

## Local Pensions Board

**Thursday, 14 June 2018 at 13:30**

County Hall, West Bridgford, Nottingham, NG2 7QP

---

### AGENDA

- |   |  |         |
|---|--|---------|
| 1 | Minutes of the last meeting held on 28 September 2017  | 3 - 6   |
| 2 | Apologies for Absence  |         |
| 3 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 4 | Pension Board Review 26 March 2015 to 31 March 2018  | 7 - 16  |
| 5 | Local Government Pension Scheme - Pension Administration<br>Performance Report and Data Quality  | 17 - 30 |
| 6 | Pension Fund - Risk Register   | 31 - 50 |
| 7 | Work Programme   | 51 - 52 |

### 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:-

- (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 Paul Davies (Tel. 0115 977 3299) 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>

## minutes

Meeting	NOTTINGHAMSHIRE LOCAL PENSION BOARD
Date	Thursday, 28 September 2017 at 1.30 pm

### membership

Persons absent are marked with `A`

### Employers

Councillor Tony Harper	Nottinghamshire County Council
Councillor Sarah Piper	Nottingham City Council
James Lacey	Nottingham Trent University
David Smith	Autism East Midlands

### Members

Bernard Coleman	A	Pension Scheme member
Mark Heppenstall		Pension Scheme member
Sue Maycock		Pension Scheme member
Thulani Molife		Pension Scheme member

### Also in Attendance

John Raisin	John Raisin Financial Services Ltd, Advisor to the Board
-------------	--

### Officers in Attendance

Jon Clewes	Team Manager, Payroll and Pensions
Paul Davies	Advanced Democratic Services Officer
Martin Gately	Democratic Services Officer
Ciaran Guilfoyle	Investments Officer, Pensions and Treasury Management
Marje Toward	Service Director, Customers and HR

### MINUTES

The minutes of the last meeting held on 27 April 2017 having been previously circulated were confirmed and signed by the Chair.

### APOLOGIES FOR ABSENCE

An apology for absence was received from Bernard Coleman.

### DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

## **PENSION FUND ANNUAL REPORT AND ACCOUNTS**

Ciaran Guilfoyle introduced the Annual Report and Accounts, which did not comprise part of the Board's papers because it is 200 pages long – though it is available on the website. 2016-17 had been a good year fund growth. The fund had grown from £4 billion to £5 billion. The Annual Report contains all current policies and will be presented the Pension Fund AGM. Mr Guilfoyle confirmed that invitations to the AGM had been sent out via e-mail yesterday.

John Raisin suggested that it would be beneficial for the Board to receive a report on the process of monitoring asset managers.

### **RESOLVED 2017/010**

That Pension Board receive a report on the monitoring of asset managers at a future meeting.

## **LGPS CENTRAL ASSET POOL**

Ciaran Guilfoyle presented the report on the LGPS Central Asset Pool. Mr Guilfoyle explained that Joanne Segars had been appointed to the position of Non-Executive Chair of LGPS Central.

Members indicated that they wished to examine the risk register at the next meet in order to gain an understanding of key risks.

John Raisin explained to the Board that it was not possible to avoid pooling. The government had through Regulation and Guidance instructed LGPS Funds to commence pooling. Mr Raisin confirmed that pooling should not mean exposure to greater risk.

### **RESOLVED 2017/011**

That Local Pension Board receive a report on the risk register at its next meeting.

## **NOTTINGHAMSHIRE PENSION FUND – INDEPENDENT ADVISER**

Ciaran Guilfoyle introduced the report on Nottinghamshire Pension Fund's Independent Adviser. Mr Guilfoyle explained that the role was held by William Bourne until September 2018 – although this could be extended. The Council's investment strategy has been conservative and churn in investments has been minimal.

In response to a question regarding the role of the Independent Advisor once the pool was in place, Mr Guilfoyle indicated that the fund would still require an Independent Advisor as Investment Strategy decisions would still be made locally.

### **RESOLVED 2017/012**

That no further actions were required in relation to the issues contained within the report.

## **LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION PERFORMANCE REPORT AND DATA QUALITY**

Jon Clewes introduced the report, which informed the Pension Board of the continuing work being undertaken by the Administering Authority to improve data quality, and ensure statutory compliance of the scheme employers. Mr Clewes stated that quite a lot of work had been done around improving data, for example Pension Fund members' statistics. There are 139,000 active or deferred members and there is a statutory requirement for employers to provide data. Ninety percent of all records provided by scheme employers were accurate. All queries were returned to individual scheme employers for resolution.

John Raisin stated that the performance report was clear evidence of the value of the Board and showed a big step forward in the reporting of Pensions Administration issues.

### **RESOLVED 2017/013**

That options on the presentation of performance data be presented to a future meeting of the Board.

## **UPDATE ON TRAINING FOR LOCAL PENSION BOARD MEMBERS**

All longstanding Members of the Board have now completed all seven modules of the Pensions Regulator's Public Service Toolkit training and Councillor Harper has commenced his training. Members were asked to inform the clerk of their training requirements.

During discussion the Board agreed to hold an optional training session on the morning before the next Local Pension Board.

### **RESOLVED 2017/014**

That the update on Board members' training be noted.

## **WORK PROGRAMME**

The report suggested items for the next meeting of the Board. No further topics were suggested by Board members.

### **RESOLVED 2017/015**

That the work programme be noted.

## **MINUTES OF PENSION FUND COMMITTEES AND SUB-COMMITTEES**

Copies of the minutes of the Pension Fund Committee and Sub-Committees for the year to February 2017 had been circulated.

### **RESOLVED 2017/016**

That the minutes of the Pension Fund Committee and its sub-committees be noted.

### **EXCLUSION OF THE PUBLIC**

#### **RESOLVED 2017/017**

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 paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **EXEMPT MINUTES OF THE PENSIONS INVESTMENT SUB COMMITTEE**

#### **RESOLVED 2017/018**

That the exempt minutes of the Pensions Investment Sub-Committee be noted.

The meeting concluded at 2.47 pm.

**CHAIR**

14 June 2018

Agenda Item: 4

## **REPORT OF THE CHAIR OF THE NOTTINGHAMSHIRE LOCAL PENSION BOARD**

### **PENSION BOARD REVIEW 26 MARCH 2015 TO 31 MARCH 2018**

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

1. To present a review of Nottinghamshire Pension Board activity.

#### **Information**

2. The Pension Board Review (attached as an appendix) reviews the establishment and activity of the Nottinghamshire Local Pension Board from its establishment by Nottinghamshire County Council on 26 March 2015 until the end of the 2017-18 Financial Year on 31 March 2018
3. Board members are invited to consider and comment on the information provided.

#### **Other Options Considered**

4. Not applicable.

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

5. To assist the Board in preparation of 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 services), the public sector equality duty, safeguarding of children and adults at risk, 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.

## **RECOMMENDATION/S**

1) That Pension Board members consider whether there are any actions they require in relation to the issues contained within the report.

**James Lacey**  
**Chair of the Nottinghamshire Local Pension Board**

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

**Martin Gately, Democratic Services**  
**0115 977 2826**

### **Constitutional Comments (KK 6/6/18)**

7. The proposals in the report are within the remit of the Local Pension Board. If the Board resolves that any actions are required it must be satisfied that such actions are within the Board's terms of reference

### **Financial Comments (KRP 5/6/18)**

8. There are no direct financial implications arising from the contents of this report. Any future reports to the Board will contain relevant financial information and comments.

### **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



# **The Nottinghamshire Local Pension Board**

## **Pension Board Review 26 March 2015 to 31 March 2018**

### **A report by the Chair of the Board**

#### **Executive Summary**

This report reviews the establishment and activity of the Nottinghamshire Local Pension Board from its establishment by Nottinghamshire County Council on 26 March 2015 until the end of the 2017-18 Financial Year on 31 March 2018.

#### **Establishment of the Board**

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

Under the Local Government Pension Scheme (LGPS) Regulations a Local Pension Board is not a decision making body and the decision making function remains with the Administering Authority. In the case of the Nottinghamshire Fund the County Council has delegated this decision making function to the Pension Fund Committee.

In accordance with the LGPS Regulations and detailed “*Guidance on the creation and operation of Local Pension Boards in England and Wales*” issued by the (National) Shadow Scheme Advisory Board in February 2015 the County Council, on 26 March 2015 established the Nottinghamshire Local Pension Board including its Terms of Reference and membership and authorised the Monitoring Officer to finalise a Code of Practice for the Board.

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

Regulation 107(2) of the LGPS Regulations 2013 (as amended) requires that the membership of a Local Pension Board consist of at least two Employer and two Employee representatives and that there be equal numbers of both types of representative. The County Council determined, however, that in order to facilitate diversity of representation the Board should consist of four Employer and four Employee representatives. To further enhance this diversity of representation the Council decided that the Employer representatives should be appointed on the following basis:

- a) 1 County Council Representative
- b) 1 City Council Representative
- c) 1 Large Employer Representative
- d) 1 Small Employer Representative

and that the 4 Employee representatives be appointed following a nomination and selection process from the following scheme members

- a) Trades Unions
- b) Staff Groups
- c) Scheme Pensioners
- d) Other Scheme members

Following the establishment of the Local Pension Board Nottinghamshire County Council put in place robust arrangements for the operation of the Board with the provision of support from Officers responsible for both Pensions Investment/Accounting and Pensions Administration thus giving the Board access to the range of staff responsible for the provision of advice to the Pension Fund Committee and the day to day operation of the Pension Fund. Given the role of the Board in “*assisting*” the Administering Authority it is also very pleasing to record that provision was also made, by the Council, for the Board to have access to independent professional advisory support in order that the Board could seek professional advice from a source independent of Nottinghamshire County Council. A competitive tendering exercise was undertaken resulting in the appointment of John Raisin Financial Services Limited as Advisor to the Board.

By the time of the first Board meeting which was held on 16 December 2015 the four Employer Representatives and one Employee Representative had been appointed. The process of appointing the Employee representatives was still, however in progress as the response to publicity seeking Employee representatives had been limited. There were two Employee representatives appointed (and attending) the second meeting of the Board held on 19 April 2016. All four Employee representatives had been appointed by and attended the third meeting of the Board held on 29 September 2016.

The Pension Board elected Councillor David Kirkham (County Council Employer representative) to Chair its first meeting held in December 2015. In accordance with the Pension Board Code of Practice a longer term Chair was appointed at the second meeting of the Board held in April 2016. James Lacey, who is Director of Finance at Nottingham Trent University and is the Large Employer representative was elected Chair and served in this role throughout the period covered by this review.

The Pension Board Code of Practice requires that the Board meet at least twice a year. Given the time needed, following establishment by the County Council on 26 March 2015, to put in place arrangements to support the Board (including appointing the external Advisor) and to appoint Board Members it was only practical to hold one meeting in 2015. During both 2016 and 2017 two meetings were held.

## **Training and Development**

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 and Section 248A of the Pensions Act 2004 (As amended) that members of Pension Boards have “knowledge and understanding” of pensions law and be “conversant” with the Scheme Regulations and Fund documents. The issue of training and development has been approached in a methodical and serious manner by both the Administering Authority and individual Board members.

Each of the five Board meetings held during 2015, 2016 and 2017 considered Pension Board Member training arrangements. The first Board meeting held on 16 December 2015 included a paper by the Fund Officers which outlined the knowledge and understanding requirements of Board members, included an outline of the CIPFA “*Local Pension Boards A Technical Knowledge and Skills Framework*,” and requested Board Members to complete a Training Needs Analysis to help determine a training plan.

At the 19 April 2016 meeting the Board received, discussed and accepted a paper prepared by the Advisor to the Pension Board (John Raisin Financial Services Limited) which proposed that before each Board meeting the Advisor provide training which would progressively cover the eight “core” areas of the LGPS specific CIPFA “*Technical Knowledge and Skills Framework*” for Pension Board Members and that all Pension Board members also complete the Pension Regulator’s “*Public Service Toolkit*” which is an on line toolkit concerned with the Governance and Administration of Public Service Pension Schemes in general and consists of seven modules which correspond to areas covered in the Pension Regulators Code of Practice No14 “*Governance and administration of public service pension schemes.*”

The Advisor’s paper further suggested that the Fund Officers and other organisations/persons connected to the Fund, including the Fund Actuary, provide such further training and presentations as appropriate and that appropriate external courses/events be made available to Board members. At the September 2016, April and September 2017 meetings Officers presented an Update report on Training for Pension Board Members.

Prior to the Board meetings held in April and September 2016 and April 2017 a two hour training session was presented by the Advisor to the Board covering the eight modules of the CIPFA Pension Board Knowledge and Skills framework as follows:

Pensions Legislation (April 2016)

Pensions Governance (April 2016)

Actuarial issues (April 2016)

Pensions Administration (September 2016)

Pensions Accounting & Auditing (September 2016)

Investment – Strategy, Asset Allocation & Products (April 2017)

Investment – Procurement & Relationship Management (April 2017)

Investment Performance & Risk Management (April 2017)

The above training sessions provided Board Members with a comprehensive overview of the major requirements, themes and issues facing the LGPS. They also emphasised the breadth of activity and responsibility involved in operating a LGPS Pension Fund.

In addition, at the September 2016 meeting Barnett Waddingham, the Actuary to the Nottinghamshire Pension Fund, presented a training session on the 2016 Actuarial Valuation of the Fund. This gave the Board an insight into the reasons for the Three Yearly Actuarial Valuation, the way in which Fund Liabilities are calculated and the implications of the Valuation results.

In terms of training and development undertaken by Pension Board Members it is pleasing to be able to report a very high level of attendance at the Knowledge and Skills sessions presented by the Advisor prior to the April 2016, September 2016 and April 2017 Board meetings. It is also clearly positive and demonstrates a personal commitment to developing understanding of pensions, that the seven remaining original Members of the Board successfully completed and passed the Pension Regulator’s Public Service Toolkit during the period covered by this review.

## Board Meetings

Five meetings of the Board were held during the period covered by this review. The Agenda Items considered at each Board meeting are shown in the Table below:

	16/12/15	19/4/16	29/9/16	27/4/17	28/9/17
Election of Chair	/	/			
Minutes of Previous Meeting		/	/	/	/
Declarations of Interest	/	/	/	/	/
Membership of the Local Pension Board	/	/	/		
Introduction to Pension Board	/				
Nottinghamshire Pension Board Code of Practice	/				
Pension Board Training Arrangements/ Programme	/	/	/	/	/

Pension Board Work Programme	/	/	/	/	/
Pension Administration Arrangements		/	/		
Role and Approach of the Pensions Regulator		/			
Pension Administration Strategy				/	
Pension Administration – Improving Data Quality				/	
Pension Administration Performance Report and Data Quality					/
Pension Fund Investments		/			
DCLG Consultation – Investment Regulations		/			
Investment Strategy Statement				/	
Nottinghamshire Pension Fund – Independent (Investment) Advisor					/
LGPS Asset Pooling/Central Asset Pool		/	/		/
Pension Fund Annual Report & Accounts			/		/
Pension Funds and the role of Audit				/	
Minutes of the Pension Fund Committee & Sub-Committees				/	/

The Work Programme has been considered and progressively developed at each meeting, since the Board first met, in December 2015. At our first meeting we received an informative report from the Officers and suggestions from the Advisor in respect of potential issues and priorities for consideration by the Board.

At the first meeting we identified Pensions Administration including compliance with the LGPS Regulations and the Pensions Regulator’s Code of Practice No 14 as a clear priority. Given that the Board is made up of representatives of the Employers and Employees within the Fund it is clearly highly relevant that the Board received reports on and actively considered governance and performance issues relating to Pensions Administration. This is the area of the Fund where Employers are primarily involved as the Fund is dependent upon Employers for the provision of timely, accurate and updated member data. For Employees the primary concern is that records are accurate so that pension entitlements are properly recorded and in due course paid. Furthermore, the Pensions Regulator has laid out clear expectations in terms of Pensions Administration in its Code of Practice No 14.

During 2016 and 2017 we received reports on a wide range of Pensions Administration issues. This included a report, from the Advisor, at the April 2016, meeting on the role and approach of the Pensions Regulator to the LGPS and Officer briefings on the arrangements for Pensions Administration in Nottinghamshire at both the April and September 2016 meetings.

The Nottinghamshire Fund has been concerned that significant numbers of Employers have been failing to provide accurate data in a timely manner. The April 2017 meeting therefore received a report on “Improving Data Quality” together with a report on and copy of the new Pension Administration Strategy (prepared under Regulation 59 of the LGPS Regulations 2013) and approved by the Pension Fund Committee after consultation with Fund Employers. The Pension Administration

Strategy outlines the responsibilities and procedures to be followed by both the Pension Administration team and Employers who are jointly responsible for the operation of the pensions administration function. The Pension Administration Strategy demonstrates the commitment of the Nottinghamshire Fund to work positively with Employers to ensure both compliance with legislation and regulation and also the effective administration of the Scheme for the benefit of the individual members.

From 2016 the Board (with advice from its Advisor) had indicated a desire for the development of a detailed Performance Report in respect of Pensions Administration. In response the Officers proceeded to develop such a report which was received by the Board at its meeting held on 29 September 2017. This report provided clear evidence of the work being undertaken by the Fund, in liaison with Employers, to improve Data Quality and ensure compliance with legislation and regulation. In particular it was positive to receive statistics (to 31 July 2017) on compliance by the Nottinghamshire Pensions Administration Team with the Service Level Agreement contained within the Pension Administration Strategy and which came into effect on 1 April 2017. The Board will be monitoring the performance of the Pension Administration Team going forward. The Board will also be very interested to receive performance statistics in respect of Employers performance against their duties under the Service Level Agreement in the Pension Administration Strategy.

From the reports/briefings the Board has received in respect of Pensions Administration it has become well aware of the vital need for the Pensions Administration team to be both adequately resourced and that staff develop a deep knowledge of LGPS Pensions Administration. This is an issue which the Board will be mindful of when considering future reports on Pensions Administration.

The LGPS is a funded pension scheme. At the date of the 2016 Actuarial Valuation the Fund had, based on the Fund Actuary's Valuation Report, Assets (Investments) of approximately £4bn and Liabilities of approximately £4.6bn giving a Funding Level of 87%. The Board understands and accepts that matters of Investment Strategy and implementation are matters for the Pension Fund Committee. Given however the role of the Board includes "*assisting*" the Pension Fund Committee "*to ensure the effective and efficient governance*" of the Fund then assurance regarding Investment Governance should clearly be, and indeed has been, an area of interest to the Board.

At its April 2016 meeting the Board received Officer reports on Pension Fund investments including the role of the Pension Fund Committee and the Pensions Investment Team, and in respect of the Department for Communities and Local Government (DCLG) consultation on revising the LGPS Investment Regulations. The April 2017 meeting received a report from the Advisor which examined and explained the background, contents and implications of the LGPS (Management and Investment of Funds) Regulations 2016 which introduced a number of significant changes to the regulatory framework for LGPS Investment. At this meeting the Board also received a covering report and Officer presentation introducing the Funds newly approved "Investment Strategy Statement" approved under the new 2016 Investment Regulations. Board Members asked questions in respect of a number of issues including the role of the Independent (Investment) Advisor and requested a report on this for the next meeting.

An Officer report on the role of the Nottinghamshire Pension Fund Independent (Investment) Advisor was received and considered by the Board at its September 2017 meeting. The report detailed that in accordance with the requirement (in the LGPS Investment Regulations) that the Fund have access to proper advice the Fund has an arrangement with an Independent Investment Advisor and that the current contract (with Linchpin/William Bourne) was let following a full tender exercise. The specification for the role of Independent Advisor was also provided to the Board. In response to a question from a Board member it was confirmed that the Nottinghamshire Fund would continue to require an Independent (Investment) Advisor following the implementation of LGPS Investment Pooling as Investment Strategy (but not its implementation) would still be determined by the individual LGPS Funds.

The development and implementation of Investment Pooling is presently the highest profile development in the Local Government Pension Scheme (LGPS) and will have a significant effect on both the investment and governance arrangements of the LGPS. The Board received a briefing, at its April 2016 meeting, on the concept of Investment Pooling and the LGPS Central Pool which had been formed by Nottinghamshire and eight other LGPS Funds. Further updates on the progress of the LGPS Central Pool were provided by Officers at the 29 September 2016 and 28 September 2017 Board meetings. These reports resulted in a range of questions from Board members. The Board was also represented, by its Advisor, at a Stakeholder Away Day for Pension Fund Committees and Pension Boards held by the LGPS Central Pool in Wolverhampton on 21 September 2017. The Advisor reported his observations from this event to the Board at its 28 September 2017 meeting.

Since its first meeting in December 2015 the Board has progressively developed a focus on the overall Governance of the Nottinghamshire Pension Fund. This is exemplified by the Board having received and had the opportunity to comment on the Pension Fund Annual Report and Accounts for both 2015-16 (September 2016 meeting) and 2016-17 (September 2017 meeting). It is pleasing to note that with regard to both the 2015-16 and 2016-17 Annual Report and Accounts the External Auditor did not identify any material misstatements or uncorrected audit differences. At our April 2017 meeting the Board received a report and presentation from the Head of Internal Audit who explained the roles of both Internal and External Audit in relation to the Pension Fund, together with an explanation of the approach of Internal Audit and details of recent and planned Internal Audit coverage of Pension Fund issues. The Board anticipates receiving an annual update on Internal Audit work undertaken in respect of the Nottinghamshire Pension Fund as part of its role of assisting the Pension Fund Committee with the overall Governance of the Pension Fund.

### **Support for the Board by the Administering Authority 2015-March 2018**

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

Board were also supported and attended by the Advisor to the Board who provided independent support including advice on issues the Board might wish to consider and an external viewpoint on the Officers reports in addition to also personally preparing some reports and presenting training to the Board.

On Behalf of the Board I would wish to thank both the Officers of the Fund and the Board Advisor for their positive approach and their reports, guidance and advice which enabled us to commence and develop our task of seeking to genuinely assist the Administering Authority (Nottinghamshire County Council/ the Pension Fund Committee) in its stewardship of the Nottinghamshire LGPS Fund.

**James Lacey**

**Chair**

**Nottinghamshire LGPS Local Pension Board**

**10 May 2018**



## **REPORT OF THE SERVICE DIRECTOR - CUSTOMERS AND HR**

### **LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION PERFORMANCE REPORT AND DATA QUALITY.**

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

1. The purpose of this report is to inform the Pension Board of the continuing work being undertaken by the Administration Team to improve data quality, and ensure statutory compliance of the scheme employers.
2. The report also outlines the performance of the Administration Team against the Service Level Agreement outlined in the Administration Strategy.

#### **Information and Advice**

##### **Background**

3. One of the of the main areas of focus across the Local Government Pension Scheme has been the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. This matter has been highlighted by The Scheme Advisory Board along with the Local Government Association
4. The Pensions Regulator has been raising concerns relating to data quality and the need for improvement across pension funds. To help manage the improvement of data, In March 2017 Pension Committee approved the Nottinghamshire Pension Fund Administration Strategy, which was implemented in April 2017. This has also been supplemented by the data improvement plan that was presented to Pensions Committee April 2018.
5. The Administration Strategy is designed to provide a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data.
6. Data is important to the Administering Authority for a number of reasons, the main reasons being:
  - a. Members are paid the pensions they are entitled to
  - b. Employers' costs are reliable/correct

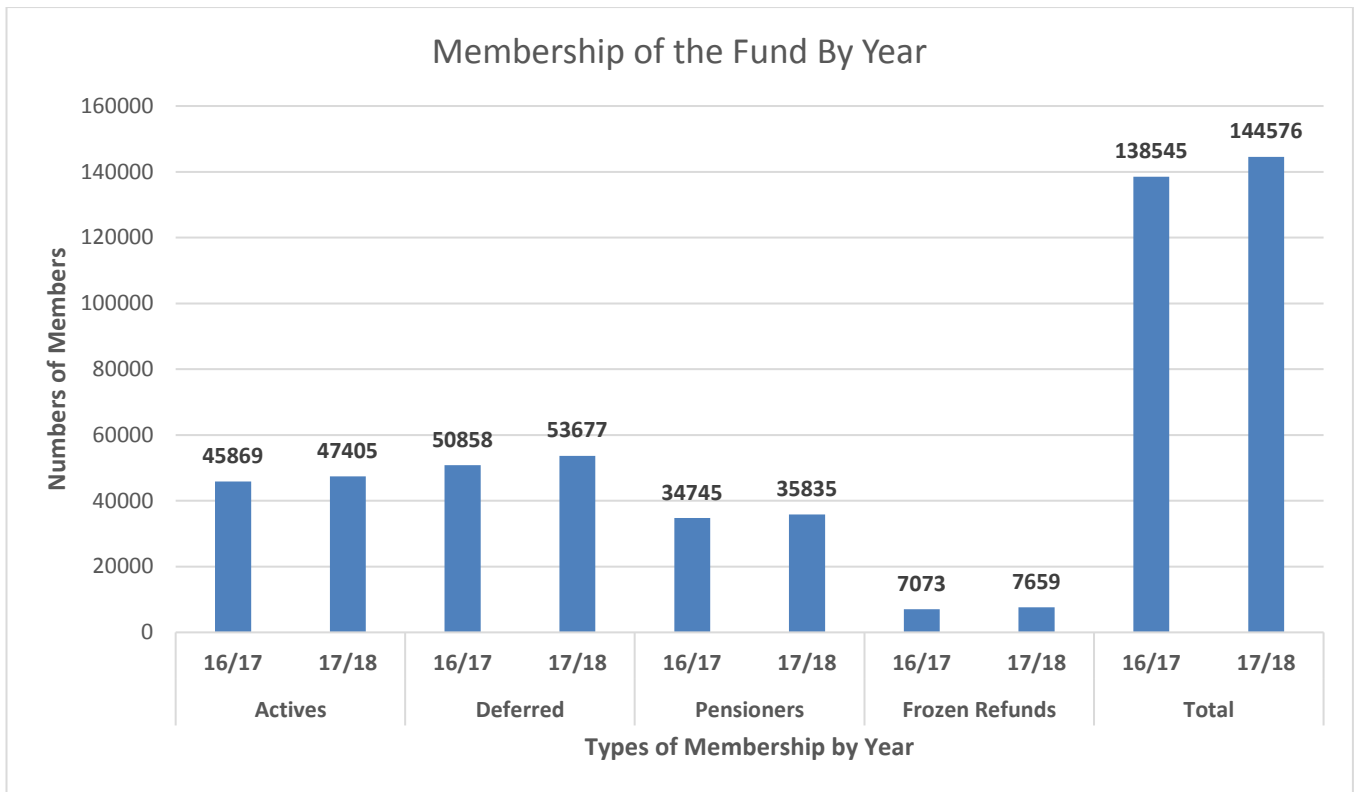
- c. Investment and administration costs are reliable/correct
  - d. Fund valuations reflect true costs/ liabilities of the fund
  - e. Cost effective administration – less queries
  - f. Reduce Internal Dispute Resolution Procedure cases
  - g. Avoid the Pensions Regulator
  - h. Maintains the scheme’s reputation
7. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority. A number of service level agreement reports that have been developed by Civica, our pension administration software provider. These reports provide data on a number of pension administration processes, and report performance against the agreed service level. Work is currently underway to develop reports on employer activities.

### Pension Fund Membership Statistics

8. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the Fund under certain categories. These figures are used to populate the Fund’s annual report. The following table details the membership of the Fund against each category, and sets a context to the size of the Fund.

Employer	Actives		Deferred		Pensioners		*Frozen Refunds		Total	
	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018
City	8,196	7,968	11,469	12,137	6,870	7,152	1,473	1,704	28,008	28,961
County	17,061	17,102	22,202	23,441	16,319	16,521	3,920	4,026	59,502	61,090
District	3,146	3,141	4,227	4,301	4,665	4,797	424	445	12,462	12,684
Other	17,466	19,194	12,960	13,798	6,891	7,365	1,256	1,484	38,573	41,841
<b>Totals</b>	<b>45,869</b>	<b>47,405</b>	<b>50,858</b>	<b>53,677</b>	<b>34,745</b>	<b>35,835</b>	<b>7,073</b>	<b>7,659</b>	<b>138,545</b>	<b>144,576</b>

\* **Frozen Refunds** – Members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the payment to be processed.



9. In addition, it is important to understand the context of the number of employers in the fund as this increases the complexity of managing the collection of data from different employers.
10. From April 2017 to March 2018, the number of active scheme employers has increased to 335. In 2017-2018, the Fund received 25 applications from employers who met the admitted body criteria for admission into the fund, 5 employers withdrew from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.
11. The number of scheme employers is expected to continue to increase as schools convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.
12. A list of new scheme employers 2017-2018 is attached in Appendix A. This list is split into compulsory bodies, designating bodies, and transfer admitted bodies. This was requested by Pension Committee, the employers have been listed against their administration area. As you will see that vast majority of new employers relate to schools, with a number of applications still to be completed.

### Year End and Employer Activities

13. Since moving to Civica UPM, pension administration system in November 2014, the Employer and Compliance Team have been working with employers to improve the

submission of pension data to the fund. This was particularly important in 2015-2016 as this was a valuation year.

14. There is a statutory requirement for participating scheme employers to provide timely and accurate data and in particular to provide accurate year-end data. For the year 2016-2017, participating employers in the scheme were required to provide accurate year-end data by 2 May 2017. Following the processing of the year-end returns, annual benefit statements were issued to active members of the scheme by 31 August 2017 and issued to deferred members by 8 September 2017.
15. The following table provides information on employer submissions of year-end data over the last three year-ends.

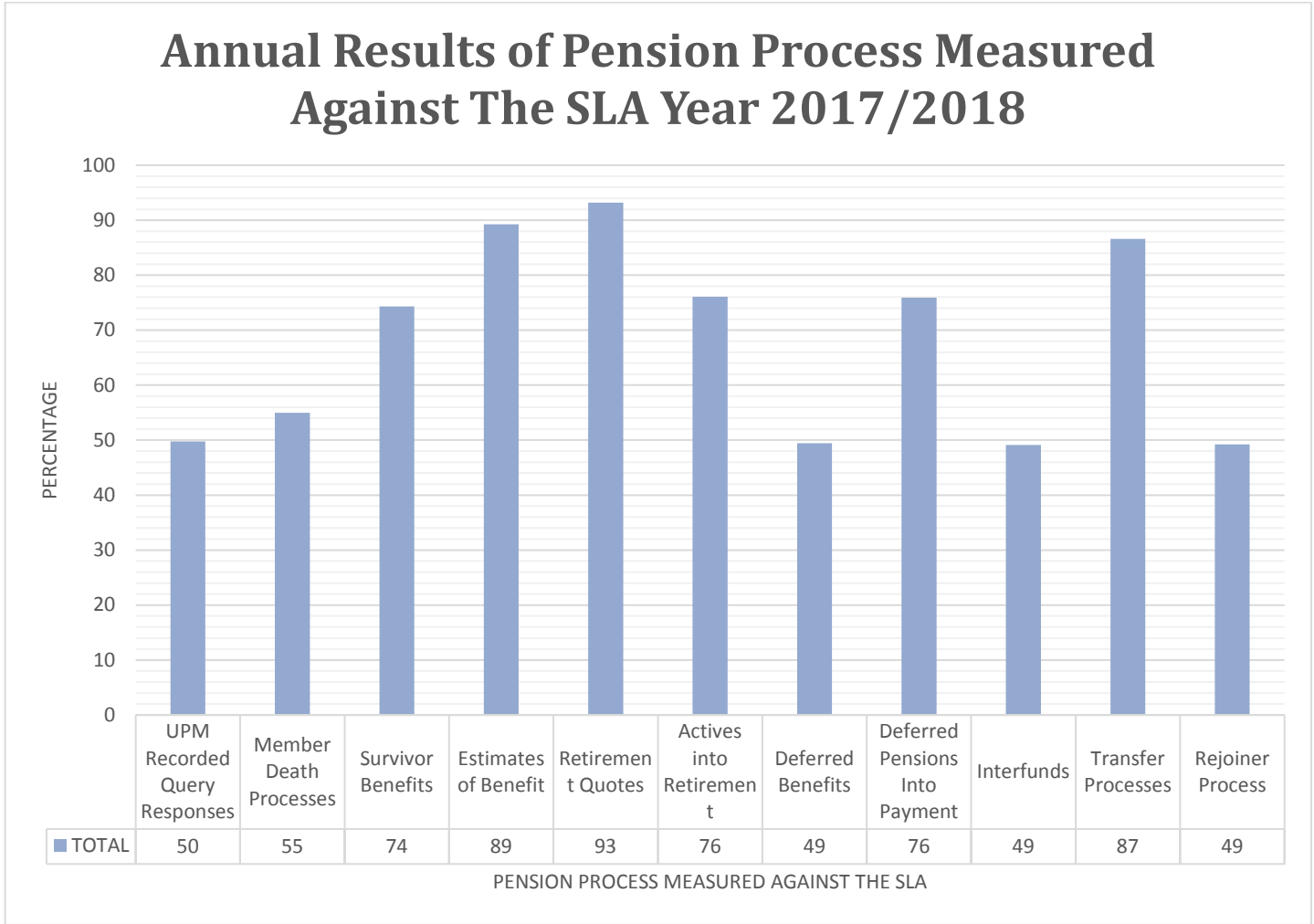
<b>Year End</b>	<b>Number of submissions received by submission date</b>	<b>Accurate submissions received by submission date</b>	<b>Submission date</b>	<b>Number of Employer returns expected</b>	<b>Percentage of expected returns received by the deadline</b>
2014-2015	112	92	31 May 2015	260	43%
2015-2016	162	157	30 April 2016	276	59%
2016-2017	253	166	2 May 2017	310	82%
2017-2018	317	Not available until all balancing complete	14 May 2017	338	93%

16. Work has been undertaken to support employers and to simplify the way data is requested, this have been achieved by reviewing communications and improving the content of the year-end briefings. The briefing delivered in March 2018 targeted new employers to ensure that they understood their responsibilities.
17. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. The Administering Authority may not be able to issue annual benefit statements to individual members where the scheme employer has failed to provide the required data. This situation would ultimately result in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non compliant scheme employers.
18. For year ending 2016-17, 47,382 lines of year-end data that were processed across the fund and approximately 90% of all records provided by scheme employers were accurate, however issues that were identified within the data were returned to individual scheme employers for resolution.
19. Following the completion of employer queries for 2016-2017 year end activity, the Administering Authority issued 35,960 active annual benefit statements by 31 August 2017 and 37,356 deferred annual benefit statements by 8 September 2017. Three employers failed to meet the deadlines which resulted in additional work being undertaken to issue their statements in November breaching the statutory deadline.

- 20. The administration team levied the additional costs incurred due to late data onto the three employers, and a report was sent to the Pension Regulator. The report explained the reasons for the late issue of benefit statements, and what actions were taken by the Administration Authority to ensure that the benefits statements had been issued.
- 21. The Pension Office will document the additional work and costs associated for all Scheme Employers who fail to meet their responsibilities for the 2017-2018 year end. These Scheme Employers will be charged for the additional work undertaken as laid down in the Administration Strategy.

**Performance Data**

22. This is the first year in reporting on on a full year Service Level Agreement data to the Pensions Board since the implementation of the Pensions Administration Strategy from April 2017. To illustrate the performance of the administration team against the SLA the data is summarised in the following graph with a commentary on the main process undertaken by the Administration Team.



## **Death Processes**

23. The process dealing with deaths of active members, pensioners, as well as deferred members is very involved in terms of collecting the correct relevant information at the appropriate time to process payments at what is a difficult time for members and their relatives depending on the circumstances. The main challenge for pensioner and deferred member death is actually being informed of the death, as the notification of deaths is often days or in certain circumstances weeks after the death, which results in an over payment of pension.
24. One of the main priorities is to ensure that survivor benefits are processed as soon as possible, and the performance measure identifies that 74% are paid within 10 days of notification. The overall performance across these processes is an average is 55% within the SLA.
25. The notification of deaths come in clusters as they can be very seasonal and therefore this does have an effect of being able to apply resources at different times of the year. Notification of Deaths comes from a number of sources, these being direct notification to payroll, through the Department of Work and Pensions (DWP) Tell Us Once Service, through the Pensions Website notification process, and telephone calls to the Pensions Office. Once notified, the pension is suspended immediately and the calculation of benefits begins.
26. Once an overpayment is identified, the process is to issue an invoice to the estate and this instigates a debt recovery process against the estate. In 2017-2018, the total amount of invoices raised for overpayment of pensions were £111,046 and £85,030 recovered with a remaining £24,965 being collected through the debt process.
27. In order to try and reduce the number of overpayments further consideration is being given to changing the dates that pension payslips are issued, currently they are issued in March, April, May, and June each year, however consideration is being given to changing one of the dates to later in the year e.g. October.
28. Finally in-service survivor processes, and deferment processes take longer to administer as not all the information is received at the same time or further checks might sometimes be required, and therefore the SLA can be missed. It is therefore proposed that the SLA targets be reviewed to ensure that a more accurate measure can be made.

## **Transfers**

29. The number of transfers tend to fluctuate, in some cases due to financial institutions/ financial advisors in contacting members and persuading members to transfer pension in line with the Pension Freedoms Legislation. However, the overall performance is an average of 86%. Other factors that affect performance have been changes to the transfer factor tables, which the government changed in 2017; this had an impact on the ability to undertake some transfers from April 2017. There was a delay in the confirmation of the transfer factors by DWP, which also delayed the updating of the Pension Administration Software, which in turn led to a delay in processing a number of transfers.

## **Retirements**

30. The overall performance for retirements processes in the first and second quarters the team met the SLA with an overall annual average of 93%. Actives and deferred members put into

payment over the year are at 76% within the SLA; whilst there is a continual stream of retirements throughout the year, there are busy times, mainly around the second and fourth quarters due to retirements in schools and Authorities. In order to improve this performance, and especially to provide estimates of benefit a bulk process has been implemented for larger groups of members and this has helped in improve performance for retirement quotes for groups of staff.

31. One of the main priorities within the process which it is not possible to monitor separately at the moment, is once the Administration Team is notified of a leaving date, then the appropriate payments are made at the appropriate payroll date. What tends to hold up retirements in meeting the SLA is incorrectly filled out forms and missing information for example bank details, or incorrect salary details.
32. Work has been undertaken to review the retirement process and it is hoped that this will be applied into the Administration System by June to try to reduce delays further.

### **Deferred benefits**

33. The Administration Team are undertaking the process of notifying leavers of the fund of their deferred benefit within 50% of the SLA. In terms of priority this is the least prioritised activity, however there is a team working on these, and again we have reviewed the process this year.
34. Deferred benefits is the one process where the priority is impacted when there is demand within the office for other more priority work to be completed; an example is that resources are moved to year-end activity in June and July, which has an impact on the completing deferred benefit information to members, there are currently 7,135 deferments outstanding.
35. The increase in deferred benefit activity is due to an increase in leaver notifications at year-end with one employer in 2015-2016 notifying the fund of 3,500 as opposed to informing the pension's team at the time of the individual leaving employment. This situation builds up a backlog of work, which perpetuates the numbers over the years. Discussions are currently being had with our software provider in how this process might be more automated, however this will take some time to develop.
36. In addition there have been recent changes to the regulations (April 2018) which are applied from 17 May 2018 allowing those deferred members with pre 2014 service to access their deferred benefits with actuarial reduction at the age of 55. It is envisaged that there will be a lot of interest in this change or regulations, resulting in increased requests for estimates, and release of benefits.

### **Other Options Considered**

37. A data improvement plan has been developed and the administration team will be working towards data improvement in line with the Pension Regulator requirements. Information on data improvement will be included in the Pension Scheme Return, which is normally completed in September.

38. Work will continue on the development of the SLA reports, with a further development on reports that will focus on scheme employer's performance. A request has been made to the software provider to advise on how this might be implemented
39. It is hoped that the implementation of an employer portal will also improve the transfer of data from employers to the Administration Team. Security testing is due to start following some changes that are required. Once this testing has been completed, a planned role out will be offered to a number of selected scheme employers.

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

40. This report has been compiled to inform the Pension Board of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

### **Statutory and Policy Implications**

41. 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**

42. The performance of the administration of the pension fund is being delivered within the existing resources.

## **RECOMMENDATION/S**

It is recommended:

1. That the Pension Board consider the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.

**Marjorie Toward**  
**Service Director – Customers and HR**

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

Jonathan Clewes, Pension Manager on 01159773434 or [jon.clewes@nottsc.gov.uk](mailto:jon.clewes@nottsc.gov.uk)

**Constitutional Comments (KK 14/05/2018)**



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

**Financial Comments (KRP 14/05/2018)**

44. There are no direct financial implications relating to this report.

**HR Comments**

45. Not applicable

**Background Papers and Published Documents**

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

- 'None' or start list here

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

- 'All' or start list here



## Appendix A

### Compulsory bodies

<b>Employer / work base</b>	<b>Administration area</b>	<b>Date of entry</b>	<b>Academy proprietor</b>
Sir John Sherbrooke Junior School	Gedling	01.04.2017	Aspire Multi Academy Trust
Woodlands School	Nottingham	01.04.2017	Raleigh Learning Trust
Westbury School	Nottingham	01.04.2017	Raleigh Learning Trust
Unity Learning Centre	Nottingham	01.04.2017	Raleigh Learning Trust
Denewood Learning Centre	Nottingham	01.04.2017	Raleigh Learning Trust
Raleigh Learning Trust	Nottingham	01.04.2017	Not applicable
Kirkby Woodhouse School	Ashfield	01.05.2017	Aspire Multi Academy Trust
Springfield Academy	Nottingham	01.06.2017	Djanogly Learning Trust
Porchester Junior School	Gedling	01.07.2017	Flying High Trust
Mapplewells Primary & Nursery School	Ashfield	01.07.2017	Flying High Trust
Whitegate Primary & Nursery School	Nottingham	01.07.2017	Transform Trust
Robert Shaw Primary & Nursery School	Nottingham	01.06.2017	Transform Trust
William Booth Primary & Nursery School	Nottingham	01.06.2017	Transform Trust
Stanstead Nursery & Infants School	Nottingham	01.09.2017	Flying High Trust
Bracken Lane Primary Academy	Bassetlaw	01.09.2017	Diverse Academies Trust
Samuel Barlow Primary Academy	Newark	01.09.2017	Diverse Academies Trust
Gunthorpe C of E Primary School	Newark	01.08.2017	Aspire Multi Academy Trust
Redgate Primary Academy	Mansfield	01.10.2017	Diverse Academies Trust
Thrumpton Primary Academy	Bassetlaw	01.10.2017	Diverse Academies Trust
Yeoman Park Academy	Mansfield	01.10.2017	Diverse Academies Trust
Westdale Junior School	Gedling	01.10.2017	Nova Education Trust
Robert Miles Infants School	Rushcliffe	01.10.2017	Nova Education Trust
Garibaldi College	Mansfield	01.10.2017	Nova Education Trust
Colonel Frank Seely School	Gedling	01.10.2017	Redhill Academy Trust
St. Peters Primary Academy	Mansfield	01.11.2017	Diocese of Southwell & Nottingham Multi Academy Trust
Carlton Central Infants School	Gedling	01.11.2017	Redhill Academy Trust
Carlton Central Junior School	Gedling	01.11.2017	Redhill Academy Trust
The West Park Academy	Ashfield	01.11.2017	Forge Trust

**Continued;**

<b>Employer / work base</b>	<b>Administration area</b>	<b>Date of entry</b>	<b>Academy proprietor</b>
South Wilford Endowed C of E Primary School	Rushcliffe	01.01.2018	Transform Trust
Believe Academy Trust	Nottingham	01.09.2017	Not applicable
Two Counties Trust	Ashfield	01.04.2018	Not applicable
Mornington Primary School	Broxtowe	01.03.2018	East Midlands Education Trust
St Swithuns C of E Primary Academy	Bassetlaw	01.04.2018	Diocese of Southwell & Nottingham Multi Academy Trust
Gilthill Primary School	Broxtowe	01.04.2018	East Midlands Education Trust
Kimberley Primary School	Broxtowe	01.04.2018	East Midlands Education Trust
Pending applications;			
Alderman Pounder Infants School	Broxtowe	To be confirmed	Flying High Trust
Awsorth Primary School	Broxtowe	To be confirmed	East Midlands Education Trust
Bleasby CE Primary School	Newark	To be confirmed	Minster Trust for Education
Farnsfield St Michaels C of E Primary	Newark	To be confirmed	Minster Trust for Education
Flintham CE Primary School	Newark	To be confirmed	To be confirmed
Halam CE Primary School	Newark	To be confirmed	Minster Trust for Education
Hillocks Primary School	Ashfield	To be confirmed	To be confirmed
Hollywell Primary School	Broxtowe	To be confirmed	To be confirmed
Holy Trinity Infants School	Newark	To be confirmed	Minster Trust for Education
Larkfields Infants School	Broxtowe	To be confirmed	To be confirmed
Larkfields Junior School	Broxtowe	To be confirmed	To be confirmed
Lowes Wong Infants School	Newark	To be confirmed	Minster Trust for Education
Minster C of E School	Newark	To be confirmed	Minster Trust for Education
Netherfield Primary School	Gedling	To be confirmed	Greater Nottingham Educational Trust
Parkdale Primary School	Gedling	To be confirmed	To be confirmed
Robert Mellors Primary School	Gedling	To be confirmed	Redhill Academy Trust
St Mary's CE Primary School	Newark	To be confirmed	To be confirmed

### Designating bodies

<b>Academy name</b>	<b>Administration area</b>	<b>Date of entry</b>
Tuxford Town Council	Bassetlaw	01.05.2017
Dunham & District Parish Council	Bassetlaw	13.05.2017
Rampton Parish Council	Bassetlaw	01.04.2018
No pending applications		

### Transferee admission bodies

<b>Applicant</b>	<b>Scheme employer</b>
Fitzroy Support	Service contract with Nottinghamshire County Council
Aspens Services Limited*	Service contract with South Nottingham Catholic Academy Trust to deliver catering functions at The Becket School
Aspens Services Limited*	Service contract with South Nottingham Catholic Academy Trust to deliver catering functions at St Edmund Campion Catholic Primary School
Aspens Services Limited*	Service contract with South Nottingham Catholic Academy Trust to deliver catering functions at St Patricks Catholic Primary School
Compass Contract Services (UK) Limited*	Service contract with Diverse Academies Trust to deliver catering functions at academies within the Trust
Compass Contract Services (UK) Limited*	Service contract with the National Church of England Academy Trust to deliver catering functions at the National Church of England Academy
Churchill Contract Services Limited	Service contract with the National Church of England Academy Trust to deliver cleaning functions at the National Church of England Academy

\*the scheme regulations require a separate admission arrangement for each service contract.

### Deemed bodies

<b>Foundation status - pending applicant</b>	<b>Scheme employer</b>
Hollywell Primary	Nottinghamshire County Council



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

**PENSION FUND - RISK REGISTER**

**Purpose of the Report**

1. To provide the Pensions Board with a report on the Risk Management Strategy and the Risk Register of the Nottinghamshire Pension Fund.

**Information and Advice**

2. The Nottinghamshire Pension Fund Annual Report 2016/17 was presented at a previous meeting of the Pensions Board. The Annual Report includes the Fund’s Risk Management Strategy and the Risk Register.
3. The Risk Management Strategy and the Risk Register were last formally reviewed by the Pension Fund Committee in 2015. Good practice is for strategies to be reviewed at least every three years, so a review is due this year. This review is currently underway and the revised strategy and register will be taken to Pension Fund Committee later this year.
4. Minor changes were made to the documents for the Annual Report to reflect the changes in the committee structure in 2017. These changes were reviewed by the Chair of the Committee.
5. Both the Risk Management Strategy and the Risk Register are attached as an appendix to this report.
6. The risks as outlined in the Register are as follows:

<b>Ref</b>	<b>Risk</b>
Adm1	Standing data & permanent records are not accurate.
Adm2	Inadequate controls to safeguard pension fund records
Adm3	Failure to communicate adequately with all relevant stakeholders.
Gov1	Pension Fund governance arrangements are not effective
Gov2	Pension Fund objectives are not defined and agreed.
Gov3	An effective performance management framework is not in place.
Gov4	Inadequate resources are available to manage the pension fund.
Gov5	Failure to adhere to relevant legislation and guidance.
Inv1	Inappropriate investment strategy is adopted.
Inv2	Fund cash is insufficient to meet its current obligations.

Inv3	Fund assets are assessed as insufficient to meet long term liabilities.
Inv4	Significant variations from assumptions used in the actuarial valuation
Inv5a	Inadequate controls - Fund manager mandates
Inv5b	Inadequate controls - Custody arrangements
Inv5c	Inadequate controls - Accounting arrangements
Inv5d	Inadequate controls - Financial Administration
Inv5e	Inadequate controls - Stewardship

7. As a rule those classed as 'Administrative' are managed by Pensions Admin under Group Manager (BSC), those classed as 'Investments' are managed by the Pensions & Treasury Management team in Finance under Group Manager (Financial Strategy & Accounting), and those classed as 'Governance' may involve either Admin or Finance, with additional support from Legal Services. However, there is some degree of overlap.
8. The review of the Risk Register has two aims: (i) to separate out and clarify these key risks/responsibilities; (ii) to consider what action is required to maintain or improve current risk levels and set specific and measurable objectives accordingly.
9. Once the revised Risk Register has been approved by the Pension Fund Committee it will be posted to the Fund website alongside other Fund policies.

## **Statutory and Policy Implications**

10. 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.

## **RECOMMENDATION/S**

- 1) That Pension Board members consider whether there are any actions they require in relation to the issues contained within the report.

**Report Author: Ciaran Guilfoyle**  
**Investments Officer, Pensions and Treasury Management**

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

## **Constitutional Comments**

11. This is an updating information report and Pension Committee is the correct body for considering that information and any further action which members may wish to take in light of that information..

## **Financial Comments (CG 14/05/2018)**



12. There are no direct financial implications arising from 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'



# Risk Register

## Objectives

- The objectives of the Risk Register are to:
  - identify key risks to the achievement of the Fund's objectives
  - assess the significance of the risks
  - consider existing controls to mitigate the risks identified
  - Identify additional action required.

## Risk Assessment

- Identified risks are assessed separately and for each the following is determined:
  - the likelihood of the risk materialising
  - the severity of the impact/potential consequences if it does occur.
- Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value.

### LIKELIHOOD:

1	Rare	0 to 5% chance
2	Unlikely	6 to 20% chance
3	Possible	21 to 50% chance
4	Likely	51 to 80% chance
5	Almost certain	81%+ chance

### IMPACT:

1	Insignificant	0 to 5% effect
2	Minor	6 to 20% effect
3	Moderate	21 to 50% effect
4	Significant	51 to 80% effect
5	Catastrophic	81%+ effect

- Having scored each risk for likelihood and impact, the risk ratings can be plotted onto the following matrix to enable risks to be categorised into Low, Medium, High and Very High Risk.

Relative Impact	Catastrophic (5)	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
	Insignificant (1)	L	L	L	L	L
		(1) Rare	(2) Unlikely	(3) Possible	(4) Likely	(5) Almost Certain
		Relative Likelihood				

- This initial assessment gives the inherent risk level. Existing controls are then identified and each risk is re-assessed to determine if the controls are effective at reducing the risk rating. This gives the current (or residual) risk level. The current risk rating scores and categories are then used to prioritise the risks shown in the register in order to determine where additional action is required in accordance with the following order of priority:

**Red** = Very High Priority  
Take urgent action to mitigate the risk.

**Orange** = High Priority  
Take action to mitigate the risk.

**Yellow** = Medium Priority  
Check current controls and consider if others are required.

**Green** = Low Priority  
No immediate action other than to set a review date to re-consider your assessment.

## Nottinghamshire Pension Fund Risk Register - Summary

Risk	Inherent Risk			Current Risk		
	Rating	Change	Rating	Change		
<b>Risk Inv3</b> Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	↔	9	HIGH	★
<b>Risk Adm1</b> Standing data & permanent records are not accurate.	16	VERY HIGH	↑	9	HIGH	★
<b>Risk Inv4</b> Significant variations from assumptions used in the actuarial valuation.	12	HIGH	↓	9	HIGH	★
<b>Risk Gov3</b> An effective performance management framework is not in place.	12	VERY HIGH	↓	6	MEDIUM	★
<b>Risk Inv1</b> Inappropriate investment strategy is adopted.	12	VERY HIGH	↔	6	MEDIUM	★
<b>Risk Inv5b</b> Custody arrangements.	12	VERY HIGH	↓	6	MEDIUM	★
<b>Risk Adm2</b> Inadequate controls to safeguard pension fund records.	12	VERY HIGH	↔	6	MEDIUM	★
<b>Risk Gov1</b> Pension Fund governance arrangements are not effective.	9	HIGH	↔	6	MEDIUM	★
<b>Risk Gov2</b> Pension Fund objectives are not defined and agreed.	9	HIGH	↔	6	MEDIUM	★
<b>Risk Gov4</b> Inadequate resources are available to manage the pension fund.	9	HIGH	↑	6	MEDIUM	★
<b>Risk Inv2</b> Fund cash is insufficient to meet its current obligations.	9	HIGH	↔	6	MEDIUM	★
<b>Risk Inv5a</b> Fund manager mandates.	9	HIGH	↔	6	MEDIUM	★
<b>Risk Inv5d</b> Financial Administration.	9	HIGH	↔	6	MEDIUM	★
<b>Risk Adm3</b> Failure to communicate adequately with all relevant stakeholders.	9	HIGH	↑	6	MEDIUM	★
<b>Risk Gov5</b> Failure to adhere to relevant legislation and guidance.	9	HIGH	↑	4	LOW	★
<b>Risk Inv5c</b> Accounting arrangements.	6	MEDIUM	↓	4	LOW	★
<b>Risk Inv5e</b> Stewardship.	6	MEDIUM	↔	4	LOW	★

Page 36 of 52

Key to risk rating change since previous version of Risk Register:

 Increase
  Decrease
  No Change
  New

## Governance

**Risk: Gov1 - Pension Fund governance arrangements are not effective.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee (NPF Committee), supported by two Sub-Committees.</li> <li>The terms of reference of each Sub-Committee are agreed.</li> <li>The Fund publishes a Governance Compliance Statement which details the governance arrangements of the Fund and assesses compliance with best practice. This is kept regularly under review.</li> <li>A training policy is in place which requires Members to receive continuing training and all new Members to attend the Local Government Employers training course.</li> <li>Officers of the Council attend meetings of the NPF Committee and Sub-Committees.</li> <li>The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each meeting of the pension fund Sub-Committees.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Group Manager (BSC) Group Manager (Legal Services)			<b>Timescale</b> On-going	

## Governance

**Risk: Gov2 - Pension Fund objectives are not defined and agreed.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS). Both documents are approved by the NPF Committee and reviewed on a regular basis.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	NPF Committee Group Manager (Financial Strategy & Accounting)			<b>Timescale</b> On-going	

## Governance

**Risk: Gov3 - An effective performance management framework is not in place.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	↓
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>Investment performance is reported quarterly to the Pension Fund Committee. The Fund's main managers attend each quarter and officers receive regular updates from the Fund's other managers.</li> <li>Poor investment performance is considered by the Pension Fund Committee.</li> <li>Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Consider performance monitoring framework for Fund Administration.</li> </ul>				
<b>Responsibility</b>	Pension Fund Committee Group Manager (Financial Strategy & Accounting) Group Manager (BSC)			<b>Timescale</b> On-going	

## Governance

**Risk: Gov4 - Inadequate resources are available to manage the pension fund.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>VERY HIGH</b>	↑
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>The pension fund is managed by the Pensions and Treasury Management and HR Pensions teams.</li> <li>Operating costs are recharged to the pension fund in accordance with regulations.</li> <li>Staffing levels and structures are kept under regular review.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Group Manager (BSC)			<b>Timescale</b> On-going	

## Governance

**Risk: Gov5 - Failure to adhere to relevant legislation and guidance.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	↑
<b>Current Risk</b>	2	2	4	<b>LOW</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• An established process exists to inform members and officers of statutory requirements and any changes to these.</li> <li>• Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme.</li> <li>• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor requirements via appropriate sources.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Group Manager (BSC) Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	


## Investments

**Risk: Inv1 - Inappropriate investment strategy is adopted.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	↔
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The Investment Strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the NPF Committee.</li> <li>• The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation.</li> <li>• Investment performance is monitored against the Fund's strategic benchmark.</li> <li>• A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party.</li> <li>• An external advisor provides specialist guidance to the Pensions Investment Sub-Committee on the investment strategy.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	


## Investments

**Risk: Inv2 - Fund cash is insufficient to meet its current obligations.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Fund cash flow is monitored daily and a summary fund account is reported to Pension Fund Committee each quarter.</li> <li>• Annual accounts are produced for the pension fund and these show the movements in net cash inflow.</li> <li>• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.</li> <li>• The Fund's Investment and Funding Strategies are regularly reviewed.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Pension Fund Committee Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

**Risk: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	4	16	<b>VERY HIGH</b>	
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Fund assets are kept under review as part of the Fund's performance management framework.</li> <li>• Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations.</li> <li>• The Fund's Investment and Funding Strategies are regularly reviewed.</li> <li>• An external advisor provides specialist guidance to the Pension Fund Committee on the investment strategy.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Review cash flow projections prepared by actuaries on a regular basis.</li> </ul>				
<b>Responsibility</b>	Pension Fund Committee Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	



## Investments

**Risk: Inv4 - Significant variations from assumptions used in the actuarial valuation.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	3	12	<b>HIGH</b>	↓
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>Actuarial assumptions are reviewed by officers and discussed with the actuaries.</li> <li>Sensitivity analysis undertaken on assumptions to measure impact.</li> <li>Valuation undertaken every 3 years.</li> <li>Monitoring of cash flow position and preparation of medium term business plan.</li> <li>Contributions made by employers vary according to their member profile.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> <li>Review cash flow projections prepared by actuaries on a regular basis.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

**Risk: Inv5 - Inadequate controls to safeguard pension fund assets.**

**Inv5a - Fund manager mandates.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	↔
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>Complete and authorised client agreements are in place. This includes requirement for fund managers to report quarterly on their performance.</li> <li>Client portfolios are managed in accordance with investment objectives.</li> <li>AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for external managers.</li> <li>In-House Fund has a robust framework in place which is regularly tested by internal audit.</li> <li>Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

### Inv5b - Custody arrangements.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	↓
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Complete and authorised agreements are in place with external custodian.</li> <li>• AAF 01/06 (or equivalent) report on internal controls of service organisations is reviewed for external custodian.</li> <li>• Regular reconciliations carried out to check external custodian records.</li> <li>• Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	


## Investments

### Inv5c - Accounting arrangements.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	2	6	<b>MEDIUM</b>	↓
<b>Current Risk</b>	2	2	4	<b>LOW</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.</li> <li>• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.</li> <li>• Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers.</li> <li>• Internal Audits are carried out regularly.</li> <li>• External Audit review the Pension Fund's accounts annually.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	


## Investments

### Inv5d - Financial Administration.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The pension fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.</li> <li>• Daily cash settlements are made with external custodian to maximise returns on cash.</li> <li>• Investment transactions are properly authorised, executed and monitored.</li> <li>• Contributions due to the fund are governed by Scheme rules which are implemented by the Pensions Manager.</li> <li>• The Pension fund maintains a bank account which is operated within regulatory guidelines.</li> </ul>				
<b>Action Required</b>	• Continue to monitor via existing processes.				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

### Inv5e - Stewardship.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	2	6	<b>MEDIUM</b>	
<b>Current Risk</b>	2	2	4	<b>LOW</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The pension fund aims to be a long term responsible investor and has adopted the FRC's Stewardship code.</li> <li>• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and National Association of Pension Funds (NAPF), and supports their work on shareholder engagement.</li> <li>• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Pension Fund Committee each quarter and published on the Fund website.</li> </ul>				
<b>Action Required</b>	• Continue to monitor via existing processes.				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Administration

**Risk: Adm1 - Standing data and permanent records are not accurate.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	4	16	<b>VERY HIGH</b>	↑
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Business processes are in place to identify changes to standing data.</li> <li>• Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input.</li> <li>• Documentation is maintained in line with agreed policies.</li> <li>• Change of details form sent out to members alongside annual statement.</li> <li>• Data matching exercises (National Fraud Initiative) help to identify discrepancies.</li> <li>• Data cleansing has been undertaken as part of transfer to new Pensions Administration system.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Introduce quarterly monitoring of returns from major fund employers.</li> </ul>				
<b>Responsibility</b>	Group Manager (BSC)			<b>Timescale</b> On-going	

## Administration

**Risk: Adm2 - Inadequate controls to safeguard pension fund records.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	↑
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• ICT Disaster Recovery Plan and Security Plan are agreed and in place.</li> <li>• New Data Centre and back up arrangements in place.</li> <li>• Software is regularly updated to meet LGPS requirements.</li> <li>• Audit trails and reconciliations are in place.</li> <li>• Documentation is maintained in line with agreed policies.</li> <li>• Physical records are held securely.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (BSC)			<b>Timescale</b> On-going	

## Administration

**Risk: Adm3 - Failure to communicate adequately with all relevant stakeholders.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	↑
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• A communications strategy is in place.</li> <li>• The Fund website is periodically updated.</li> <li>• The Fund has an annual meeting aimed at all participating employers.</li> <li>• The Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.</li> <li>• Regular Pension road shows and communication takes place.</li> <li>• Meetings are held regularly with employers within the Fund.</li> <li>• Benefit Illustrations are sent annually to contributing and deferred Fund members.</li> <li>• Annual report, prepared in accordance with statutory guidelines, is published on the website.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Consider employer risk analysis to safeguard contributions to the Fund.</li> <li>• Regularly review the communications strategy.</li> </ul>				
<b>Responsibility</b>	Group Manager (BSC)			<b>Timescale</b> On-going	





## **RISK MANAGEMENT STRATEGY**

### **Introduction**

1. 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 sound governance. However, it is not an end in itself, but a means of minimising the costs and disruption to the Fund caused by undesirable or unexpected events. 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.
2. 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

### **Purpose and Objectives of the Fund**

3. The purpose of the Fund is to:
  - Pay pensions, lump sums and other benefits provided under the LGPS Regulations
  - Meet the costs associated in administering the Fund
  - Receive contributions, transfer values and investment income
  - Invest any Fund money not needed immediately to make payments.
4. 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.
5. 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 suitability of types of investment 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.

## Key Parties

6. The key parties involved in the Fund and their responsibilities are as follows.

### The Administering Authority

7. The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:
- Collect employee and employer contributions
  - Invest the Fund's assets
  - Pay the benefits due to Scheme members
  - Manage the actuarial valuation process in conjunction with the Fund Actuary
  - Prepare and maintain the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
  - Monitor all aspects of the Fund's performance.

### Scheme Employers

8. In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:
- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales
  - Notify the Administering Authority of any new Scheme members and any other membership changes promptly
  - Exercise any discretions permitted under the Regulations
  - Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
  - Notify the Administering Authority of significant changes in the employer's structure or membership.

### Trustees

9. The members of the Nottinghamshire Pension Fund Committee act in a quasi-trustee capacity and are hereafter referred to as "Trustees". The main responsibilities of the Trustees are to:
- Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
  - Determine the type of investment management to be used and appoint and dismiss fund managers
  - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
  - Receive independent reports on the performance of fund managers on a regular basis
  - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.



## **Fund Actuary**

10. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
- Advise on other actuarial matters affecting the financial position of the Fund.

## **Chief Finance Officer**

11. Under the Council's constitution, the Service Director (Finance & Procurement) is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Management) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

12. Representatives of the Service Director (Finance & Procurement) provide advice to the Trustees on investment matters and attend meetings of the Pension Fund Committees as required.

## **Service Director (HR & Customer Service)**

13. The Service Director (HR & Customer Service) is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Support Centre. This function covers:

- Pensions administration and employers support
- Pensions administration systems
- Communications
- Technical/performance support

14. Representatives of the Service Director (HR & Customer Service) provide advice to the Trustees on pension administration matters and attend meetings of the Pension Fund Committees as required.

## **Independent Adviser**

15. The Fund has an Independent Adviser who attends meetings of the Pension Fund Committee and Pensions Working Party as required.

16. The independent adviser is engaged to provide advice on:

- the objectives and policies of the fund
- investment strategy and asset allocation
- the fund's approach to responsible investment
- choice of benchmarks
- investment management methods and structures
- choice of managers and external specialists
- activity and performance of investment managers and the fund
- the risks involved with existing or proposed investments
- the fund's current property portfolio and any proposals for purchases, sales, improvement or development
- new developments and opportunities in investment theory and practice.

## Risk Management Strategy

17. The risk tolerance of the Fund is agreed with the Pension Fund committee, the investment team and independent adviser through the setting of the investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to achieve its long term funding objectives set out in paragraph 4.
18. 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)-d) above
  - f) review and update the risk register on an annual basis
  - g) report the outcome of the review to the Nottinghamshire Pension Fund Committee.
19. 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. These actions will link to the Service Plan process currently reported to the Nottinghamshire Pension Fund Committee in accordance with the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*.
20. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee and its two Sub-Committees 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, the 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.
21. By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, at 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.

14 June 2018

Agenda Item: 8

## **REPORT OF CORPORATE DIRECTOR, RESOURCES**

### **WORK PROGRAMME**

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

1. To invite the Board to consider its work programme.

#### **Information and Advice**

2. When establishing the Board in March 2015, the County Council considered that the Board would meet formally twice per year.
3. For the next meeting, in Autumn 2018, the following items are suggested:

<b>Report</b>	<b>Author</b>
Fund Manager Performance Reporting (the process of monitoring Asset Managers)	Ciaran Guilfoyle
Six Monthly Update on Admin Performance	TBC
GMP Reconciliation Project Update	TBC
Scheme Return to Pensions Regulator	TBC
Pensions Regulator Data Quality Report	TBC

4. The work programme will be formulated in conjunction with the Chair. There are likely to be some standing items, for example, report and accounts, and progress with the Administration Strategy.
5. Board members are also invited to suggest items for inclusion in the work programme.
6. In respect of Training the Advisor to the Board has indicated that he proposes to present an "Update on LGPS Developments" training session before each Board meeting with effect from June 2018.

#### **Other Options Considered**

7. Not applicable.

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

8. To assist the Board in preparation of its work programme.

## **Statutory and Policy Implications**

9. 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 services), the public sector equality duty, safeguarding of children and adults at risk, 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.

## **RECOMMENDATION/S**

1) That Pension Board members consider whether there are any actions they require in relation to the issues contained within the report.

**Jayne Francis-Ward**  
**Corporate Director, Resources**

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

### **Constitutional Comments (KK 14/09/17)**

10. The proposals in the report are within the remit of the Local Pension Board. If the Board resolves that any actions are required it must be satisfied that such actions are within the Board's terms of reference

### **Financial Comments (NS)**

11. There are no direct financial implications arising from the contents of this report. Any future reports to the Board will contain relevant financial information and comments.

### **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