 2025.

Information & Advice

2. The 2025 LAPFF Conference entitled 'Responsible Investing in an Uncertain World' was held between 3 and 5 December 2025 in Bournemouth. It was attended by Mr Everton Lewis-Gordon. Details of some of the main sessions are set out below.

Day One

3. *Fit for the future: how can housebuilders deliver net zero?*

Moderator: Councillor Doug McMurdo, Chair, LAPFF

Rose Sandell, Group Communities Director, Taylor Wimpey

Taylor Wimpey is committed to being Net Zero Carbon by 2045, and is intending to reduce diesel-engined earth-movers on site. Furthermore, their typical new house in future will include photovoltaic panels, triple glazing, thermal break lintels, better insulated walls, underfloor heating, smart heating controls, heat pumps, EV chargers, wastewater heat recovery systems and airtightness.

4. *Climate tipping points: Are investors getting the right advice?*

Moderator: Councillor Paul Convery, Chair LB Islington Pension Fund and LAPFF Executive

Jesse Abrams, University of Exeter;

Andrew Hartley, Senior Scientist, the Met Office;

Joel Benjamin, Financial Policy & Advocacy Manager, Carbon Tracker

Panellists discussed the latest science on 'Earth system' irreversible tipping points.

Overshooting 1.5°C increases the risk of crossing multiple climate tipping points. Peak warming and time above 1.5°C must be minimised to limit tipping risks. New risk assessment approaches, looking at regional vulnerabilities (eg. coral reefs, food systems), are therefore needed.

5. *Mitigating climate risk: An Asian perspective*

Moderator: Councillor Doug McMurdo, Chair, LAPFF

Ben McCarron, Managing Director, Asia Research and Engagement (ARE)

ARE's aim is to catalyse corporate change through investor backed engagement for a sustainable and compassionate Asia. Company engagement in Asia requires a different approach, due to the different operating culture. Engagement focus in China is to push for alternative forms of protein.

Day Two

6. Exile Economics: What happens if globalisation fails?

Moderator: Councillor Doug McMurdo

Ben Chu, Policy and Analysis Correspondent, BBC Verify

Exile Economics relates to the rejection of interdependence, the downgrading of multilateral collaboration, and a striving for greater national self-sufficiency. Does not just relate to American trade tariffs – many major economies are now pursuing the path to some extent. UK is more dependent on global trade, so has more to lose. Chu's belief is that security can be maintained without going down the 'exile' route.

7. Reducing risks and impacts in conflict areas: what can investors do?

Moderator: Councillor George Jabbour, LAPFF Executive

Sam Jones, President & Co-founder, Heartland Initiative;

Josie Lianna Kaye, CEO & Founder, TrustWorks Global;

Camille Bisconte de Saint Julien, Human Rights & Social Lead, LBP Asset Management

There is more conflict in the world than at any point since World War II, including an increase of over 40% between 2020 and 2023. Over 147,000 conflict events and at least 167,800 fatalities took place in 2023. Raising this issue is often seen as too political, but needs to feature more centrally in engagement work.

8. What a Tangled Web: How have pension fund structures become so complex?

Moderator: Jeremy Hughes, LGA

Karen Thrumble, Head of Local Authority Pension Performance Analytics, PIRC Ltd

In recent years as funds have diversified, they have reduced equity exposure and given up some return. Bonds have had a dramatic drag on performance for most funds. But diversification may be unnecessary. Small (less than 5% of a fund's value) portfolios are statistically unlikely to have a meaningful impact on either overall return or on the overall risk profile. Diversification also adds to the burden of pension fund committees.

9. Biodiversity and business: Managing risks, unlocking opportunities

Moderator: Councillor Rob Chapman, Vice Chair, LB Hackney Pension Fund and LAPFF Executive

Peter Elwin, Director of Engagement & Research, Finance for Biodiversity Foundation

Nature decline in last 50 years is significant, e.g. freshwater populations declined by an average of 85%. But investment opportunities exist that might help reverse this.

10. Scaling-up Local investing for place-based impact

Moderator: Paddy Dowdall, Asst Executive Director, GMPF

Sam Monger, Head of Place-Based Impact Investing, The Good Economy

There is a positive correlation between poverty and regional disparity of per capita GDP.

Solution is to invest locally but the challenge is how to define and how to measure impact?

No matter the solutions to these questions, consistency between pools is key.

Day Three

11. AI governance: What should investors expect of companies?

Moderator: Councillor Toby Simon, Chair, Avon Pension Fund and LAPFF Executive Fund and LAPFF Executive

Katie Fowler, Director of Responsible Business, Thomson Reuters Foundation Partnership

How should the use of AI by companies be governed, especially when so many major decisions hinge on AI-based inputs? Thomson Reuters is developing, by means of a survey, a Responsible AI index.

12. Social capital: What social and inequality disclosures do we need?

Moderator: Councillor John Gray, Chair, LB Newham Pension Fund and, Vice-Chair, LAPFF Madeleine Evans, Director, Generation Investment Management (Taskforce on Inequality and Social-related Financial Disclosures Steering Committee Delegate & Working Group Member)

Globally, about 60% of workers are currently operating in informal employment. This threatens long-term growth by constraining consumer demand. The Taskforce has set about trying to implement a global disclosure framework so that the extent of the problem can be grasped.

Statutory and Policy Implications

13. 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.

RECOMMENDATIONS

- 1) That Pension Fund Committee members and/or its officer representatives continue to attend appropriate conferences to enable the Committee to be kept up to date with the main national topics relating to investments.
- 2) That Members consider if there are any actions they require in relation to the issues contained within the report

Nigel Stevenson

Service Director – Finance, Infrastructure, and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 20/01/2026)

14. The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 21/01/2026)

15. There are no financial implications arising from this report.

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



12 February 2026

Agenda Item: 8

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

BREACHES POLICY AND UPDATE ON NEW ITEMS ADDED TO THE BREACHES LOG

Purpose of the Report

1. The report asks members to approve the updated Breaches Policy (**Appendix A**) and note the update on items recorded in the Breaches Log.

Information

Breaches Policy

2. Nottinghamshire Pension Fund has a Breaches Policy which sets out its arrangements for recording and reporting breaches of the law. It also sets out the responsibilities of different parties in respect of breaches of the law.
3. A breach may take one of the following forms:
 - Non-compliance under the Local Government Pension Scheme Regulations
 - A breach under pensions law as defined within section 13 of the Pensions Act 2004
 - A breach of the Pension Regulator's General Code of Practice
4. Pension Funds must record all breaches of the law on their own breaches log. They must also report materially significant breaches to the Pensions Regulator.
5. Responsibility to report identified breaches of the law falls on the following:
 - Members of Nottinghamshire Pension Fund Committee
 - Members and officers of the council acting as Scheme Manager
 - Members of the Local Pensions Board
 - Scheme employers
 - Professional advisers
 - Third party providers
6. The Fund's policy applies only to members of Nottinghamshire Pension Fund Committee, the Local Pensions Board and officers and members of the council. Other reporters must ensure

they have their own policies and procedures in place to identify, assess, and, where necessary, report breaches.

7. Nottinghamshire Pension Fund Committee last reviewed the Breaches Policy in November 2024. The draft updated Breaches Policy is attached as **Appendix A** to this report. No material changes to the current policy are proposed, however the following amendments/clarifications have been made:

- Review cycle updated

The proposed policy includes an updated review period. The previous version listed the policy for annual review; the proposed wording in the draft would revise the review period to at least once every three years in line with other Pension Fund strategy documents. This would not prevent reviews being undertaken in the intervening period as required.

- Clarification within the main document about the purpose of Appendix A

Appendix A of the policy gives examples of breaches that would need adding to the council's breaches log. It includes considerations for deciding whether these breaches would also need reporting to the Pensions Regulator. This was previously included as part of the policy, but without explanation or any reference made to it in the main document.

- Updated arrangements for advising members of Nottinghamshire Pension Fund Committee and the Local Pensions Board of any significant breaches or likely breaches that require reporting to the Pensions Regulator

The current iteration of the policy states that where a significant, reportable material breach is identified, it will be reported to Nottinghamshire Pension Fund Committee and the Local Pensions Board within one month of the breach, or possible breach, being identified. The revised wording proposes that in respect of a reportable breach, members are notified by email within one week of the breach (or possible breach) being reported. This will be followed up with a formal report to the next meeting of the committee and the board. The revised wording is proposed to accommodate the cycle of meetings for both Nottinghamshire Pension Fund Committee and the Local Pensions Board, where there may not be a meeting within the original one-month time period.

No changes are proposed to the process for reporting non-reportable breaches to Nottinghamshire Pension Fund Committee and the Local Pensions Board.

- Addition of Appendix B

Appendix B is a form which has been added to the document, to help officers identify and assess breaches, and to support the Section 151 and Monitoring Officer in considering those breaches. Completing the template should also assist the Fund in the event that there is a breach, or possible breach, that must be reported.

Additions to the Breaches Log

8. Within the scheme year to date, two items have been added to the Fund's Breaches Log. The first matter was not a breach but had the potential to become one. The other was not considered materially significant and so was not reported to the Pensions Regulator.

McCloud rectification determination

9. While not a breach, the first item that was added related to the McCloud rectification determination. As was reported to Nottinghamshire Pension Fund Committee at its meeting on 24 July 2025 (following consultation with the Local Pensions Board), initial plans targeted full rectification for active and deferred scheme members by 31 August 2025 in line with government guidance. Several developments prompted a reassessment of the timeline.
10. Under both the Public Service Pensions Act 2013 and the Local Government Pension Scheme (Information) Regulations 2024, Fund administrators could, in specific cases, make a determination allowing the extension of the McCloud implementation phase to 31 August 2026. The legislation applied to either active or deferred scheme members due an annual benefit statement under the 2013 Regulations and allowed for flexibility to not reflect McCloud in scheme members' annual statement until 31 August 2026,
11. The item was added to the breaches log because it had the potential to be a breach, but this was remedied by the decision taken by committee on 24 July 2025.

Annual Benefit Statements

12. Committee members will recall from the administration performance report, which was presented at its meeting on 13 November 2025, that the Fund was not able to issue all Annual Benefit Statements by the statutory deadline of 31 August 2025. The breach was assessed as amber, prompting work to assess the extent of the breach, the causes of the breach, actions taken to resolve the breach and its impact, following which the rating was reclassified as green.
13. By 31 August 2025, the fund had issued annual benefit statements to 91% of active members and 83% of deferred members. The reasons for non-production production were:
 - Lost contact/missing addresses (deferred 15%, active 2%)
 - Data outstanding from employers or subject to late response being received in respect of queries issued to employers
 - Active processes preventing a statement from being produced (i.e. where the member is in the process of retiring)
14. Since the largest proportion of the statements that were not issued were the result of 'gone aways' the Fund has taken steps to improve its data. At the Nottinghamshire Pension Fund Committee meeting on 25 September 2025, members agreed to the Fund engaging a partner for mortality screening and address verification.
15. At the end of September 2025, there was a further run of benefit statements for deferred members, meaning 85% of deferred members received a statement for the scheme year ending 31 March 2025. This was followed by a further run of annual benefit statements for

active members, following which 92% of active members received a statement for the scheme year ending 31 March 2025.

Other Options Considered

16. It is important the Fund has a Breaches Policy so that all parties' responsibilities, together with the Fund's procedures are clear. Revising the Breaches Policy could have been deferred pending the appointment of the Senior LGPS Officer. This was rejected since there were related matters that needed bringing to members' attention and it was considered timely to bring the policy for refresh in conjunction with those items.

Reasons for Recommendations

17. Funds need to ensure that arrangements are in place to identify, investigate, manage and, where necessary, report breaches of law and Regulation. The Fund sets out its arrangements in its Breaches Policy.

18. As part of the Fund's arrangements for managing breaches, reports should be provided to Nottinghamshire Pension Fund Committee and the Local Pensions Board on any breaches, or potential breaches, that have been identified.

Statutory and Policy Implications

19. 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.

Financial Implications

20. There are no financial implications arising as a direct result of this report. It is possible that individual breaches could carry financial implications. If a Fund fails to report material breaches to the Pensions Regulator, there is a risk that it could be subject to a civil penalty.

Legal Implications

21. Section 70 of the Pensions Act 2004 imposes a requirement on named groups to submit a written report to the Pensions Regulator where anyone from those groups has reasonable cause to believe:

- a. A duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
- b. The failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions

22. Section 10 of the Pensions Act 1995 (c.26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on them by this section.

Local Government Reorganisation Implications

23. There are no local government reorganisation implications arising from this report.

RECOMMENDATIONS

- 1) That Nottinghamshire Pension Fund Committee approves the updated Breaches Policy (**Appendix A**).
- 2) That Nottinghamshire Pension Fund Committee notes items added to the Fund's Breaches Log.

Nigel Stevenson
Service Director, Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Jo Toomey, Governance Officer
Telephone: 0115 977 4506
E-mail: jo.toomey@nottscc.gov.uk

Legal Comments (KK 14/01/2026)

24. The Nottinghamshire Pension Fund Committee has delegated authority in relation to policy development and approval in relation to pensions, subject to any necessary approval by Cabinet or the Full Council. The proposals in the report are therefore within the remit of the Committee.

Financial Comments (TMR 13/01/2026)

25. The financial implications are set out in paragraph 20 of the report.

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.

- Pension Regulator's General Code of Practice (<https://www.thepensionsregulator.gov.uk/media/3rhduw51/general-code-of-practice.pdf>)
- Section 70, Pensions Act 2004 (<https://www.legislation.gov.uk/ukpga/2004/35/contents>)

Electoral Division(s) and Member(s) Affected

- All



**NOTTINGHAMSHIRE
PENSION FUND**

Breaches Policy

Nottinghamshire Local Government Pension Fund Policy for reporting breaches of the law

Breaches Policy

1. Background

The Pensions Regulator published its General Code of Practice in March 2024, which replaced fifteen existing codes of practice. It consists of fifty-one modules that relate to five main areas:

- The governing body
- Funding and investments
- Administration
- Communications and disclosure
- Reporting to the Pensions Regulator

There are several modules in the Code that cover monitoring and reporting breaches of the law.

Subject to the legislative and regulatory requirements of the Code of Practice and the Pensions Act 2004, there is a statutory duty to report material breaches of the law to the Pensions Regulator. Nottinghamshire Pension Fund (“the Fund”) has prepared this document, which sets out its policy and procedures for identifying, managing and, where necessary, reporting breaches of the law.

This policy sets out the responsibilities of Nottinghamshire Pension Fund Committee, officers of Nottinghamshire County Council (“the council”), and the Local Pensions Board. It does not cover the responsibility of other “reporters” (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified, all parties will take the necessary steps to consider the breach and report it to the Pensions Regulator, rather than having the breach solely reported by any other “reporters”.

Nottinghamshire Pension Fund Committee will review and approve this policy at least once every three years as part of its regular review of strategies. This does not prevent any interim review if circumstances change, or it is otherwise considered necessary. Nottinghamshire Pension Fund Committee and the Local Pensions Board will monitor all breaches and ensure that adequate resources are allocated to managing and administering the process.

The Section 151 Officer and the Monitoring Officer are responsible for managing and implementing this policy and will ensure that all relevant officers and Nottinghamshire Pension Fund Committee members, as well as members of the Local Pensions Board, are trained on breaches of the law and this policy at induction and on an ongoing basis.



2. Overview

Identifying, managing and reporting breaches is important. It is a requirement of the Code of Practice. Failure to report a material breach is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and, where necessary, reporting a particular breach, it provides a chance to learn from mistakes and review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund are required to take a proactive approach to identifying, managing, and reporting all breaches that have occurred, or are likely to occur.

The council, as the scheme manager for the Nottinghamshire Pension Fund, will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

Where a breach has occurred and been identified, it should be logged as either an area of non-compliance under the Local Government Pensions Scheme (LGPS) Regulations, a breach under pensions law as defined within section 13 of the Pensions Act 2004 or the Pension Regulator's General Code of Practice.

Nottinghamshire Pension Fund Committee, officers and the Local Pensions Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the council, officers, or the Local Pensions Board, it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

3. What is a breach of the law?

A breach of the law is "an act of breaking or failing to observe a law, agreement, or code of conduct". In the context of the LGPS, it can encompass many aspects of the management and administration of the scheme, including failure:

- To do anything required under the LGPS Regulations
- To do anything required under overriding legislation, applicable statutory guidance or codes of practice
- To maintain accurate records
- To act on any fraudulent act or omission that is identified
- Of an employer to pay over member and employer contributions on time
- To pay member benefits either accurately or in a timely manner
- To issue annual benefit statements on time

4. What is non-compliance under the LGPS Regulations?

Non-compliance with the LGPS Regulations can cover many aspects of the management and administration of the scheme, including failure to:



- Do anything required under LGPS Regulations
- Comply with policies and procedures (e.g. the Fund's Investment Strategy Statement, funding strategy, discretionary policies, etc).

5. Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Members of Nottinghamshire Pension Fund Committee
- Members and officers of the council acting as the Scheme Manager
- Members of the Local Pensions Board
- Scheme employers
- Professional advisers (including the Fund actuary, benefit consultants, investment advisers, legal advisers)
- Third party providers (where so employed)

This policy applies only to members of Nottinghamshire Pension Fund Committee, the Local Pensions Board, and officers and members of the council. It is for the other reporters to ensure they put in place adequate procedures and policies to identify, assess, and, where necessary, report breaches. Both the council and the Local Pensions Board will take all necessary steps to consider the breach and report to the Pensions Regulator, rather than having the breach solely reported by any of the other "reporters".

6. Requirement to report a breach of the law

Funds should consider whether breaches of the law need reporting to the Pensions Regulator. The decision whether to report an identified breach depends on whether:

- There is reasonable cause to believe there has been a breach of the law
- And if so, whether the breach is likely to be of material significance to the Pensions Regulator

It is important to understand that not every identified breach needs reporting to the Pensions Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Pensions Regulator. It is still necessary that all identified breaches are recorded in the council's breaches log. This log will be reviewed on an ongoing basis to identify any trends in the breaches that might indicate serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified, immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.



7. When is a breach required to be reported to the Pensions Regulator?

The Code of Practice requires that a breach should be notified to the Pensions Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Pensions Regulator. In any event, where a breach is considered to be of material significance to the Pensions Regulator, it should be reported as soon as practicable and no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Pensions Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Pensions Regulator immediately (e.g. by calling them directly). A formal report should then be submitted to the Pensions Regulator, marked as “urgent” to draw the Pensions Regulator’s attention to it.

8. Assessing “reasonable cause”

It is important that the council and the Local Pensions Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for officers and members of Nottinghamshire Pension Fund Committee and the Local Pensions Board to make robust checks when acting on any suspicion of a breach having occurred. Where necessary, this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary, benefit consultant or investment advisers).

9. Deciding if a breach is “materially significant” and should be reported to the Pensions Regulator

The Pensions Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it needs reporting. When determining materiality of any breach or likely breach, members of Nottinghamshire Pension Fund Committee, the Local Pensions Board and officers will, in all cases, consider the following:

- Cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law
- Effect – does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to show, for example, ineffective internal controls, lack of knowledge and understanding, inaccurate records
- Reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate



- Wider implications – e.g. a breach that has occurred because of a lack of knowledge or poor systems and processes makes it more likely that other breaches will emerge in the future

The decision tree provides a “traffic light” system of categorising and identified breach:

Green

A breach not caused by dishonesty, poor governance or a deliberate contravention of the law, its effect is not significant, and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Pensions Regulator but should be recorded in the council’s breaches log.

Amber

Where a breach does not fall easily into either green or red and requires further investigation to determine what action to take. To determine the most appropriate course of action it may be relevant to consider the breach in the context of other recorded breaches. The council will need to decide whether to informally alert the Pensions Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red

A breach caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact even where a plan is in place to rectify the situation. The council must report all such breaches to the Pensions Regulator in all cases.

It should be noted that failure to report a significant breach or likely breach is likely itself to be a significant breach.

The council will use the Pensions Regulator’s decision tree to identify whether any breach is considered as materially significant and so needs reporting to the Pensions Regulator.

An immediate report must be made to the Pensions Regulator where a scheme employer fails to pass over employee contributions that are considered to be of material significance.

To determine whether failure to pay over employee contributions is materially significant or not, the council will seek from the employer:

- The cause and circumstances of the payment failure
- What action the employer has taken because of the payment failure
- The wider implications of the impact of the payment failure

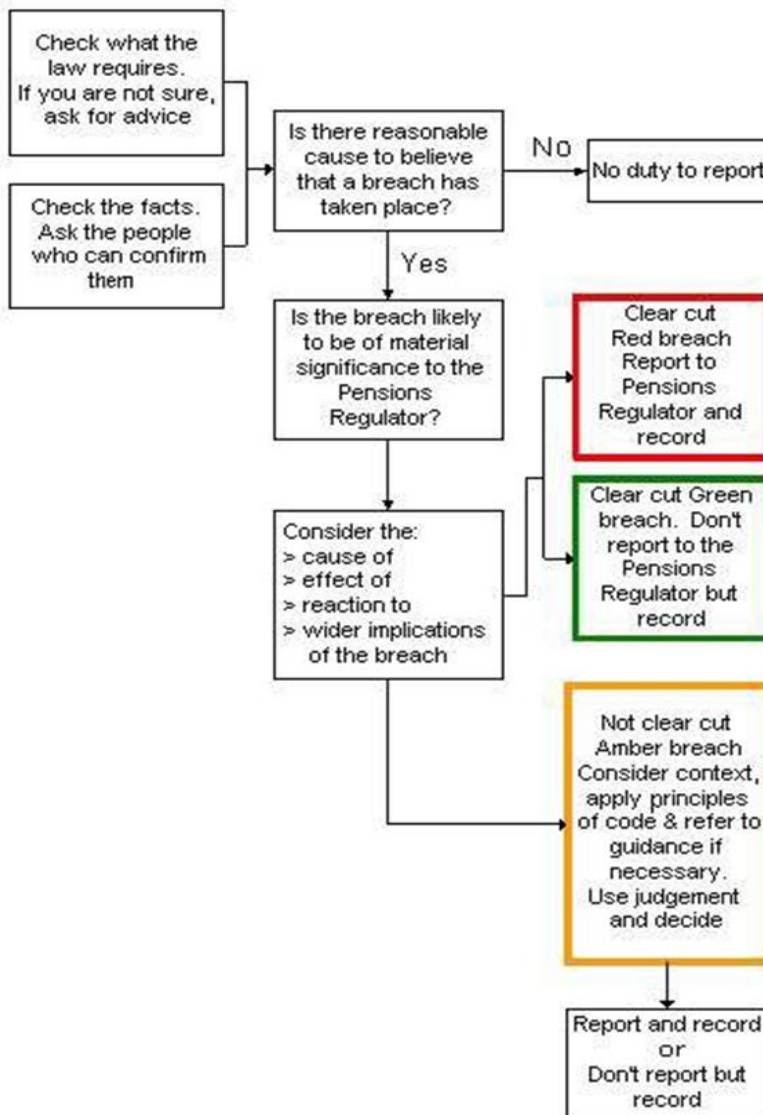
Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-



off late payments or administrative failures, the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures, or the failure to pay over employee contributions within 90 days from the due date, will be considered to be of material significance and reported to the Pensions Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Pensions Regulator, the relevant manager, in consultation with the Section 151 Officer and the Monitoring Officer, must review the circumstances of the breach to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the council's breaches log.



Appendix A sets out examples of different breaches that could occur and considerations for determining whether or not a breach or potential breach should be reported to the Pensions Regulator.

10. Process of reporting breaches

All relevant officers and members of Nottinghamshire Pension Fund Committee and the Local Pensions Board have a responsibility to:

- Identify and assess the severity of any breach or likely breach
- Report all breaches or likely breaches to the Section 151 Officer and the Monitoring Officer
- In conjunction with relevant colleagues, agree a course of action to rectify the breach and put measures in place to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary
- Ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring
- Co-operate with, and assist in, the reporting of breaches and likely breaches to Nottinghamshire Pension Fund Committee, the Local Pensions Board and, where necessary, the Pensions Regulator

11. Responsibilities of the responsible officer

The council's Section 151 Officer and Monitoring Officer will be responsible for the management and execution of this Breaches Policy, and for recording and reporting breaches and likely breaches as follows:

- Record all identified breaches and likely breaches of which they are aware in the council's breaches log
- Investigate the circumstances of all reported breaches and likely breaches
- Ensure, where necessary, that an action plan is put in place and acted on to correct the identified breach and ensure further breaches of a similar nature do not reoccur
- Report to Nottinghamshire Pension Fund Committee and the Local Pensions Board
 - o All materially significant breaches or likely breaches that will require reporting to the Pensions Regulator as soon as practicable (initial notification of committee and Board members will be by email within one week of the report being made to the Pensions Regulator, with a formal report submitted to the next available meeting of Nottinghamshire Pension Fund Committee and the Local Pensions Board)
 - o All other breaches at least quarterly as part of the committee cycle
- Report all materially significant breaches to the Pensions Regulator as soon as practicable but not later than one month after becoming aware of the breach



The Section 151 Officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include the Group Manager, Legal, Democratic and Information Governance, Nottinghamshire Pension Fund Committee and the Local Pensions Board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Pensions Regulator. Where uncertainty exists as to the materiality of the identified breach, members of Nottinghamshire Pension Fund Committee, the Local Pensions Board and officers will be required to informally notify the Pensions Regulator of the issue and the steps being taken to resolve it.

The Section 151 Officer and the Monitoring Officer will advise the Chair of Nottinghamshire Pension Fund Committee of potential or retrospective breaches of policy. These will also be reported to the Local Pensions Board.

12. How should a breach be reported to the Pensions Regulator?

All materially significant breaches must be reported to the Pensions Regulator in writing. This can be via post or electronically. The Pensions Regulator encourages the use of its standard reporting facility via its Exchange online service.

13. How are records of breaches maintained?

All breaches and likely breaches are to be reported to the Section 151 Officer as soon as they are identified (notifying officers to complete form at **Appendix B**). The Section 151 Officer and the Monitoring Officer will log all breaches on the council's breaches log, including the following information:

- Date the breach or likely breach was identified
- Name of the scheme
- Name of the employer (where appropriate)
- Any relevant dates
- A description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance
- Whether the breach is classified as red, amber, or green
- A description of the actions taken to rectify the breach
- A brief description of any longer-term implications and actions required to prevent similar types of breach recurring in the future

The Section 151 Officer and the Monitoring Officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Pensions Regulator. Any documentation supporting the breach will also be retained.



14. Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a whistleblowing duty on the part of officers of the council, or members of Nottinghamshire Pension Fund Committee or the Local Pensions Board.

The Pensions Act 2004 makes it clear that the duty to report overrides certain other duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to the Pensions Regulator. In implementing this Breaches Policy, given the statutory duty that exists, the council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Pensions Regulator.

The duty to report, however, does not override ‘legal privilege’, so certain oral and written communications between the council or the Local Pensions Board and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.

15. Training

The Section 151 Officer and the Monitoring Officer will ensure that all relevant officers and members of Nottinghamshire Pension Fund Committee and the Local Pensions Board receive appropriate training on this policy at the start of their employment or appointment and on an ongoing basis.



Appendix A

Each of the examples in the table below would constitute a breach that would need adding to the council's breaches log. If the answer to any of the questions about materiality is "yes", or there are concerns regarding any possible actions, the breach may warrant report to the Pensions Regulator. The final example relates to conflicts of interest; any decision whether to report the breach to the Pensions Regulator would not negate liability under local authorities' codes of conduct and conflicts of interest arrangements and the legislation that underpins them, nor any action that might be taken under these arrangements.

| Example breach | Considerations before reporting | |
|--|--|---|
| | Actions | Assess materiality |
| Failure to enter an employee into the scheme | <ul style="list-style-type: none"> - Assess whether failure is employer-specific or more widespread - Immediate remedy - Understand whether there have been personnel changes - Provide training to the employer if necessary | <ul style="list-style-type: none"> - Has the member been denied access to the scheme completely? - Has the employer failed to respond to the Fund's enquiries - Has the member not been given the chance to backdate entry to the scheme and pay arrears - Has the employer failed to put a plan in place to prevent further failures - Is this a one-off or are more members affected |
| Late payment over of employee and employer contributions | <ul style="list-style-type: none"> - Contact the employer and assess the reason for delay - Investigate what went wrong - Put steps in place to prevent a repeat - Record investigation outcome - Ensure processes are assessed to identify potential fraud | <ul style="list-style-type: none"> - Is the employer unwilling or unable to pay? - Is any dishonesty involved on the part of the employer? - Is the employer seeking to avoid paying contributions? - Does the employer have adequate processes to recover contributions? - Have contributions been outstanding for over 90 days since being identified? |

| Example breach | Considerations before reporting | |
|--|---|---|
| | Actions | Assess materiality |
| Late submission of year-end data | <ul style="list-style-type: none"> - Contact the employer and assess the reason for non-submission - Investigate what went wrong - Put steps in place to prevent a repeat - Record investigations | <ul style="list-style-type: none"> - Is the employer unwilling or unable to provide the required data? - Has the employer failed to respond to fund enquiries? - Will it impact the issue of annual benefit statements |
| Late issue of annual benefit statements (ABS) | <ul style="list-style-type: none"> - Assess whether the failure sits with a single employer or whether issues are wider - If there have been system or rule changes determine whether teething problems may have contributed - Put steps in place to ensure statements issued in a reasonable timescale - Put steps in place to prevent a repeat - Record investigations | <ul style="list-style-type: none"> - Is it the result of employer failure to provide year-end data? - Has the employer failed to respond to fund enquiries? - Has the fund failed to have a proper plan in place for the ABS project - Has the fund failed to put a plan in place to prevent future failure/delay - Will delay impact members' actual benefits? |
| Late notification of leaver/retirement details | <ul style="list-style-type: none"> - Assess whether the failure relates to a specific employee or is more widespread - Immediately remedy - Have personnel changes led to teething problems - If necessary, provide the employer with training on its responsibilities to prevent a repeat | <ul style="list-style-type: none"> - Has the employer failed to respond to the Fund's enquiries? - Has the failure delayed assessment and notification/payment of retirement benefits? - Has the scheme member been denied access to investment opportunities due to the failure? - Has the failure led to financial hardship for the member? - Has the fund failed to put an immediate plan in place to remedy any delay/failure? |

| Example breach | Considerations before reporting | |
|--|---|---|
| | Actions | Assess materiality |
| A member of Nottinghamshire Pension Fund Committee or the Local Pensions Board member fails to declare a potential conflict of interest which has later become known | <ul style="list-style-type: none"> - Determine why the conflict was not reported at the outset - Consider the impact it had on the discussion/decisions - Draw conflict of interest arrangements to all committee and board members - Consider revisiting the discussion or decision excluding the individual - Remove the individual from the committee or board if their omission was considered to be of such significance as to lead to a loss of confidence | <ul style="list-style-type: none"> - Has the individual used the situation to their advantage? - Has the individual's judgement been swayed by the apparent conflict of interest? - Would the removal of the individual from the discussion/decision have altered the eventual outcome? - Would the non-disclosure lead to a loss of confidence in the public office? |

Appendix B

Notification of a Breach

| | |
|---|---|
| LGPS Fund name | Nottinghamshire Pension Fund |
| Administering Authority | Nottinghamshire County Council |
| Address of scheme (postal address) | Council Offices: County Hall, West Bridgford, Nottingham, NG2 7QP |
| Pension Scheme registry number | 10051247 |
| Recommendation | <ul style="list-style-type: none"> - Red - Amber - Green <p>To report / Not to report</p> |
| Name, position/role and contact details of reporter: | <p>Tel:</p> <p>Email: @nottscc.gov.uk</p> |
| Date: | |
| Breach details | |
| Type of breach | <ul style="list-style-type: none"> - Breach of LGPS Regulations - Breach under pensions law as defined within section 13 of the Pensions Act 2004 - Breach of the Pension Regulator's General Code of Practice |
| Name of employer | |
| Description of breach, its cause and effect | |
| Relevant dates | |
| Actions taken to rectify the breach | |



| | |
|--|----------|
| Longer term implications and actions required to prevent similar types of breach recurring | |
| Reason breach is thought to be of material significance | |
| Has this been reported before? | |
| Decision to report to Regulator | Yes / No |

DRAFT





12 February 2026

Agenda Item: 9

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

TRAINING AND CONFERENCES

Purpose of the Report

1. The report asks that the committee approves attendance at conferences and other training events as set out in the report. It also discusses wider aspects of knowledge and understanding, including training needs analysis and the Fit for the Future programme.

Information

Training Strategy

2. At its meeting on 14 November 2024, the committee agreed the Fund's first Training Strategy. When the Training Strategy was adopted, Funds were not statutorily required to have a strategy addressing knowledge and understanding, however the Pensions Regulator set out clear expectations about knowledge and understanding in its General Code. The Fund's strategy captured requirements in the General Code and in line with the recommendations from the Scheme Advisory Board's Good Governance Review completed in February 2021.

Training needs analysis (TNA)

3. A key part of the Training Strategy is assessing the levels of knowledge and understanding held by members of Nottinghamshire Pension Fund Committee and the Local Pensions Board and identifying areas for development. The committee agreed a training needs analysis at its meeting on 13 February 2025. The TNA asked members assess to themselves against those areas of knowledge and understanding set out in the Training Strategy.
4. The TNA was rolled out to committee and board members after the election on 1 May 2025. Any members who have joined either body in-year have also been asked to complete the analysis. A majority of committee members have completed their TNA; two remain outstanding. All board members have completed their TNA.
5. The TNA exercise has provided a baseline of members' knowledge and understanding across the different areas and has allowed the prioritisation of training and informed the way items are presented to members.

6. Since the initial TNA was completed, most committee members have now completed the LGPS Fundamentals programme, which is organised by the Local Government Association. The course, which spans three days over three months, provides a comprehensive overview of the operation and governance of the LGPS. Where members were unable to attend Fundamentals (either single units or the course in its entirety), they have been provided with alternative learning material to help fill those gaps.
7. Members will be asked to complete their next TNA later in 2026 (further narrative around this is provided in the Fit for the Future section of the report), which will indicate the progress members have made in the acquisition of required knowledge and understanding.

Reporting

8. As part of its annual report, the Fund is required to include information on the training that has been completed by members of the committee and board each year. The Annual Report for 2025/26 will also set out which members have engaged with the training needs analysis process and report on training completed by key officers.

Fit for the Future

9. The Government's Fit for the Future programme aims to improve pension fund governance. One of the ways it is seeking to achieve this is through strengthening requirements around knowledge and understanding. It will become a statutory requirement for all Funds to have a training strategy, and, for the first time, there will be a statutory requirement for training and committee members. Guidance is in the process of being developed that will clearly set out the knowledge and understanding requirements.

10. The guidance is expected to cover:

- Refreshed areas of knowledge and understanding
- The people/roles the strategy will cover
- Applying knowledge and understanding requirements to individuals (previously expectations around knowledge and understanding has been based on the collective knowledge across the decision-making body)
- Expectations about the time in which knowledge and understanding should be acquired
- Requirements covering assessment of training need for all committee and board members
- Evidencing knowledge and understanding, including reporting requirements, and how that will feed into independent governance reviews

Once the guidance is finalised and published, the Fund's Training Strategy and training needs analysis will be reviewed and updated to ensure they comply with all the new requirements. Once this exercise is complete, the committee will be asked to approve the updated versions, and, when in place, all members of the committee and board will then need to complete the new training needs analysis. All members will then need to complete a new TNA each year.

Regular training activity

11. Table 1 sets out regular training activity that is made available to committee and board members:

Table 1: Regular training activity

| Internal training / events | Attendance | Arrangements |
|--|------------------------------------|---|
| Local Pensions Board training | Available to all board members | Scheduled in conjunction with Local Pensions Board meetings |
| Climate related responsible investment training (LGPS Central) | Available to all committee members | Working party |
| Responsible investment training (LGPS Central) | Available to all committee members | Working party |
| Portfolio related activity | Available to all committee members | As required to enable members to explore different elements of investment portfolio |

12. In addition to the regular training activity set out in Table 1 (above) and the conferences and events in Table 2 (following), members are encouraged to participate in free training opportunities offered by industry bodies where there is no cost to the Fund, and any other internal training provided by the Fund during the year covering both general pensions matters and any changes in legislation.

13. Members are also signposted to online training modules that may support them in filling gaps in knowledge and understanding. Members are asked to advise the Governance Officer when they attend/complete any such training so that their training records can be updated.

Attendance at conferences and events

14. The committee enjoys a busy training programme, which is supplemented with opportunities to attend conferences and events. These also provide opportunities for members of the Local Pensions Board and officers to further supplement their own knowledge and understanding. It is proposed this practice continues.

15. In line with the requirements of the council's Constitution, approval is sought for attendance at the following conferences and events in 2026/27. These are consistent with previous years' activity, with one addition.

16. The addition to the list asks members to approve the Fund's representation at the Scheme Advisory Board Annual Assembly. The inaugural event was held in October 2025 however the Fund was not aware of it in sufficient time to seek approval for representatives to attend. For the inaugural event, invitations were sent to the chairs. It is therefore proposed that committee approves sending two attendees, with one place each for the chairs of the committee and board. Once the assemblies become further established and more information becomes available about to whom they are targeted, it may be possible to make the places available to other members in future years.

17. For 2026, the report asks committee to agree that Local Pensions Board members be given the opportunity to attend LGPS Fundamentals (normally the report would only ask for approval of attendance by committee members); Board members would not be required to attend.

Training has been provided to Board members through workshops and online training modules. 2026 will bring many changes to the LGPS, which will create a need for a step change in Board members' knowledge and understanding. Giving Board members the option to attend LGPS Fundamentals will allow for any lag in online training modules being updated and release the officer capacity it would take to deliver the equivalent training in-house.

Table 2: Conferences and events

| Conferences / other events | Location | Date | Attendance |
|---|---|------------------------------------|---|
| LGPS Pooling Symposium | Birmingham | 5-6 May 2026 | Committee chair 1 officer |
| Pensions UK Local Authority Conference | Bedfordshire | 15-17 June 2026 | 2 committee members 1 officer If unfilled, places may be offered to board members |
| Local Authority Pension Fund Strategic Investment Forum | Hertfordshire | 29-30 June 2026 | 2 committee members 1 officer |
| Scheme Advisory Board Annual Assembly | London | TBC – expected October | Committee chair Board chair |
| Local Authority Pension Fund Forum Annual Conference | TBC | TBC - expected early December 2026 | 1 committee member 1 officer |
| Local Authority Pension Fund Forum Business Meetings | Online/London | Quarterly | 2 committee members 1 officer |
| Local Government Association LGPS Fundamentals Course | Options expected to be either online or in-person in London | October to December 2026 | All new committee members and any committee members requiring refresher training Board members |
| LGPS Governance Conference | Harrogate | 28-29 January 2027 | 2 committee members, 1 board member, 1 officer |
| LGPS Central training such as its Stakeholder Day | Online / Wolverhampton / Birmingham | Various | Various |
| Pool Board Chairs' meeting | Wolverhampton | Various | Board chair |
| LGPS Central Responsible Investment summit | TBC | TBC | TBC |

18. Please note that at the time of drafting, details were not available for some of the listed conferences and events. Where there are updates between the publication of the agenda and the meeting, officers will provide a verbal update at committee. Where information is not available for the meeting, full details will be provided to members when they are contacted about their availability and whether they would like to attend.

Other Options Considered

19. The committee could choose not to agree the attendance at conferences and training events. This option has not been recommended because the Fund benefits from sending delegates, both in terms of growing its network and gaining more information on current topics of interest. The LGPS Fundamentals programme carries the benefit of providing a comprehensive overview of all the key areas of knowledge and understanding required by committee members. As it is delivered by a range of professionals who are experts in their respective fields, it also gives members an opportunity to explore any questions they have with those experts.
20. Members and officers could also attend other conferences in addition to, or instead of, those suggested. The conferences included in Table 2 have proven useful and interesting in previous years. A majority focus specifically on the LGPS, which means they are also the most relevant.

Reason for Recommendation

21. The recommendations are in line with the Fund's Training Strategy and the Council's Constitution. They also reflect the requirements of the Pension Regulator's General Code of Practice and section 248A of the Pensions Act 2004.

Statutory and Policy Implications

22. 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.

Financial Implications

23. Any costs associated with the conferences or training covered in this report are covered by Nottinghamshire Pension Fund.

Legal Implications

24. Ensuring members are well trained and have the appropriate skills and knowledge to make the required decisions will protect the Fund. Having poor knowledge and understanding can lead to ineffective, illegal or inappropriate decision-making, which will have legal implications for the Fund.
25. As increasing statutory requirements around knowledge and understanding come into effect through the implementation of the Fit for the Future programme, the Fund may face regulatory implications if the expected standards are not met.

Local Government Reorganisation Implications

26. There are no local government reorganisation implications arising directly as a result of this report. As part of local government reorganisation, a new council will become the administering authority for the pension fund. The new administering authority will need to ensure the smooth transition of policies and ensure the arrangements are in place to enable the Fund to meet the knowledge and understanding requirements to which it is subject.

RECOMMENDATION

- 1) That Nottinghamshire Pension Fund Committee approves attendance at conferences and training as set out in **Table 1** and **Table 2** of this report.

Nigel Stevenson

Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

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Legal Comments (SSR 31.12.2025)

27. These recommendations fall within the scope of matters that may be approved by the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 12/01/25)

28. Financial implications are set out in paragraph 23. Training costs are a valid charge to the Pension Fund.

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.

- [Nottinghamshire Pension Fund Training Strategy](#)
- [The Pension Regulator's General Code of Practice – knowledge and understanding requirements](#)
- [Section 247A, Pensions Act 2004 - Requirement for knowledge and understanding: pension boards of public service pension schemes](#)

Electoral Division(s) and Member(s) Affected

- All



12 February 2026

Agenda Item: 10

**REPORT OF THE SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE AND
IMPROVEMENT**

**LOCAL GOVERNMENT PENSION SCHEME IN ENGLAND AND WALES: FIT
FOR THE FUTURE – TECHNICAL CONSULTATION**

Purpose of the Report

1. The report updates members of Nottinghamshire Pension Fund Committee on the recent technical consultation that is a key part of implementing the Government's Fit for the Future programme. Committee members are also asked to note the pension fund's response (**Appendix A**).

Information

2. In November 2024, the government launched its Fit for the Future consultation, which sought views on proposals designed to unlock the investment potential of the Local Government Pension Scheme (LGPS) through further consolidation, improved governance, and building on successes as a local investor.
3. In May 2025, the government published its response to the consultation feedback, in which it confirmed its intention to implement the majority of the proposals.
4. Primary legislation to implement the reforms is being taken forwards through the Pension Schemes Bill, which is progressing through Parliament. On 20 November 2025, the Government launched a consultation on two draft statutory instruments that will implement the Fit for the Future proposals in conjunction with provisions in the Pension Schemes Bill:
 - The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026
 - The Local Government Pension Scheme (Amendment Regulations) 2026
5. The reforms will fully consolidate the scheme into asset pools and introduce minimum operating standards for asset pool companies, strengthen the governance of administering authorities and pools, and boost LGPS investment in their localities and regions.
6. The following sections provide a brief summary of the matters included in the draft Regulations.

The Local Government Pension Scheme (Pooling, management and Investment of Funds) Regulations 2026

7. These regulations will replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and give legal effect to the proposals set out in the pooling and local investment chapters of the Fit for the Future consultation.
8. They will:
 - Require administering authorities to delegate the implementation of their investment strategy to their asset pool
 - Require administering authorities to take principal investment advice from their pool
 - Require all assets to be controlled and managed by the relevant asset pool
 - Provide backstop powers for the Secretary of State to direct AAs to participate in specific pools, and for specific pools to facilitate participation
 - Establish minimum standards for pools, including FCA authorisation and capacity to manage local investments
 - Require compliance from 1 April 2026, subject to passage of the Pension Schemes Bill through Parliament and with limited flexibility in specific cases
9. These regulations will be supported by two lots of guidance: revised Investment Strategy Statement Guidance and a new piece of asset pooling guidance.

The Local Government Pension Scheme (Amendment) Regulations 2026

10. These regulations will implement the proposals in the governance chapter of the Fit for the Future consultation:
11. They will:
 - Strengthen governance arrangements for administering authorities, including the requirement to appoint a senior LGPS officer and an Independent Person, knowledge and understanding requirements and details of strategies that all funds must statutorily have
 - Require regular governance reviews aligned with valuation cycles
 - Provide powers for the Secretary of State to direct governance reviews where necessary
 - Require compliance from 1 April 2026, subject to the passage of the Pension Schemes Bill through Parliament and with lead in periods for specific requirements
12. These regulations will be supported by guidance on governance, including specific guidance on governance strategies, independent governance reviews, and administration strategies. Separate guidance will also cover independent governance reviews, knowledge and understanding requirements, the senior LGPS Officer and the Independent Person.
13. The government is in the process of engaging with stakeholders on the content of these pieces of guidance.

14. The consultation closed on 2 January 2026. For technical consultations, the council's constitution makes provision for officers to prepare technical responses, which are agreed with the Chair and reported to the next available committee meeting following submission. The Fund's response is attached as **Appendix A** to this report.

15. In preparing its response, the Fund considered comments submitted by other bodies and organisations including:

- The Local Government Association
- The Scheme Advisory Board
- Barnett Waddingham
- Hymans Robertson
- LGPS Central

Discussions were also held with other LGPS Central partner funds.

16. Following consideration of consultation responses, government will finalise the draft regulations before laying them in Parliament. The intention is for the final regulations to come into force on 1 April 2026 subject to the timing of the passage of the Pension Schemes Bill through Parliament.

Other Options Considered

17. The Fund could have chosen not to respond to the consultation, but this option was rejected. Given the measures the programme will introduce that the Fund must implement, it is appropriate for it to review and make representations.

Reasons for Recommendation

18. Officers prepared and submitted a response to the consultation in agreement with the Chair of the Committee in line with the procedure set out in council's constitution. The timing of the consultation meant that it was not possible to bring an earlier report to update committee members.

19. Implementing the Fit for the Future requirements will be a significant workstream for the Fund, so it is important that it takes the opportunity to engage with consultations to help ensure that regulations are clear and raising any queries or concerns that might affect its ability to implement the requirements.

Statutory and Policy Implications

20. 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.

Financial Implications

21. There are no financial implications arising as a direct result of this report however, the implementation of the Fit for the Future programme will have financial implications for the Fund.

Legal Implications

22. There are no legal implications arising as a direct result of this report, however, the implementation of the Fit for the Future programme, or any failure to implement the requirements, will have legal implications.

Local Government Reorganisation Implications

23. There are no Local Government Reorganisation implications arising as a result of this report however, as part of the arrangements for reorganisation, the new administering authority will need to ensure that the requirements the regulations and statutory guidance are incorporated into its governance arrangements.

Human Resources Implications

24. There are no direct human resources implications arising as a result of this report, however the implementation of the programme will, as the new post of senior LGPS officer will need creating and recruiting to.

RECOMMENDATION/S

- 1) That Nottinghamshire Pension Fund Committee notes the Fund's response to the Local Government Pension Scheme in England and Wales: Fit for the Future – technical consultation (**Appendix A**)

Nigel Stevenson

Service Director Finance, Infrastructure and Improvement

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Legal Comments (CM 02/01/2026)

25. The committee is empowered under its terms of reference to consider the response made to the relevant consultation. Any future changes to legislation arising from the government's consideration of the consultation should be considered separately in due course.

Financial Comments (TMR 13/01/2026)

26. There are no direct financial implications arising from this report.

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.

- [Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)
- [Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation - GOV.UK](#)
- [The Local Government Pension Scheme \(Pooling, Management and Investment of Funds\) Regulations 2026](#)
- [The Local Government Pension Scheme \(Amendment\) Regulations 2026](#)

Electoral Division(s) and Member(s) Affected

- All

Local Government Pension Scheme in England and Wales: Fit for the Future – technical consultation

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026

Part 1 – Introductory (Regulations 1 and 2)

Part 1 of the regulations set out citation and commencement details for the regulations (Regulation 1) and definitions of how terms used in the regulations should be understood (Regulation 2).

Question 1

Do you have any comments on the drafting of regulations 1 and 2?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund has no comments on the drafting of regulations 1 and 2.

Part 2 – Investments, funds and borrowing (Regulations 3-6)

Regulation 3 sets out what is included in the term 'investment' for the purposes of these regulations. The regulation is comparable to Regulation 3 of the 2016 regulations.

Regulation 4 defines the amounts that an AA must credit to its pension fund, in addition to those required by virtue of the 2013 and 2014 regulations. This is comparable to Regulation 4 of the 2016 regulations.

Regulation 5 would prevent AAs from borrowing, except where this is required to pay benefits under the scheme or to meet investment commitments arising from a change in asset allocation. This regulation is comparable to Regulation 5 of the 2016 regulations.

Regulation 6 would require all pension fund money to be held in a separate bank account kept with a deposit taker. This regulation is comparable to regulation 6 of the 2016 regulations.

Question 2

Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund suggests including directly held assets, e.g. property and infrastructure within the definitions.

Question 3

Is there any scenario where an authority would still need to borrow to meet the type of commitment outlined in Regulation 5(2)(b) once all assets are pooled?

➤ **Nottinghamshire Pension Fund response**

Potentially. If something goes seriously wrong that prevents Pools from transferring cash to Funds, then other expenses may also need to be funded from borrowing while the situation is resolved.

Question 4

Do you have any other comments on Regulations 3-6?

➤ **Nottinghamshire Pension Fund response**

Nottinghamshire Pension Fund has no other comments on Regulations 3 to 6.

Part 3 – Asset pool companies (Regulations 7-9)

Regulation 7 would require all LGPS AAs to participate in an asset pool company from the day that the regulations take effect. This participation must be for the purpose of the company managing the assets that the AA is responsible for. AAs can only participate in one asset pool at a time, except where they are in the process of transitioning from one pool to another (Regulation 22).

Regulation 8 would require an asset pool company to be regulated by the FCA for, at a minimum, the activities listed in the schedule to the regulations before managing any assets of the scheme. The list in the schedule is not intended to preclude asset pool companies from holding additional authorisations. AAs are also required to take appropriate steps to ensure their asset pool has complied with the requirements of Regulation 8(1) and the Financial Service and Markets Act 2000.

Regulation 9 would allow the Secretary of State to direct an AA to participate, or to not participate, in a particular asset pool. The Secretary of State may also direct the receiving pool to accept the fund as a member. The regulation also sets out who the Secretary of State must consult prior to making such a direction.

Question 5

Are the activities listed in the schedule ones that all LGPS asset pools would reasonably be expected to need in order to carry out the activities expected of them?

➤ **Nottinghamshire Pension Fund response**

Nottinghamshire Pension Fund has no comment in respect of this

Question 6

Do you have any other comments on Regulations 7-9?

➤ Nottinghamshire Pension Fund response

Regulation 8 includes a requirement on AAs “to ensure that the relevant asset pool company has complied with any requirements” under the 2000 Act to carry out regulated activities specified in the schedule to these regulations and in the 2000 Act. This places an onerous burden on AAs that would expose them to potential liability. Therefore, the Fund thinks it would be better to amend the obligation to something along the lines of “to ensure that the relevant asset pool holds the necessary permissions and authorisations under the 2000 Act”.

Part 4 – Investment Strategy (Regulations 10-15)

Regulation 10 would require asset pool companies to provide their participating authorities with advice about their investment strategy. This advice can be developed in house or procured by the asset pool company. AAs may only take advice from sources other than their asset pool company in exceptional circumstances that will be set out in guidance.

Regulation 10 also requires AAs, after considering advice provided to them by their asset pool company, to formulate an investment strategy in accordance with Regulation 11 and guidance issued by the Secretary of State. The government intends to release updated Investment Strategy Statement Guidance in conjunction with these regulations coming into force.

Regulation 10 replaces the requirements in Regulation 7(1) of the 2016 regulations.

Regulation 11(1) sets out what must be included in the investment strategy in implementation of the proposal in [paragraph 28 of the Fit for the Future consultation](#). This replaces the requirements in Regulation 7(2) of the 2016 regulations.

Regulation 11(2) requires an AA’s investment strategy to be consistent with the authority’s funding strategy statement and to have regard to the need to maintain as consistent a primary employer contribution rate as possible.

Regulations 11(3) and 11(4) relate to the high-level objective on local investment that would be required by Regulation 11(1)(f) in implementation of the proposals in [paragraphs 75-77 of the Fit for the Future consultation](#). Regulation 11(3) requires an AA to have regards to the local economic priorities of the relevant strategic authority, including any local growth plan where this is applicable.

Regulation 11(4) exempts the Environment Agency from the requirement to include a high-level objective on local investment in their investment strategy. This is in recognition of the fact that this organisation operates, and members of its two pension funds are based nationally rather than in any one local area.

Regulation 11(5) allows an AA to delegate the formulation of its strategic asset allocation to its asset pool company. Regulation 11(6) replicates the existing requirement in Regulation 7(4) of the 2016 regulations for an investment strategy not to permit more than 5% of an authority’s investments to be invested in entities connected with that authority.

Regulation 12 replaces the existing requirements in Regulation 7(5) and 7(6) of the 2016 regulations. It would require AAs to publish a statement of their investment strategy The first

investment strategy statement must be published within 6 months of these Regulations coming into force. Regulation 12 would also require administering to consult specified persons on their proposed investment strategy prior to publishing it.

Regulation 13 would require asset pool companies to take all reasonable steps to implement an authority's investment strategy, which must be produced in accordance with guidance issued by the Secretary of State. It also requires asset pool companies to give proper consideration to local investment opportunities.

Regulation 14 would require AA to review, revise (if necessary) and publish their investment strategy from time to time and within 18 months of each valuation date. In practice, this means that AAs would have 6 months from the latest date at which they can receive their actuarial valuation data to review, revise and republish their investment strategy. This replaces the requirement in Regulation 7(7) in the 2016 regulations.

Regulation 15 would give the Secretary of State power to direct an AA to change its investment strategy in the event that the Authority have failed to comply with guidance. The Secretary of State would be required to consult the authority prior to making such a direction. This regulation partly replaces provisions in Regulation 8 of the 2016 regulations.

Question 7

Do you agree that the requirements in Regulation 11(2), for the financial objectives in the investment strategy statement to be consistent with the funding strategy statement and to have regard to the requirement to maintain consistent primary employer contribution rates, are helpful?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund agrees, however guidance and regulation should ensure there is clarity around reasonable compromise between the requirements of Regulation 11(2)(b) and Regulation 11(3).

Question 8

In relation to regulation 12, does a deadline of 30th September 2026 allow sufficient time to allow AAs to publish an investment strategy in line with the new requirements?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund believes a deadline of 30 September 2026 would allow sufficient time for AAs to publish an investment strategy in line with the new requirements so long as associated guidance is finalised and published in good time.

Question 9

Are there any other persons (including organisations) in addition to those currently listed in Regulation 12(3) that all AAs should always be required to consult on the contents of their investment strategy?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund would suggest there should be a requirement to consult with the pool company.

Question 10

Is the wording of Regulation 13(1) sufficiently clear that the responsibility for implementing the investment strategy is fully on the asset pool company, while giving sufficient scope for flexibility where market conditions or other factors make it impracticable to fully realise all the aims of the investment strategy?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund believes that the wording in the Regulations could be improved to make this clearer.

Further clarity is suggested around what constitutes “all reasonable steps”. There should also be clarity around prioritisation where there are potentially competing objectives the pool is being asked to manage around scale, efficiency and UK Investment, as well as Fund preference. Clear guidance is required on how conflicts between these interests are expected to be resolved when it comes to the implementation of an AA’s individual Investment Strategy. The pool should therefore evidence how benefits of increased scale were achieved by not implementing a specific request.

Question 11

In relation to Regulation 14, do you agree it is appropriate to link the three-yearly review of the investment strategy to the triennial valuation?

➤ Nottinghamshire Pension Fund response

No, Nottinghamshire Pension Fund does not agree with the Regulation as currently set out. The Fund’s actuary sets the discount rate based on the Strategic Asset Allocation on the date of the valuation. Any changes after this would be expected to be minor or would undermine the basis of the valuation. The Fund is aware that not all actuaries use the same approach to set discount rates, but the regulations should be flexible enough to respond to different approaches.

Question 12

Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy?

➤ Nottinghamshire Pension Fund response

Please clarify whether this is the deadline for publishing a strategy for consultation or whether the consultation must also be completed by this deadline. If this is a fundamental review of strategy informed by the results of the Triennial valuation and then subject to a full consultation, then more time may be required, particularly as pools providing funds with advice on investment strategy statements is a new area of work and expertise will need to be built out.

Question 13

Do you have any other comments on Regulations 10-15?

➤ **Nottinghamshire Pension Fund response**

In 10, the assessment of whether they have received ‘proper advice’ is that of the Pension Fund, which is appropriate where they are appointing the adviser. However, is it also required for Pension Funds to be assessing whether the advice from the pool is ‘proper advice’? Please consider clarifying Regulation 10.

The Fund has some concerns about the change in language in respect of responsible investment and ESG and whether that means pools and not funds will determine the acceptable balance between financial and non-financial considerations around responsible investment, which could affect the Fund’s ability to fulfil its fiduciary duty.

Including a definition of “high-level” would also be of benefit.

Part 5 – Asset Management (Regulation 16)

Regulation 16 would require the funds and other assets of the scheme to be held and managed by the asset pool company within 21 days of an AA first participating in the pool. Where this is not reasonably practicable, the asset pool company is responsible for determining when, and under what arrangements, an asset should be transferred.

Question 14

Is 21 days an appropriate time period for an asset pool company to be managing AA assets?

➤ **Nottinghamshire Pension Fund response**

This is insufficient. The Regulations should take account of the possibility of an emergency change, which would require significantly more time. Where unplanned changes are required, Nottinghamshire Pension Fund has concerns that the 21-day timeframe would create a risk of governance failures, particularly where pools need to build out capacity, capability and products to be able to effectively manage transitioned assets.

Question 15

Do you have any other comments on Regulation 16?

➤ **Nottinghamshire Pension Fund response**

Please define ‘held’? This appears to imply ‘has custody of’. However, this is not anticipated for legacy private assets, and some public assets could not be transitioned in these timescales. This needs clarifying, and the timescales reviewing according to the intention.

The Fund welcomes backstop provisions that assets do not need transferring to a pool within the otherwise required timescales where it is impractical to do so however Regulation 16 places power in respect of this to the pool. This places AAs in a difficult position in respect of resourcing as to how to retain expertise to aid asset management prior to the transfer of actual ownership to the Pool. This could

generate expectations on the AA that they may find difficult to manage because the arrangements would be dictated by the pool.

Part 6 – Local Investments (Regulation 17)

Regulation 17 would require AAs to co-operate with the relevant strategic authority to identify and develop appropriate local investment opportunities. This requirement may be delegated to the AA's asset pool company and does not apply to the Environment Agency. The relevant strategic authority is defined in Regulation 2.

Question 16

Do you have any comments on Regulation 17?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund suggests that it would be helpful to define the terms “co-operate” and “develop”. Funds may not have access to the skills and expertise to successfully achieve this, which may increase appetite to delegate to pools; what would happen if a pool was unable/unwilling to take this on? Where Funds delegate this to pools is additional regulation required for pools to build out capacity? Where capacity or expertise does not exist, could the pool delegate to external parties that have the required expertise. Guidance to assist Funds in respect of this would be valuable.

Part 7 – Guidance and Directions (Regulations 18 and 19)

Regulation 18 would permit the Secretary of State to issue guidance to AAs and asset pool companies about certain matters specified in the regulation.

Regulation 19 would allow the Secretary of State to direct an asset pool company to comply with guidance, and to direct an asset pool company to carry out particular investment management activities in a manner specified in the direction. Regulation 19 also clarifies the circumstances in which these directions can be given and requires that certain specified bodies are consulted prior to directions being given.

Question 17

Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund believes that greater detail is required on the circumstances and areas in which guidance can be drafted on these topics. There is concern that the drafting may create an environment in which there is an overreaching of power. Specifically, the Fund has concerns about the government's ability to issue guidance that could affect an authority's role in setting its own investment strategy, which is key to them being able to fulfil their fiduciary duty.

Question 18

Do you have any other comments about Regulations 18 or 19?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund believes these Regulations would not enable any direction in breach of its fiduciary duty as this would constitute 'good reason'. This is welcome. The draft guidance makes this even clearer.

The Fund does believe that the circumstances in which government would consider it necessary to issue a direction to a pool should be set out, together with procedural requirements to first set out the reasons and an opportunity for a pool to respond.

Part 8 – Consequential amendments, revocations and transitional provisions (Regulations 20-22)

Regulation 20 details the amendments that would be required to the 2013 regulations to allow these regulations to work properly.

Regulation 21 would revoke the 2016 regulations. It would also allow that until an authority has published its first investment strategy in compliance with these regulations, or until 29 September 2026 at the latest, Part 4 of these regulations would only apply to the extent necessary to enable the authority to formulate and publish its investment strategy.

Regulation 22 would exempt an AA that is changing asset pool from the requirement to participate in only one asset pool, for a period of 28 days. This is to allow the AA to be a member of both its old and new asset pool company while the transition is taking place.

Question 19

Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund notes the regulations remove the ability of administering authorities to appoint asset managers. Overlooking the fact that the pool is an asset manager, prior to the transfer of the ownership or management of assets to the pool, the existing relationship with managers will need maintaining/transferring. What happens if this process has not been fully completed by 1 April 2026, since pools are still developing their own capacity?

Question 20

Is 28 days an appropriate length of time to allow an AA to participate in both its 'old' and 'new' pool to allow transitional processes to take place?

➤ Nottinghamshire Pension Fund response

The term 'participate' needs defining. Even if only investment management is transferring (with company governance and custody unaffected) this is a short

timescale. The pool companies are best placed to comment on an appropriate timeframe.

The draft guidance recently provided seems to imply that they should cease to be a shareholder of the pool in this timeframe. Nottinghamshire Pension Fund does not believe this is an appropriate length of time as there may be a requirement to wind down a company. There is a recognition that the AA may need to have an 'ongoing relationship' with their previous pool and it should be recognised that this could include being a shareholder. It is the responsibility for managing the assets which should only be with one pool at a time, and the guidance should clearly refer to this element.

There is concern that, with the 28 day timescale being so short, there is a risk of governance failures created through rushed decisions and processes and where safeguards are either not in place or missed. Moving pools is a complex task that carries significant risk; it is also costly and time consuming.

Question 21

Do you have any other comments about Regulations 20-22?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund has no other comments in respect of Regulations 20 to 22.

Overarching questions

Question 22

Is there anything else that should be included in these Regulations to allow them to deliver their intended impact? Are there any additional provisions in the 2016 Regulations that need to be replicated here in some way?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund notes that the Regulations are silent on oversight of asset pools. Checks and balances are key to administering authorities' ability to monitor their pool. The Fund suggests that these are of such significance they should be included in the Regulations.

Question 23

The government collected views on whether the reforms would benefit or disadvantage protected groups when consulting on the Fit for the Future policy proposals in autumn 2024. Is there anything in these regulations that you think will disproportionately impact groups with protected characteristics relative to other groups?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund has nothing to add

The Local Government Pension Scheme (Amendment) Regulations 2026

This draft statutory instrument is designed to deliver the policy proposals from the governance chapter of the Fit for the Future consultation and the associated government response. The statutory instrument makes changes to the Local Government Pension Scheme Regulations 2013 ('LGPS Regulations 2013').

The regulations would be made using the existing powers in the Public Service Pensions Act 2013 and the new powers in the Pension Schemes Bill. They will be supported by guidance on governance, including guidance on governance strategies, independent governance reviews and administration strategies. The government intends to issue guidance in conjunction with the regulations coming into force.

Part 9 - Governance strategy, training strategy and conflict of interest strategy

The statutory instrument revokes Regulation 55 of the LGPS Regulations 2013 (which requires AAs to produce a governance compliance statement) and inserts new Regulation 55A into the LGPS Regulations 2013. Regulation 55A(1) creates the overall requirement for an AA to prepare a governance strategy, a training strategy, and a conflict of interests policy. Regulation 55A(6) sets out that the three documents may be combined, but that this is not a requirement.

Regulation 55A(2) sets out what a governance strategy is and what it must contain. It mirrors the existing requirements for what must be included in a governance compliance statement in current Regulation 55, with two additions. The first addition requires AAs to set out how the views of members and employers are taken into account, if there are no representatives on the pension committee. The second addition relates to the new requirement to appoint an independent person to the pension committee.

Regulation 55A(3), (4) and (5) define the new requirements for a training strategy and a conflict of interests policy.

Regulation 55A(7) sets out that the three documents must be reviewed at least once in each valuation period, or if there is a significant change to any of the matters contained within them.

Regulation 55A(8) and (9) set out that the AA must consult such persons as it sees appropriate when preparing or updating any of the three documents, and must publish the documents. This mirrors existing Regulation 55(3) and (4).

Regulation 55A(10) sets out that AAs must act in accordance with guidance on any of the three documents.

Regulation 55A(11) defines terms.

Question 24

Do you agree that new Regulation 55A delivers the government's intent for the governance strategy, training strategy and conflict of interest policy, in line with the Fit for the Future consultation and response?

➤ Nottinghamshire Pension Fund response

Yes, Nottinghamshire Pension Fund believes that Regulation 55A as written would deliver the government's intentions regarding the requirements for Funds to have a governance strategy, training strategy and conflict of interest policy. It may be appropriate to add the Local Pensions Board to the list of those to whom the conflicts of interest policy applies.

Guidance on what needs including in the Training Strategy, together with clear guidance about the contents of the governance strategy would be greatly appreciated. Indications within other guidance is helpful but without specific guidance Funds will be drafting their strategies based on what they infer from other guidance.

55A 6) is missing the word 'Authority'.

Part 10 - Senior LGPS officer

The requirement for a senior LGPS officer, as proposed in the Fit for the Future consultation and government response, is created by new Regulation 53A of the LGPS Regulations 2013. It will come into force on 1 October 2026 in respect of the first appointment, any subsequent appointments must be made within 6 months of the date on which the previous senior LGPS officer's appointment ended.

Regulation 53A(1) sets out the requirement to appoint a senior LGPS officer, and 53A(3) defines the officer's role. The new regulation also requires that AAs must appoint senior LGPS officers, and senior LGPS officers must carry out their roles in accordance with guidance issued by the Secretary of State. Some administering authorities may have officers who already fulfil a similar role, and these officers can be appointed as the senior LGPS officer, provided that they meet the new requirements and are in accordance with guidance.

Regulation 53A(4) also sets out that the same person cannot hold both the role of senior LGPS officer and the local authority's section 151 officer, head of paid service or monitoring officer. Regulation 53A(9) clarifies that the creation of the new role does not affect the existing responsibilities of the section 151 officer. The statutory guidance will go into more detail on how the two roles interact.

Regulation 55A(2) sets out that where an administering authority delegates its functions an officer rather than a committee or sub-committee, it must be to the senior LGPS officer.

Question 25

Do you agree that new Regulation 53A delivers the government's intent for the senior LGPS officer in line with the Fit for the Future consultation and response?

➤ **Nottinghamshire Pension Fund response**

Yes, Regulation 53A as written would deliver the government's intentions regarding the senior LGPS officer subject to the issuing of the corresponding guidance but the Fund would welcome some flexibility where AAs have started the recruitment process but been unable to complete it by the deadline.

Part 11 – Independent person

The requirement for an independent person, as proposed in the Fit for the Future consultation and government response, is created by new Regulation 53A of the LGPS Regulations 2013. It will come into force on 1 October 2026 in respect of the first appointment, any subsequent appointments must be made within 6 months of the date on which the previous independent person's appointment ended.

Regulation 53A(5) and (7) sets out the requirement, where an AA delegates to a committee or subcommittee, to appoint an independent person as a non-voting to advise on all matters relating to the scheme (such as administration, investment and governance). Regulation 53A(6) and (7) sets out that where an AA delegates to the senior officer, an independent person must be appointed to support them.

Regulation 53A(8) sets out that appointment must be in accordance with guidance issued by the Secretary of State.

Question 26

Do you agree that new Regulation 53A delivers the government's intent for the independent person in line with the Fit for the Future consultation and response?

➤ **Nottinghamshire Pension Fund response**

There is some ambiguity between the Fit for the Future response and Regulations. It is unclear whether this ambiguity is created by a change in nomenclature or an adjustment in intent. Insofar as the government's intent was clear the drafting of Regulation 53A seems consistent.

The Fund has some concern about whether the pool of individuals who could fill this role is sufficient and the impact this could have on the timeline for appointment, both in the first instance and at such time as it becomes necessary to reappoint, particularly in the event the reappointment is unplanned.

The Fund would also welcome some flexibility where AAs have started the appointment process but been unable to complete it fully by the deadline.

Part 12 - Knowledge and understanding

The requirement for knowledge and understanding requirement for relevant persons, is created by new Regulation 55B of the LGPS Regulations 2013 which mirrors the requirements on pension board members under section 248A of the Pensions Act 2004.

Regulation 55B(1) and (2) defines relevant persons.

Regulation 55B(3) defines the degree of knowledge and understanding required as being conversant with the rules of the Scheme and any document recording policy about the administration of the Scheme, in addition to knowledge and understanding of the law relation to pensions.

Regulation 55B(4) sets out that the requirements apply within a reasonable period of being appointed.

Question 27

Do you agree that new Regulation 55B delivers the government's intent for the knowledge and understanding requirements in line with the Fit for the Future consultation and response?

➤ Nottinghamshire Pension Fund response

While Nottinghamshire Pension Fund recognises that there will be guidance that supports these provisions, a broader statement about the knowledge required to properly exercise their function beyond scheme rules, policies and pensions law would be valuable here. There is no mention in the Regulations about knowledge around investments or corporate governance insofar as it relates to pool companies. Under the arrangements, committees remain responsible for setting the investment strategy and strategic asset allocation, they are also responsible for the oversight of the pool company.

The Fund is also interested in the draft guidance, which requires that any functions delegated to an officer should be delegated to the senior LGPS officer. This is not consistent with the wording in the draft Regs, which indicates that functions can be delegated to officers but does not specify the senior LGPS officer.

Under the guidance, would this delegation to the senior LGPS officer be the limit or, as with delegations in other areas, could the senior LGPS officer make onward delegations to suitably qualified/trained officers with appropriate knowledge and skills – this onward delegation feels consistent with the wording of the draft Regs.

The draft detailed guidance also talks about contingency planning and cover arrangements so it seems very limiting if the senior LGPS officer cannot delegate further. If the senior LGPS officer is the limit, then clarity is required in the Regs about the extent of matters covered by the delegation to ensure that there is no bottleneck that prevents Funds from carrying out their core functions. If that is not the limit, then the guidance requires additions for the purposes of clarity.

Part 13 - Administration strategy

The statutory instrument makes amendments to Regulation 59 of the LGPS Regulations 2013 to require administering authorities to prepare an administration strategy, rather than making this optional (as is currently the case).

The statutory instrument also creates requirements that the administration strategy must be reviewed at least once in each valuation period and must be in accordance with guidance issued by the Secretary of State.

Question 28

Do you agree that Regulation 59 delivers the government's intent for the administration strategy in line with the Fit for the Future consultation and response?

➤ Nottinghamshire Pension Fund response

Nottinghamshire Pension Fund agrees that Regulation 59 delivers the government's intent for the administration strategy in line with the Fit for the Future consultation response and understands that supporting guidance will also be provided.

Part 14 - Independent governance reviews

The requirement for independent governance reviews, as proposed in the Fit for the Future consultation and government response, is created by new Regulation 117 of the LGPS Regulations 2013, and enabled by clause 5 of the Pension Schemes Bill.

Regulation 117(1) sets out the requirement to arrange for independent governance reviews, and regulation 117(2) sets out the power for the Secretary of State to direct an authority to arrange an ad hoc independent governance review. 117(3) sets out that the period of review in respect of an ad hoc governance review is specified by the Secretary of State.

Regulation 117(4) sets out the requirement for the first periodic governance review to be arranged (if the authority is not required to arrange an ad hoc governance review before then) by 31st March 2028. Regulation 117(5) sets out that the period of review in a periodic governance review is between the date on which that first periodic governance review is arranged and 1st April 2025.

Regulation 117(6), (7), and (8) set out when further periodic governance reviews are required to take place and the period of review which they cover. The effect is that an authority will be required to arrange a governance review at least once in every valuation period, and that the review will cover the period since the last governance review was arranged.

Regulation 117(9) sets out that authorities may pay the costs of arranging a governance review from the fund.

Regulation 117(10) defines a 'suitable person' who can carry out a governance review as being a person who is independent of both the Secretary of State and the authority and who has sufficient knowledge and understanding of the rules of the Scheme.

Regulation 117(11) sets out that the suitable person must carry out the governance review in accordance with guidance issued by the Secretary of State, and that after completing the review, they must send a copy of their report as soon as practicable to the Secretary of State and the AA.

Regulation 117(12) and (13) and that the AA must publish the report as soon as practicable, and in accordance with guidance issued by the Secretary of State.

Question 29

Do you agree that new Regulation 117 delivers the government's intent for the independent governance reviews in line with the Fit for the Future consultation and response?

➤ **Nottinghamshire Pension Fund response**

Nottinghamshire Pension Fund believes that new Regulation 117 would deliver the government's intention for independent governance reviews in line with the Fit for the Future consultation and response, and subject to the issuing of guidance.

The deadline of 31 March 2028 for completing the first review is of some concern, since the Fund will need to procure someone to carry out the review who is independent of the AA. This may be a challenge for some funds where there is a current relationship with multiple providers on the suggested frameworks included in the draft guidance, which has been shared. Demand for services will be high which means some authorities may have difficulty appointing a provider and finding a suitable window in which the review could be conducted.

12 February 2026

Agenda Item: 11

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

WORKING PARTY

Purpose of the Report

1. The Pension Fund Working Party meets twice a year or additionally where circumstances require and is open to all Pension Committee Members to attend. The purpose of the Working Party is to discuss key issues in more detail and to make recommendations to Pension Fund Committee. This report sets out details of the items discussed at the most recent meeting on 22 January 2026 and makes recommendations as follows:-
 - 1) Maintain a medium risk appetite with a 0.8% adjustment to the 5% return assumed in the triennial valuation, taking the target return to 5.8% from 1st April 2026
 - 2) Use the government's prescribed template to express the Fund's strategic asset allocation (SAA)
 - 3) Adjust the strategic asset allocation for 2026/27 as per Table 1.

Information and Advice

2. The Working Party met on 22 January 2026. The agenda and attendees are listed in Appendices A and B, and details of the discussions and recommendations for each item are set out below.

Strategic Asset Allocation (SAA) Review

3. The Working Party considered a report from William Bourne, independent adviser to the fund. The report considered the market environment and risks in the Fund.
4. The Working Party considered the target return of the Fund in the context of the draft results of the Triennial Valuation. The 0.8% adjustment is consistent with the previous year and considered appropriate to represent a medium risk appetite. This approach, applied to the 5% discount rate results in a target return of 5.8% from 1 April 2026.
5. The changes affecting the Fund under the Pensions Act draft legislation limit the Fund to two options to set the SAA. The Fund can delegate to the pool, letting them decide how best to allocate assets to deliver high-level objectives set by the Fund, or use the prescribed template to set the allocation by asset class (as defined in the table). Asset classes can be combined, but not divided into more granular categories. The template is at a higher level than the

Fund's historic SAA and does not go into the same level of detail. But it does allow the Fund to set the broad structure of the SAA, and thus to ensure that the allocations to its broad categories are implemented. This will provide some assurance that the Fund is mitigating risk appropriately and provides a structure for assessing Pool performance. For this reason, the Working Party felt this was the preferred approach, at least in early years.

6. However there are some areas where the Fund's current allocation does not fit neatly into the template, and for the purpose of the 2026 SAA these are expressed in Table 1 separately and with footnotes for clarity. The Fund will not formally be able to include this detail in future Investment Strategy Statements. Engagement will continue with LGPS Central to ensure an appropriate interpretation of our allocations as their asset class offerings develop.
7. The Fund reviews its strategic asset allocation annually to ensure it is appropriate. The report reviewed the Fund's SAA in the light of the triennial valuation and the current economic outlook. The proposals reflect the continued de-risking of the Pension Fund investments as it matures and a recognition of inflation as a key risk to the sustainability of the Fund.
8. The Working Party agreed to recommend the following allocations to committee.

Table 1

| Asset class | NPF Category | % 2025 SAA | % 2026 SAA | Long-term SAA |
|-----------------------|--------------|-------------|------------|---------------|
| Listed equity | Growth | 49 | 48 | 46 |
| Private Equity | Growth | 5 | 4 | 4 |
| GROWTH | | 54 | 52 | 50 |
| UK Gov bonds (ILGs)* | Inflation | 5 | 8 | 9 |
| Real Estate | Inflation | 9 | 9 | 9 |
| Infrastructure | Inflation | 9.3 | 9 | 9 |
| Other alternatives** | Inflation | 6.2 | 5 | 5 |
| INFLATION | | 29.5 | 31 | 32 |
| Credit*** | Income | 6.75 | 6.5 | 6.5 |
| UK Gov bonds (conv.)* | Income | 3.5 | 5 | 6 |
| Private Credit | Income | 2.25 | 2.5 | 2.5 |
| INCOME | | 12.5 | 14 | 15 |
| Cash | Liquidity | 4 | 3 | 3 |
| LIQUIDITY | | 4 | 3 | 3 |

*The MHCLG template only offers one line for all U.K. Government bonds. These two asset classes will be combined in the Investment Strategy Statement if required to comply with regulations, but the investment objectives delivered by gilts and ILGs are so different (and hence in different categories) so are set out separately here.

** For the 2026 SAA this means the Aegon Diversified Growth Fund which targets an inflation linked return. The 'Other alternatives' asset class may not be the correct match for this allocation and this element may move elsewhere once LGPS Central's 'Other alternatives' offer is clarified.

***Foreign government bonds are included by MHCLG in this category, though their attributes may differ from corporate credit.

9. In accordance with the LGPS Central Climate Risk Report's recommendations, climate change considerations have been integrated into the advice and recommendations in the report.
10. In future years the Fund will be required to take investment advice from the pool and in anticipation of this LGPS Central joined the Working Party to provide their perspective on the issues discussed.

Local Investment

11. The new regulations require that the Fund includes in its Investment Strategy Statement ("ISS"), a high-level approach to Local Investment, including its target area, its approach to risk, and its target allocation range.
12. The Fund has invested in Nottingham and Nottinghamshire for many years and it is consistent with our existing investment belief that domestic assets, whether listed or not, are attractive as a match against future liabilities. Where two equivalent opportunities are available, investment managers have always been encouraged to invest more locally.
13. The Working Party discussed the new requirements and the different options for defining 'local' and the benefits and risks of local investment.

Responsible Investment training

14. Responsible investment training was provided by LGPS Central.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

It is recommended that Committee approve the following amendments to the Strategic Asset Allocation:

- 1) Maintain a medium risk appetite with a 0.8% adjustment to the 5% return assumed in the triennial valuation, taking the target return to 5.8% from 1st April 2026
- 2) Use the government's prescribed template to express the Fund's strategic asset allocation (SAA)
- 3) Adjust the strategic asset allocation for 2026/27 as per Table 1.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (SSR 29/01/2026)

The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 27/01/2026)

The financial implications are noted in the report.

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

Meeting title: PENSION FUND WORKING PARTY MEETING
Date and time: Thursday 22nd January 2026, **p.m. to follow the AGM**
Location: Oak House

1. Strategic Asset Allocation Review – William Bourne (12.30-1.30)

A discussion of the strategic asset allocation for the Pension Fund for the Working Party to recommend to the Pension Fund Committee. There will also be discussion of how asset allocation and implementation will work in the future following the current changes. Members of LGPS Central's Advisory team will be joining us for these discussions.

2. Local investment – William Bourne with Nadeem Hussain from LGPS Central (1.30-2.15)

A session to understand the new requirements on local investment and gather the committee's thoughts on this topic. Nadeem Hussain is kindly joining us from Central to explain how Central proposes to support partner funds in this area.

3. Responsible Investment Beliefs - Training – Patrick O'Hara, LGPS Central (2.15-3.15)

A review of and training on the Pension Fund's Responsible Investment beliefs. Patrick O'Hara from Central will lead on this discussion and explain the benefits of remaining as aligned as possible with other Central partner funds.

Please read the papers provided by William Bourne for the first two items prior to the meeting.

All times are estimated and will depend on the timing of the AGM beforehand, and the amount of discussion on these important and interesting topics. I understand that we have the room available until 4 if required.

Meeting title: PENSION FUND WORKING PARTY MEETING
Date and time: Thursday 22nd January 2026, p.m.
Location: Oak House

Attendees

Committee members

- Councillor Gamble (Chair)
- Councillor Choudhury (Vice-chair)
- Councillor Pearson
- Neil Timms
- Chris King
- Councillor Chapman
- Councillor Edyvean
- Councillor Matthews
- Councillor Bingham
- Councillor Vernon
- Councillor Pulk
- Councillor Rawson
- Councillor Om

Officers

- Nigel Stevenson
- Tamsin Rabbitts
- Ciaran Guilfoyle
- Jo Toomey

LGPS Central Ltd

- Louis-Paul Hill
- Nadeem Hussain
- Patrick O'Hara
- Ed Baker

12 February 2026

Agenda Item: 12

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &
IMPROVEMENT**

**PENSION FUND TREASURY MANAGEMENT STRATEGY STATEMENT
2026/27**

Purpose of the Report

1. The Pension Fund Treasury Management Strategy covers the management of the Fund's cash balances, which are maintained to ensure that liquidity is maintained in between other cash inflows (eg. contributions) and outflows (eg. monthly pension payroll) experienced by the Fund.
2. Responsibility for the Treasury Management Strategy of the Pension Fund was delegated to the Pension Fund Committee at Full Council in February 2020. The purpose of this was to improve the clarity of the governance of the Pension Fund Committee and enable the Strategy, reviewed annually, to be amended more quickly in response to changes to the Fund's Investment Strategy or to any long-term changes in the money markets. This report lays out the Strategy to be approved for 2026/27.
3. From April 2026 the Pension Fund's investments (and all resulting cashflows) will be overseen by the pool LGPS Central. This means that the cash balances held and managed as part of the Fund's treasury management practices will be reduced in time, as cash (i) reserved for possible investment drawdowns or (ii) held as part of the Fund's cash allocation will pass to the pool. The pool in turn shall regularly transfer cash to the Fund in order to supplement pension contributions and cover pension payroll. Cash balances held by the Fund will continue to be invested as per this Strategy Statement.
4. In addition to an annual Strategy Report, the Pension Fund Committee will receive a Treasury Management Mid-year report in the autumn and a year-end Treasury Management report after accounts closure.

Information

5. Nottinghamshire County Council, in line with the CIPFA Treasury Management in the Public Services Code (2021 edition), defines treasury management activities as:
The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective

control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

6. The Council is an administering authority in the Local Government Pension Scheme and is required, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, to invest any fund money that is not needed immediately to make payments.
7. Pension Fund cash is separately identified from the Council's cash. Regarding cash investments and cashflows relating to the Pension Fund, the Council has delegated responsibility for identifying, monitoring and controlling such risk to the Pension Fund Committee. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Pension Fund.
8. The Pension Fund Committee acknowledges that effective treasury management will provide support towards achieving its objectives. It is therefore committed to the principles of achieving value for money in treasury management within the context of effective risk management.
9. The Pension Fund Committee delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the *Treasury Management Group*, comprising:
 - Service Director (Finance, Infrastructure & Improvement)
 - Group Manager (Financial Services)
 - Senior Accountant (Financial Strategy & Accounting)
 - Head of Pension Fund Investments
 - Investments Officer
10. The Pension Fund Treasury Management Strategy will be implemented through the following Treasury Management Practices (TMPs). The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the strategy statement and TMPs.

TMP1 - Risk management

11. The Senior Accountant (Pensions & Treasury Management) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. Reports will be made on these arrangements in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. The arrangements will seek to cover each of the following risks.

Credit and counterparty risk

12. This is the risk of failure by a counterparty to meet its contractual obligations to the Pension Fund, particularly because of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Pension Fund's resources.
13. The Pension Fund regards a key objective of its treasury management activities to be the security of the principal sums it deposits. Accordingly, it will ensure that its counterparties and lending limits reflect a prudent attitude towards organisations with which monies may be

deposited and will limit its treasury activities in the market to the instruments, methods and techniques referred to in the following paragraphs.

14. The Local Government Act 2003 gives a local authority power to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. In exercising this power, the local authority must have regard to guidance issued by the Secretary of State.
15. The guidance classifies investments between “specified” and “non-specified”. Specified investments are those offering high security and high liquidity. All such investments should be in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority will automatically count as specified investments. In addition, short-term sterling investments with bodies or investment schemes of "high credit quality" will count as specified investments. The Fund’s policy is to invest cash surpluses prudently, giving priority to security and liquidity rather than yield and investing in sterling instruments only. The majority of these will be specified investments.
16. The Pension Fund will operate an approved list of counterparties for lending. The approved lending list will comprise institutions with high credit ratings based on minimum ratings from at least 2 rating agencies together with a Fitch support rating for longer term lending. The list reflects a prudent attitude to lending and uses a combination of ratings issued by the 3 main ratings agencies: Fitch, Moody’s and Standard & Poor’s. Banks will be assessed for inclusion on the basis of long-term, short-term and support ratings; money market funds (MMFs) on the basis of MMF ratings.
17. Short-term ratings assess the capacity of an entity to meet financial obligations with maturity of up to and including 12 months and are based on the short-term vulnerability to default. The long-term ratings cover a period in excess of 12 months. They are useful as a key indicator as they reflect the ability of the financial institution to obtain funds at reasonable cost to maintain their own liquidity.
18. MMFs are mutual funds that invest in cash and short-term money market instruments such as government bonds and commercial paper. They allow investors to participate in a more diverse portfolio than direct investment by spreading capital across a variety of institutions. The highest AAA rating reflects an extremely strong capacity to achieve the ‘investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk’.
19. The Pension Fund will monitor ratings from the main agencies along with general market data. The Fund will also monitor developments in the financial markets including policy announcements by the Government, Bank of England, regulatory bodies and other international bodies. It will use this information to determine if any changes are required to the above methodology.
20. The approved list will include institutions that meet the following criteria from at least 2 rating agencies:

| | | | |
|--|------------------|-------------------|----------------------|
| | Long Term | Short Term | Sterling MMFs |
|--|------------------|-------------------|----------------------|

| | | | |
|------------------|----|-----|--------|
| Fitch | A- | F1 | AAAmmf |
| Moody's | A3 | P-1 | Aaamf |
| Standard & Poors | A- | A-1 | AAAm |

| | |
|------------------|----|
| Sovereign Rating | AA |
|------------------|----|

21. Within the approved list the following minimum criteria will apply, dependent on the terms of the deposit, from at least 2 ratings agencies:

| | Fitch Long term | Fitch Support | Moody's Long term | S&P Long term |
|-------------------|-----------------|---------------|-------------------|---------------|
| Instant access | A- | - | A3 | A- |
| Up to 3 months | A- | - | A3 | A- |
| Up to 364 days | AA- | - | AA3 | AA- |
| 365 days and over | A | 1 or 2 | A2 | A |

22. All investments (up to 365 days duration) with the counterparties in the approved list are considered specified investments.

23. Exceptions (to be determined by the *Treasury Management Group*) to rating criteria may be made in respect of the following:

- 1) UK government
- 2) UK local authorities
- 3) The Council's bank (currently Barclays Bank)
- 4) the Pension Fund's custodian (currently State Street)

24. The lending list will be approved by the *Treasury Management Group* and monitored by the Head of Pension Fund Investments in the light of rating changes and market conditions. Individual institutions or countries may be suspended from the list if felt appropriate. The *Treasury Management Group* may add or remove organisations from the approved list subject to maintaining consistency with the approved criteria.

25. The maximum amount to be lent by the Pension Fund to any organisation on the approved list is subject to individual institution limits of £20m. A separate limit of £40m applies to investments in Money Market Funds and the Fund's custodian bank. Only two institutions within the same group may be used at any one time. The *Treasury Management Group* may increase the limit for specific institutions by £10 million for investments in call accounts and MMFs with same day liquidity.

26. Investments with the UK government will have no upper limit but in practice limits will be dependent on the liquidity of those investments and may fall within the definition of specified or non-specified investments. Amounts invested in non-specified investments will be limited to £20 million or 15% of the total invested at the time of the investment, whichever is the higher.

27. The Pension Fund's current account, through which all treasury management activity operates, is held at Barclays Bank.

28. As a result of the second Markets in Financial Instruments Directive (MiFID II), all LGPS pension funds have been treated as 'retail' clients by investment counterparties by default unless they have chosen to opt up to 'professional' client status. The Pension Fund has opted for this with all of its counterparties where required.

Liquidity risk

29. Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional costs, and that the Pension Fund's objectives will be thereby compromised. This is of especial concern regarding the Pension Fund as a large portion of its cash is either allocated or committed to individual investment managers and may be called by them at short notice.

30. The Pension Fund will ensure it has adequate though not excessive cash resources to always enable it to have the level of funds available to it which are necessary for the achievement of its business/service objectives and its investment strategy.

31. Summarised cash flow forecasts will be provided on a quarterly basis to the *Treasury Management Group*. Daily cash flow forecasts will be maintained by the Loans Officer. These forecasts will be used as the basis for ensuring adequate cash resources are available in order to support the payment of pensions, the cash allocations and commitments to investment managers, and other such outflows.

32. The Head of Pension Fund Investments or Investments Officer may approve fixed term investments up to 365 days. Longer periods require permission from either the Service Director (Finance, Infrastructure & Improvement) or the Group Manager (Financial Services) and must comply with the relevant treasury management limits.

Exchange rate risk

33. This is the risk that fluctuations in foreign exchange rates create an unexpected burden on the Fund's finances, against which it has failed to protect itself adequately.

34. The Fund will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its income levels. Treasury Management exposure will be minimal as the Fund's cash investments are all in sterling.

Legal and regulatory risk

35. The risk that the Pension Fund, or a counterparty with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Fund suffers losses accordingly.

36. The Pension Fund Committee will ensure that all of the Pension Fund's treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1(1) credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Fund, particularly with regard to duty of care and fees charged.

37. The Pension Fund Committee recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Fund.

Fraud, error and corruption, and contingency management

38. This is the risk that the Pension Fund fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

39. The Fund will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Market risk

40. The risk that, through adverse market fluctuations in the value of the principal sums the Fund invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

41. The Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations. Decisions on investment in tradeable securities, which risk loss of capital due to market fluctuations, will only be authorised by the *Treasury Management Group*.

TMP2 Performance measurement

42. Cash investment returns will be benchmarked against the adjusted average Sterling Overnight Index Average (SONIA) rate each year.

TMP3 Decision-making and analysis

43. The Fund will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time.

44. Treasury management processes and practices are documented. Full records are maintained of all treasury management decisions. Where appropriate, decisions are reported to the *Treasury Management Group*.

TMP4 Approved instruments, methods and techniques

45. The Fund will undertake its treasury management activities within the limits and parameters defined in *TMP1 Risk management*. For investing purposes, the Fund may use the following financial instruments:

- a) call or notice accounts

- b) fixed term deposits
- c) callable deposits
- d) structured deposits
- e) certificates of deposits
- f) money market funds
- g) UK Treasury Bills
- h) UK government bonds

46. For money market funds the Fund will limit their use to those with minimum total assets of £5 billion. For surplus cash invested in UK Treasury bills and UK government bonds the objective will be to hold until maturity, but their tradeability gives the flexibility to realize these instruments earlier for liquidity purposes or in the event of significant capital gains. The Fund will use forward dealing for investing where market conditions indicate this approach to offer better value for money.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

47. The Pension Fund Committee considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is always clarity of treasury management responsibility.

48. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly regarding the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

49. If the Committee intends, because of lack of resources or other circumstances, to depart from these principles, the Head of Pension Fund Investments will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

50. The Head of Pension Fund Investments will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Head of Pension Fund Investments will also always ensure that those engaged in treasury management shall follow the policies and procedures set out.

51. The Head of Pension Fund Investments will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

52. The current responsibilities are outlined below.

- Treasury management policies and practices are set by the Pension Fund Committee.
- Responsibility for the implementation, scrutiny and regular monitoring of the treasury management policies and practices is delegated to the *Treasury Management Group*.
- The responsible officer for the execution and administration of treasury management decisions is the Head of Pension Fund Investments who will act within the parameters set by the Treasury Management Policy Statement and TMPs and decisions of the

Treasury Management Group. The Investments Officer will act as deputy to the Head of Pension Fund Investments in his or her absence.

53. The current procedures are outlined below.

1. Daily cash flow forecasts will be maintained by the Loans Officer. Annual cash flow forecasts will be provided to the *Treasury Management Group* on a quarterly basis.
2. The daily procedures for cash flow monitoring, placing deals, transmission of funds and documentation are set out in the Treasury Management Procedure Manual. These are usually carried out by the Loans Officer with absences covered by another officer under the responsibility of the Head of Pension Fund Investments.
3. The officer dealing on the money market each day must prepare a cash flow forecast for that day based on the most up-to-date information available and this must be checked by the Head of Pension Fund Investments, or another officer under the responsibility of the Head of Pension Fund Investments before that day's deals are carried out. Before conducting a deal, the officer will confirm that the credit ratings of the counterparty are in line with the approved policy.
4. Deals must be within the limits set out in *TMP1 Risk management*. Dealing staff must be aware of the principles set out in the Bank of England's UK Money Markets Code 2021, which are 'intended to promote an open, fair, effective and transparent market'. Documentation must be kept in accordance with the Treasury Management Procedure Manual.
5. The transfer of funds will normally be actioned by CHAPS transfer through the banking system operated by the Fund's bank (currently Barclays).

54. Individual deal limits specified in *TMP1 Risk management* apply to all staff placing deals. Any lending for periods greater than 365 days may only be actioned on the authority of the Head of Pension Fund Investments and either the Service Director (Finance, Infrastructure and Improvement) or the Group Manager (Financial Services). Money may only be lent to institutions or funds on the *Approved List*.

TMP6 Reporting requirements and management information arrangements

55. The Service Director (Finance, Infrastructure and Improvement) will ensure that regular reports are prepared and considered on the implementation of the Pension Fund's treasury management policies.

56. The *Treasury Management Group* will receive regular monitoring reports on treasury management activities and risks and on compliance with and suggested revisions to policy. Members of the *Treasury Management Group* will be informed of any breach of the principles contained in TMP5.

TMP7 Accounting and audit arrangements

57. The Pension Fund accounts for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

58. Systems and procedures are subject to both internal and external audit and all necessary information and documentation shall be provided on request.

TMP8 Cash and cash flow management

59. Unless statutory or regulatory requirements demand otherwise, all monies in the Pension Fund will be under the control of the Service Director (Finance, Infrastructure & Improvement), and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director (Finance, Infrastructure & Improvement) will ensure that these are adequate for the purposes of monitoring compliance with *TMP1(2) liquidity risk management*.
60. As outlined in TMP5, daily cash flow forecasts are to be prepared in accordance with the Treasury Management Procedure Manual, and summarised weekly and annual activity reports are regularly provided to the *Treasury Management Group*.

TMP9 Money laundering

61. The Pension Fund Committee is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.
62. All treasury management activity with banks other than the Fund's own bank is actioned through CHAPS transfers to/from nominated accounts. Suspicions that a third party is attempting to involve the Pension Fund in money laundering will be reported to the Service Director (Finance, Infrastructure & Improvement).

TMP10 Training and qualifications

63. The Pension Fund Committee recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.
64. The person specifications for the Head of Pension Fund Investments and the Investments Officer require a UK chartered accountancy qualification and other members of the treasury team have the option to be supported to attain professional qualifications from the Association of Accounting Technicians, the Chartered Institute of Public Finance & Accountancy, or the Association of Corporate Treasurers (ACT). The members of the *Treasury Management Group* are also required to be chartered accountants or ACT qualified.
65. Professional qualifications will be supplemented by relevant training courses, attendance at seminars and conferences and access to CIPFA's Treasury Management Network and Technical Information Service for all team members. The Head of Pension Fund Investments will recommend and implement the necessary arrangements. Requests and suggestions for training may be discussed at any time with the Head of Pension Fund Investments and also feature as part of the personal development review process.
66. The *Treasury Management Group* will ensure that Committee members tasked with treasury management responsibilities have access to training relevant to their needs and those

responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to undertake their role effectively.

TMP11 Use of external service providers

67. The Pension Fund Committee recognises that ultimate responsibility for treasury management decisions cannot be outsourced. It also recognises that there may occasionally be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. However, it does not currently employ the services of any specialist treasury management advisers.

68. In the employment of such service providers, the Committee will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will be observed. The monitoring of such arrangements rests with the responsible officer.

69. The Fund makes use of broking companies to act as intermediaries in lending activity although it will also carry out this activity directly with counterparties when opportunities arise and when settlement details can be adequately verified.

TMP12 Corporate governance

70. The Pension Fund Committee is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.

71. As part of the Council, the Committee has adopted and implemented the key provisions of the CIPFA Treasury Management in the Public Services Code (2021 edition) and reports are made in accordance with the approved policy. The Council's constitution includes schemes of delegation covering treasury management activities.

72. These measures are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if necessary, report upon the effectiveness of these arrangements.

Statutory and Policy Implications

73. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1. That Pension Fund Committee members approve the Strategy Statement as set out in the report.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (LPW 20/01/2026)

74. The Council has the power to invest fund money in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The recommendation falls within the remit of the Pension Fund Committee by virtue of its terms of reference).

Financial Comments (TMR 27/01/2026)

75. There are no financial implications arising directly from this report.

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.

- CIPFA Treasury Management in the Public Services Code (2021 edition)
- [The UK Money Markets Code 2021](#)

12 February 2026

Agenda Item: 13

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To assist the committee in preparing its work programme.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

Financial implications

7. There are no financial implications arising as a result of this report.

Legal implications

8. There are no legal implications arising as a result of this report.

Local Government Reorganisation Implications

9. There are no local government reorganisation implications arising as a result of this report.

RECOMMENDATION

That the Committee considers whether any amendments are required to the Work Programme.

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact:

Keith Ford, Team Manager, Democratic Services

E-mail: keith.ford@nottscc.gov.uk

Tel: 0115 977 2590

Legal Comments (CM)

10. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

11. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME (updated 27 January 2026)

| <u>Report Title</u> | <u>Summary of agenda item</u> | <u>Report Author</u> |
|---|--|------------------------|
| March 2026 | | |
| Triennial Valuation | | Tamsin Rabbitts |
| Fit for the Future Update Report | Report from Local Authority Pension Fund Forum business meetings | Ciaran Guilfoyle |
| Governance conference report | Report on the LGA governance conference | Jo Toomey |
| Independent Adviser's report | Independent Adviser's review of performance | Independent Adviser |
| Fund valuation and performance – quarter 4 | Summary of quarterly performance | Tamsin Rabbitts |
| Fund valuation and performance – exempt appendix | Detailed review of quarterly performance (exempt) | Tamsin Rabbitts |
| Fund Manager Presentations | | Aberdeen and Schroders |
| April 2026 | | |
| Proxy voting | Summary of voting activity | Ciaran Guilfoyle |
| Local Authority Pension Fund Forum business meeting | Report from Local Authority Pension Fund Forum business meetings | Ciaran Guilfoyle |
| Review of the Pension Fund Risk Register | Page 175 of 198 | Sarah Stevenson |

| <u>Report Title</u> | <u>Summary of agenda item</u> | <u>Report Author</u> |
|---|--|----------------------|
| Climate Stewardship report | Report from LGPS Central on the Fund's climate stewardship | Tamsin Rabbitts |
| Investment Strategy Statement | | |
| June 2026 | | |
| Independent Adviser's report | Independent Adviser's review of performance | Independent Adviser |
| Fund valuation and performance – quarter 4 | Summary of quarterly performance | Tamsin Rabbitts |
| Fund valuation and performance – exempt appendix | Detailed review of quarterly performance (exempt) | Tamsin Rabbitts |
| Fund Manager presentations | | LGPS Central |
| July 2026 | | |
| Proxy voting | Summary of voting activity | Ciaran Guilfoyle |
| Local Authority Pension Fund Forum business meeting | Report from Local Authority Pension Fund Forum business meetings | Ciaran Guilfoyle |
| Review of the Pension Fund Risk Register | | Sarah Stevenson |
| Pooling presentation | | LGPS Central |
| Treasury management outturn 2025/26 | Summary of Treasury management activity for the year ended 31 March 2026 | Ciaran Guilfoyle |

| <u>Report Title</u> | <u>Summary of agenda item</u> | <u>Report Author</u> |
|-------------------------------------|-------------------------------|----------------------|
| To be placed | | |
| McCloud update | | |
| Pension dashboard update | | |
| Pension Payroll Mortality Screening | | |
| Data Improvement Plan | | |
| Cyber Risk Strategy | | |



12 February 2026

Agenda Item: 14

REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND EMPLOYEES

RISK MANAGEMENT STRATEGY, RISK REGISTER AND RISK DEEP DIVE

Purpose of the Report

1. The report asks committee to review and approve the updated Risk Management Strategy (**Appendix A**), review the Nottinghamshire Pension Fund Risk Register (**exempt appendix, annex A**) and note the risk deep dive on pension scams (**exempt appendix, annex B and C**).

Information

Risk management strategy

2. Risk management is a key element to the Fund's overall framework of internal control and its approach to good governance. To support the management of risk, Nottinghamshire Pension Fund has a Risk Management Strategy. This sets out the Fund's risk appetite and how it will manage the risks it has identified.
3. The Risk Management Strategy requires the Fund to:
 - Identify key risks that would affect the Fund's ability to achieve its aims
 - Assess the risks for likelihood and impact
 - Identify mitigating controls
 - Allocate responsibility for the mitigating controls
 - Maintain a risk register detailing the risk features identified above
 - Set out arrangements for reviewing and updating the risk register
 - Set out the reporting and monitoring arrangements, including the roles of Nottinghamshire Pension Fund Committee and the Local Pensions Board
4. Nottinghamshire Pension Fund Committee last reviewed the Fund's Risk Management Strategy at its meeting on 12 December 2024. This was a comprehensive review and the changes made have facilitated a step-change in the Fund's risk management arrangements.
5. A number of minor amendments are proposed to the Risk Management Strategy, together with the addition of a new section on scoring risk. The proposals are based on upcoming

changes arising from the implementation of Fit for the Future and from the Fund's experience of operating under the Risk Management Strategy approved in 2024:

- Minor amendments to accommodate the changing role of the Fund in respect of investment as a result of the implementation of the Fit for the Future programme

A change is proposed to the principles underpinning the Fund's investment activity to accommodate the shifting responsibilities of the Fund regarding investment. An adjustment has also been made to the first paragraph under section 4 'Risk management strategy' for the same reason. Reference to the asset pool has also been added within the 'responsibility' section.

- An amendment to make it clear that the risk register is kept under review on an ongoing basis

In the current Risk Management Strategy reference was made in section 4 to the risk register being reviewed and updated on an annual basis. While formal review of the full risk register by committee is required annually, this wording has been updated to recognise that risks are reviewed and updated on an ongoing basis.

- Scoring risk

A new section on scoring risk has been added. The contents of this section are alluded to within the 'analysing risk' section of the current strategy but set out in other documents. The revised draft captures arrangements for scoring within the Risk Management Strategy to ensure transparency and consistency.

- Deep dives

A change is proposed to the terminology used in the Risk Management Strategy. In the current strategy, in-depth reviews of risk are referred to as spotlight reviews. As the risk management arrangements within the strategy have become embedded, these reviews are now referred to as deep dives. The draft strategy proposed updating the terminology so that it matches the language that is used.

An amendment is proposed following feedback from the Local Pensions Board on the operation of risk management arrangements. While members appreciate the ability to be able to request a risk deep dive, they did not feel, so long as they felt sufficiently assured and there were no risks of significant concern, it was necessary for every meeting to include a deep dive. The revised wording in the draft still provides flexibility for both Nottinghamshire Pension Fund Committee and the Local Pensions Board to request deep dives but makes it clear they have a choice as to whether or not they request one.

- Strategy review

The wording has been updated in the draft so that the wording around the timing of any strategy review is consistent between all Fund policies.

Risk Register

6. The risk register is a key part of the Fund's risk management arrangements as it identifies the main risks to the operation of the Fund, assesses the risks identified and details the actions required to reduce the potential harm and impact of the identified risks.
7. The risk register (**exempt appendix – Annex A**) separates each of the identified risks into one of four themes:
 - Strategic risks (those risks that are most significant or that cross two or more of the other three themes)
 - Investment risks
 - Pensions administration risks
 - Governance risks
8. The risk register is included as part of an exempt appendix because it is not for publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972 (as amended). Having regard to the circumstances, on balance the public interest behind disclosing the information does not outweigh the reason for exemption because it contains information relating to the financial or business affairs of an individual or organisation (including the council) and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
9. The Risk Management Strategy sets out the methods used by the Fund to identify, assess and score risk.
10. Methods used to identify risk include:
 - Formal risk assessment exercises
 - Monitoring the performance of the Fund
 - Recommendations and findings of auditors and advisers
 - Feedback from stakeholders including the Local Pensions Board and Fund employers
 - Informal meetings of senior officers or other staff involved in the management of the pension fund (with or without the Fund's advisers)
 - Meetings and communication with other organisations, regional and national associations and professional groups
 - Legal determinations including those of the Pensions Ombudsman, the Pensions Regulator and court cases
 - Business planning or strategic workshops
 - Business or service continuity plans developed by the Fund
11. When a risk is identified, an assessment is made of its likelihood and impact. **Table 1** shows the factors considered in scoring the likelihood of a risk occurring. **Table 2** sets out factors considered when assessing the impact of a risk.

Table 1: Likelihood of occurrence within next 12 months

| | |
|----------------------|---|
| Very low (1) | Not expected to occur (less than 5% chance) |
| Low (2) | Small chance that it will occur (6% to 20% chance) |
| Medium (3) | Less likely not to occur than to occur (21% to 50%) |
| High (4) | More likely to occur than not (51% to 80% chance) |
| Very high (5) | Expected to occur (81% or more chance) |

Table 2: Risk assessment impact tool

| Negligible (1) | Minor (2) | Moderate (3) | Major (4) | Extreme (5) |
|---|---|--|--|---|
| Financial | | | | |
| No or very minor loss that is unlikely to have an impact on ability to deliver services | Loss of a scale that would have a minor impact on ability to deliver some services | Loss of a scale that would noticeably impact on ability to deliver some services | Loss of a scale that would significantly impact on ability to deliver services | Loss of a scale that would threaten the ability to continue to deliver services |
| Health and safety | | | | |
| No injury | Minor injuries sustained | Injury requiring visit to A&E / short-term hospitalisation | Injury requiring longer-term hospitalisation or resulting in permanent damage | Multiple injury / loss of life |
| Environmental | | | | |
| No damage to the environment | Localised short-term reversible damage to the environment | Localised long-term reversible damage to the environment or widespread short-term reversible damage to the environment | Localised irreversible damage or widespread long-term reversible damage to the environment | Widespread irreversible damage to the environment |
| Compliance and regulation | | | | |
| No breach | Minor breach of internal regulations, not reportable | Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable | Significant breach of external regulations leading to intervention or sanctions | Major breach leading to suspension or discontinuation of business and services |
| Workforce | | | | |
| Workforce concerns highlighted to managers | Some levels of low morale and / or small increases in staff sickness and grievance detected | Low staff morale, increase in staff sickness and / or grievance reported and / or short-term low staffing levels | Permanent turnover <10% above the norm and / or long-term low staffing levels | Permanent staff turnover >10% above the norm and / or permanent low staffing levels |
| Physical assets | | | | |

| Negligible (1) | Minor (2) | Moderate (3) | Major (4) | Extreme (5) |
|---|--|---|---|---|
| No damage to asset | Minor damage to asset but still functioning | Moderate damage to key asset rendering it temporarily unusable | Major damage to asset rendering it unusable but repairable | Major damage to key asset rendering it unusable permanently |
| Reputation | | | | |
| Complaints from individuals / small number of stakeholders. No media coverage or change to public perception and stakeholder confidence | Local short-term media coverage with little change to public perception and stakeholder confidence | Local long-term media coverage with moderate change to public perception and stakeholder confidence | Significant adverse short-term national media coverage with moderate change to public perception and stakeholder confidence | National long-term media coverage with significant change to public perception and stakeholder confidence |
| Service / project delivery | | | | |
| No or very minor short-term disruption on ability to deliver services or project | Very minor disruption / inefficiencies in the ability to deliver services or project | Minor but noticeable disruption in the ability to deliver services or project | Significant disruption in the ability to deliver services | Unable to deliver the service or project |

12. The combined score is then used to provide an overall level of risk: low, medium, high or very high. **Table 3** shows how risk scores are turned into the overall level of risk.

Table 3: Risk assessment matrix (likelihood x impact)

| | | | | | | |
|-----------------|----------|--------------|----------|------------|-----------|---------------|
| Severe (5) | Impact ↑ | M | H | VH | VH | VH |
| Significant (4) | | M | H | VH | VH | VH |
| Moderate (3) | | M | M | H | H | H |
| Minor (2) | | L | L | M | M | M |
| Negligible (1) | | L | L | L | L | L |
| | | Likelihood → | | | | |
| | | Very Low (1) | Low (2) | Medium (3) | High (4) | Very High (5) |

13. The risk register is a live document, which means that it is regularly reviewed and updated. Since the committee last saw the risk register, the following updates have been made:

- Strat 9 (Inv 8 and Adm 4): Cyber risk – additions to controls in place and updated implementation timeline for additional controls
- Strat 10 – Increase employer contribution rates – Updated direction of travel

- Inv 3: Impact on volatile market – Update made to planned risk management activity as the control is now in place
- Inv 5c: Unable to publish annual report on time and in good order – controls updated
- Inv 5d: Failure to implement pension fund controls, regulations, policies and procedures - Updated risk description and additions to controls that are in place
- Adm 1: Inconsistent or inadequate recording, monitoring, management and reporting of data – additions made to controls in place and to planned risk management activity
- Adm 3: Reporting and assurance of statutory duties into the Local Pensions Board and Nottinghamshire Pension Fund Committee – update to planned risk management activity
- Adm 4: Pension scams – addition to risk implications and controls in place
- Adm 5: Incorrect payment of pensions as a result of processing errors, or inadequate or lacking internal controls – addition to controls in place and planned risk management activity, updated direction of travel
- Adm 6: McCloud rectification – updated risk description, risk causes, risk effect, controls in place, planned risk management activity and direction of travel
- Adm 8: Local Government Reorganisation – new risk

14. During 2024/25, the Fund went through a process to update its risk management arrangements. The first time members had a formal opportunity to review the new risk register was at its meeting on 13 February 2025. Since Nottinghamshire Pension Fund Committee reviews the full risk register annually, this meeting provides the opportunity for that. In addition to this, the committee also has the chance to view the risk register at each of its meetings where investment managers are not invited. At each meeting the committee can also carry out a deep dive into a risk of its choosing. The Local Pensions Board then has the opportunity to review the same information as part of its support and oversight role by reviewing and testing the measures in place to reduce and manage risk.

15. The Local Pensions Board gets the opportunity to review the full risk register at each of its meetings. It also carries out deep dives on risks of its choosing.

Deep Dive – pension scams

16. The Fund's risk management strategy identifies one means through which members of both Nottinghamshire Pension Fund Committee and the Local Pensions Board can take assurance about the way in which risk is being managed, is through deep dives into specific risk.

17. The purpose of a risk deep dive is to:

- Give Nottinghamshire Pension Fund Committee and the Local Pensions Board the chance to undertake a comprehensive review of a strategic risk
- Provide an opportunity to elaborate on information within the risk register to provide assurance, details on controls, implications on the Fund's objectives, and strategies and plans being pursued
- Provide an opportunity for challenge to ensure the risk register is appropriate, the controls are effective and to consider the progress of future actions to further reduce risk
- Assist in identifying further steps that may be required

- Demonstrate that Nottinghamshire Pension Fund Committee and the Local Pensions Board take the management of risk seriously

18. At its meeting on 13 November 2025, Nottinghamshire Pension Fund Committee did not select a topic for deep dive, however it has not yet had the opportunity to consider the Board's last deep dive into Pension Scams. Attached as annexes B and C of the exempt appendix are the overview of pension scams (**exempt appendix – Annex B**) and the deep dive (**exempt appendix – Annex C**) itself.

19. The recommendations in this report ask members to identify a topic for the committee's next deep dive. The committee's choice will also be shared with the Local Pensions Board at the next available opportunity.

Other Options Considered

20. The good governance of the Fund requires it to have both a risk management strategy and risk register. Regular review of the strategy gives Nottinghamshire Pension Fund Committee the opportunity to ensure that risk management arrangements remain fit for purpose.

21. Keeping the risk register under review allows the Fund to identify those risks that need prioritising as well as the risks that have been successfully mitigated and have become business as usual.

22. The committee could request alternative methods through which it considers risk and seeks assurance. If they are not aligned with the risk management strategy, this review provides an opportunity to update these arrangements.

Reason/s for Recommendation/s

23. As the council has delegated the functions of the Administering Authority to the Nottinghamshire Pension Fund Committee, it is ultimate owner of the Fund's risk strategy and the arrangements for managing that risk.

24. This report gives committee the opportunity to review the Fund's arrangements for managing risk and seek assurance that they are effective, putting measures in place to reduce the likelihood of risks occurring, or reducing the impact of those risks if they were to happen.

Statutory and Policy Implications

25. 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.

Financial Implications

26. While there are no financial implications arising as a direct result of this report, financial implications are a factor that is considered when assessing the impact of a risk.

Legal Implications

27. While there are no direct legal implications arising as a result of this report, legal implications are a factor that is considered when assessing the impact of a risk.

Local Government Reorganisation Implications

28. There are no local government reorganisation implications arising as a result of the report. Local government reorganisation is included in the Fund's risk register and will be kept under review as proposals develop.

Data Protection and Information Governance

29. The Pension Fund holds data of scheme employers, active and deferred members, and pensioners. The risk register identifies risks that might affect the Fund's data and controls to mitigate those risks.

Human Resources Implications

30. The risk assessment process considers the potential impact of a risk on the workforce. For those risks where there is an impact on the workforce, there may be human resources implications. In these circumstances, where appropriate the Fund would seek to address human resources implications as part of the controls it puts in place to mitigate risk.

31. Business support implications are also considered as part of the risk assessment process. Measures to reduce risk are built into working practices. Decisions about the Fund's risk appetite and the constantly evolving risk landscape will mean that systems, processes and procedures may need revising to ensure controls remain effective.

32. Managing the Fund's risks provides opportunities for reviewing systems and processes that can help advance the smarter working agenda. Effective risk management arrangements can help the Fund roll out new ways of working in a safe way that mitigates potential harm.

Implications for Residents

33. The risk assessment tool in **Table 2** (above) provides an opportunity for the Fund to consider potential implication of Fund risks across several categories. Some of these categories recognise that risks could have an effect on residents; the impact of these would be mitigated by controls.

34. Within its risk register, the Fund identifies risk of fraud and pension scams. It also recognises cyber risks that affect the security of the Fund. The controls put in place to mitigate the risks should reduce the opportunity for these kinds of offences.

35. When risks are being assessed, one of the factors considered is compliance and regulation. As part of this the public sector equality duty and the safeguarding of adults and children at risk are considered.

Implications for Environmental Sustainability

36. The Fund takes potential environmental impacts into account when it is assessing risk impact.

RECOMMENDATIONS

- 1) That the Nottinghamshire Pension Fund Committee approves the Risk Management Strategy (**Appendix A**)
- 2) That, following review, the Nottinghamshire Pension Fund notes the contents of the Pension Fund's Risk Register (**Exempt Appendix – Annex A**)
- 3) That Nottinghamshire Pension Fund Committee notes the pension scams deep dive (**Exempt Appendix – Annexes B and C**)
- 4) That Nottinghamshire Pension Fund Committee identifies a topic for deep dive at its next meeting when risk management is considered

Marjorie Toward

Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Sarah Stevenson – Group Manager, Business Services Centre

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Legal Comments (CM 20/01/2026)

37. The report falls within the terms of reference of the Nottinghamshire Local Pension Board. The consideration of the information provided within the report will support members in ensuring that pensions are properly and effectively administered. Maintaining and reviewing a risk register should further support the duties under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 in relation to the Fund's approach to risk.

Financial Comments (TMR 27/01/2026)

38. There are no specific financial implications arising directly as a result of this report. While there are no direct financial implications arising from this report, financial implications are a factor that is considered when assessing the impact of risk.

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.

- Nottinghamshire Pension Fund Risk Management Strategy (approved December 2024)
<https://www.nottspf.org.uk/media/nzvi4rt5/nottinghamshirepensionfundriskmanagementstrategy.pdf>

Electoral Division(s) and Member(s) Affected

- All



**NOTTINGHAMSHIRE
PENSION FUND**

Risk management strategy

Risk Management Strategy

1. Introduction

This is the Risk Management Strategy for the Nottinghamshire County Council Pension Fund. Risk management is a key element in the Fund's overall framework of internal control and its approach to good governance. Managing risk may not prevent undesirable or unexpected events but it is a means of minimising the costs and disruption they cause to the Fund. The aim is to eliminate or reduce the frequency of risk events occurring (where possible and practicable) and minimise the severity of the consequences if they do occur.

Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its purpose and objectives. Risk management is the process by which:

- Risks are systematically identified
- The potential consequences are evaluated
- The element of risk is reduced where reasonably practicable
- Actions are taken to control the likelihood of the risk arising and reducing the impact if it does

Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in key documents such as the Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS). The Fund will aim to comply with the CIPFA Managing Risk in the LGPS publication, the Pensions Act, and the Pension Regulator's General Code of Practice as they relate to managing risk.

This strategy covers:

- The Fund's attitude to, and appetite for, risk
- Aims
- Risk measurement and management
- Responsibility

2. Purpose and objectives of the Fund

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits provided under the Local Government Pension Scheme (LGPS) Regulations
- Meet the costs associated with administering the Fund
- Receive contributions, transfer values and investment income
- Invest any Fund money not needed immediately to make payments

The funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund



- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible

The following principles underpin the Fund's investment activity:

- The Fund will aim to maintain sufficient assets to meet all its obligations on a continuing basis
- The Fund will be invested in a diversified range of assets
- Proper advice on the appropriateness of the Fund's Investment Strategy and strategic asset allocation will be obtained and considered at reasonable intervals
- The Fund will aim to conduct its business and to use its influence in a long-term responsible way

In relation to risk management, the Fund will aim to:

- Integrate risk management into the culture and day-to-day activities of the Fund
- Raise awareness of the need for risk management by all those connected with the delivery of services (including advisers to the Fund, employers, and all other partners involved in the delivery of services)
- Anticipate and respond positively to change
- Minimise the probability of negative outcomes for the Fund and its stakeholders
- Establish and maintain a robust framework and procedures for identifying, analysing, assessing, and managing risk, and the reporting and recording of events, based on best practice
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships
- Minimise the cost of risk

3. Responsibility

This strategy applies to all members of Nottinghamshire Pension Fund Committee and the Local Pensions Board, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund.

Advisers and suppliers to the Fund are expected to be aware of this strategy, and assist the officers, committee and board as required, in meeting its objectives.

The Pensions Regulator's General Code of Practices requires that the Administering Authority must be satisfied that risks are appropriately managed. It is required to identify and record risks and to regularly review and evaluate those risks. Having identified and evaluated the risks, the governing body should put internal controls in place to reduce the incidence and impact of those risks. The internal controls should include clear separation of duties from those performing them and the process for escalation and decision-making.

Nottinghamshire Pension Fund Committee oversees risk management arrangements and agrees the Fund's risk appetite. It reviews the risk register and controls the Fund



has in place. It also agrees all the Fund's strategies, which form part of the Fund's internal control framework.

The Local Pensions Board has a role reviewing the risk register and it can raise any concerns or make recommendations to Nottinghamshire Pension Fund Committee.

Part 2 of the Accounts and Audit Regulations 2015 highlights the role of internal audit in evaluating risk management, control and governance processes.

4. Risk management strategy

The risk tolerance of the Fund is agreed with Nottinghamshire Pension Fund Committee, with the support of officers and advisers and is a key consideration in the setting of investment beliefs, funding and investment objectives. With regard to investment risk, the Fund will only take sufficient risk to achieve its long-term funding objectives.

The Pension Fund's Risk Management Strategy is to:

- a) Identify key risks to the achievement of the Fund's aims
- b) Assess the risks for likelihood and impact
- c) Identify mitigating controls
- d) Allocate responsibility for the mitigating controls
- e) Maintain a risk register detailing the risk features in a) to d) above
- f) Review and update the risk register on an ongoing basis
- g) Report the outcome of the review to the Nottinghamshire Pension Fund Committee

Identifying risks

The Risk Register is a key part of the Risk Management Strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

Risks to the Fund are identified in a number of ways:

- Formal risk assessment exercises
- Monitoring performance of the Fund
- Recommendations and findings of auditors and advisers
- Feedback from stakeholders including the Local Pensions Board and scheme employers
- Informal meetings of senior officers or other staff involved in the management of the pension fund (with or without the Fund's advisers)
- Meetings and communication with organisations, regional and national associations, and professional groups
- Legal determinations including those of the Pensions Ombudsman, the Pensions Regulator and court cases
- Business planning or strategic workshops
- Business or service continuity plans developed by the Fund



Once identified, risks will be documented on the Risk Register where they are separated into one of four key themes:

- Strategic (those risks that are most significant or that cross two or more of the other three themes)
- Investments
- Administration
- Governance

New risks can emerge at any time and risk identification should include allocation of sufficient time and resource and should therefore be integral to day-to-day management of the Fund.

Analysing risks

Once potential risks have been identified, they must be analysed.

The Risk Register provides a tool to assess each of the identified risks by their likelihood and impact. These are combined to give an overall pre-control risk score, which is assigned a Red – Amber – Green (RAG) rating.

Controls that are currently in place to mitigate risks, together with additional sources of assurance are listed and these are then taken into account to give a post control impact and likelihood score. Again these are combined to give an overall score which has been assigned a RAG rating. The risk register highlights any further action that still needs to be taken, a review date and a risk owner.

Scoring risk

When a risk is identified, an assessment is made of its likelihood and impact. **Table 1** shows the factors considered when scoring the likelihood of a risk. **Table 2** sets out the factors considered when assessing the impact of a risk.

Table 1: Likelihood of occurrence within next 12 months

| | |
|------------------|---|
| Very low (1) | Not expected to occur (less than 5% chance) |
| Low (2) | Small chance that it will occur (6% to 20% chance) |
| Medium (3) | Less likely not to occur than to occur (21% to 50%) |
| High (4) | More likely to occur than not (51% to 80% chance) |
| Very high (5) | Expected to occur (81% or more chance) |



Table 2: Risk assessment impact tool

| | Negligible (1) | Minor (2) | Moderate (3) | Major (4) | Extreme (5) |
|---------------------------|---|---|--|--|---|
| Financial | No or very minor loss that is unlikely to have an impact on ability to deliver services | Loss of a scale that would have a minor impact on ability to deliver some services | Loss of a scale that would noticeably impact on ability to deliver some services | Loss of a scale that would significantly impact on ability to deliver services | Loss of a scale that would threaten the ability to continue to deliver services |
| Health and safety | No injury | Minor injuries sustained | Injury requiring visit to A&E / short-term hospitalisation | Injury requiring longer-term hospitalisation or resulting in permanent damage | Multiple injury / loss of life |
| Environmental | No damage to the environment | Localised short-term reversible damage to the environment | Localised long-term reversible damage to the environment or widespread short-term reversible damage to the environment | Localised irreversible damage or widespread long-term reversible damage to the environment | Widespread irreversible damage to the environment |
| Compliance and regulation | No breach | Minor breach of internal regulations, not reportable | Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable | Significant breach of external regulations leading to intervention or sanctions | Major breach leading to suspension or discontinuation of business and services |
| Workforce | Workforce concerns highlighted to managers | Some levels of low morale and / or small increases in staff sickness and grievance detected | Low staff morale, increase in staff sickness and / or grievance reported and / or short-term low staffing levels | Permanent turnover <10% above the norm and / or long-term low staffing levels | Permanent staff turnover >10% above the norm and / or permanent low staffing levels |

| | | | | | |
|-----------------------------------|---|--|---|---|---|
| Physical assets | No damage to asset | Minor damage to asset but still functioning | Moderate damage to key asset rendering it temporarily unusable | Major damage to asset rendering it unusable but repairable | Major damage to key asset rendering it unusable permanently |
| Reputation | Complaints from individuals / small number of stakeholders. No media coverage or change to public perception and stakeholder confidence | Local short-term media coverage with little change to public perception and stakeholder confidence | Local long-term media coverage with moderate change to public perception and stakeholder confidence | Significant adverse short-term national media coverage with moderate change to public perception and stakeholder confidence | National long-term media coverage with significant change to public perception and stakeholder confidence |
| Service / project delivery | No or very minor short-term disruption on ability to deliver services or project | Very minor disruption / inefficiencies in the ability to deliver services or project | Minor but noticeable disruption in the ability to deliver services or project | Significant disruption in the ability to deliver services | Unable to deliver the service or project |

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The combined score is then used to provide an overall level of risk: low, medium, high or very high. **Table 3** shows how risk scores are turned into the overall level of risk.

Table 3: Risk assessment matrix (likelihood x impact)

| | | | | | | |
|--------------------|----------|-----------------|------------|---------------|-------------|------------------|
| Severe (5) | Impact ↑ | M | H | VH | VH | VH |
| Significant (4) | | M | H | VH | VH | VH |
| Moderate (3) | | M | M | H | H | H |
| Minor (2) | | L | L | M | M | M |
| Negligible (1) | | L | L | L | L | L |
| | | Likelihood → | | | | |
| | | Very Low (1) | Low (2) | Medium (3) | High (4) | Very High (5) |

Responsibility

This Risk Management Policy applies to all members of Nottinghamshire Pension Fund Committee, the Local Pensions Board, including both scheme member and scheme employer representatives. It also applies to all officers involved in the management of the Fund.

Advisers and suppliers to the Fund, including the asset pool, are expected to be aware of this policy and assist officers, committee and board members as required in meeting the objectives of this policy.

All staff involved in the Pension Fund and members of Nottinghamshire Pension Fund Committee need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, Nottinghamshire Pension Fund Committee will be asked to:

- Agree the Risk Management Strategy
- Approve the Risk Register and agreed actions
- Receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process

By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, as a strategic level, to the effective management of Pension Fund risks. The Risk Management Strategy and Risk Register will be kept under review and will be revised following any material changes in policy.

Managing risks

Officers will review any new risks as they emerge, and the full risk register at least quarterly. These reviews allow the assessment and analysis of the current controls to ensure they are still in place and relevant. It also gives the opportunity to identify areas for improvement and any additional controls that may be necessary.

Reporting

Nottinghamshire Pension Fund Committee regularly monitors risk. The Fund's full risk register is reviewed annually. At all other meetings where there are no investment manager presentations, the committee may undertake a risk deep dive of one or two areas of risk.

The Local Pensions Board will review the risk register at each of its meetings as well as having the opportunity to undertake risk deep dives. The Local Pensions Board may recommend improvements or highlight areas of concern in the risk management of the Fund.

The reporting information will include as a minimum:

- A summarised version of the risk register
- A summary of the main changes since the previous report
- Detail around the risk deep dives

The risk deep dives requested by Nottinghamshire Pension Fund Committee will be made available to the Local Pensions Board as an opportunity for it to provide a check and balance of the committee's considerations. Deep dive issues presented at the request of the Board will be made available to Nottinghamshire Pension Fund Committee and will include any recommendations the board may wish to make in respect of enhanced controls.

5. Strategy review

This strategy will be reviewed regularly, and as a minimum once every three years as part of the regular review of all the Fund's strategies. This does not prevent its review outside the regular review process as necessary.



