

minutes

Meeting NOTTINGHAMSHIRE LOCAL PENSION BOARD

Date Thursday 23 June 2022 at 10:30 am

membership

Employers

Councillor Reg Adair	Nottinghamshire County Council	
Vacancy	Nottingham City Council	Apologies
David Smith	Autism East Midlands	

Members

Mark Heppenstall	Pension Scheme member
Thulani Molife (Chair)	Pension Scheme member

Also in Attendance

John Raisin	John Raisin Financial Services Ltd, Advisor to the Board (in remote attendance)
William Bourne	Linchpin, Advisor to the Nottinghamshire Pension Fund Committee (in remote attendance)

Officers in Attendance

Jon Clewes	Team Manager, Pensions
Ciaran Guilfoyle	Investments Officer
Noel McMenamin	Democratic Services Officer
Sarah Stevenson	Group Manager, Business Service Centre
Jo Toomey	Advanced Democratic Services Officer (in remote attendance)

Other members in attendance

Councillor Eric Kerry

1. MINUTES

The minutes of the last meeting held on 17 March 2022 were agreed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

An apology was received from Nottingham City Council, which was in the process of changing its representative on the Board.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

4. REPORT ON INVESTMENTS POLICY AND GOVERNANCE

William Bourne, the Advisor to the Nottinghamshire Pension Fund Committee presented his report, which provided assurance about the way the Fund was invested to enable pensions to be paid on time and in full.

In summarising the report, he highlighted:

- Information on the high-level investment strategy and decision-making
- The fiduciary duty of the fund to deliver a financial return to pay pensions above anything else
- The discount rate of 4.8% set by the Actuary that would be needed to meet the Fund's obligations and the 5.8% rate the committee was seeking to keep contributions more affordable
- The requirement to take proper advice in respect of the management of the Fund
- The fund invested most of its assets through third party managers and therefore direct contact with companies was limited
- The ultimate duty to make sure the Fund was invested sustainably sat with the Committee
- An overview of how the Fund was allocated, the managers used and the amount allocated to each manager
- The demands of the Scheme Manager pooling arrangements were increasing and the suggestion that the Council considers whether the available resourcing was adequate from an investments perspective, at an appropriate and whether there was a risk of a 'single point of failure'
- The future of pooling arrangements and the likelihood of pools having to merge to increase their scale
- At present for the Fund, contributions exceeded the amount paid out but as the fund matured it would be necessary to use investment income to fill the gap

Members of the Board explored the tension between the Fund's fiduciary duty and any move by the Government to push centralised pooling. It was noted that any pool was partly owned by the fund and worked for the fund, and the workload of officers around managing this relationship was increasing.

The Board was interested in information that indicated that the value of assets was dropping and whether that meant that growth would slow and impact on contributions. Members were advised that the decrease in asset value was not because equities were performing badly, rather a decision by the Pensions Committee had reduced the weighting of equities and increased the rating of other assets. The Advisor to the Committee stated that assets had experienced strong performance for the past 40 years; over the next ten to twenty years it was anticipated that assets would continue to grow but not at the same rate that had previously been experienced.

Questions were asked about any anticipated impact on scheme member contributions. Members were advised that one of the most significant influencing factors was the high inflation assumptions and one of the decisions made by the

Pension Fund Committee was to increase its risk appetite to try and keep contributions down in the future.

RESOLVED 2022/005

That the report on investments policy and governance be noted.

5. NOTTINGHAMSHIRE PENSION BOARD REVIEW 2021/22

The Advisor to the Board presented his report, which gave an overview of the activity undertaken by the Local Pensions Board between 1 April 2021 and 31 March 2022. The issues that were highlighted included:

- Those activities in which the Board had been involved during the year and the topics about which reports had been received
- Consideration of risk at each meeting of the Board; throughout the year the greatest risk identified was around staff resourcing
- The work undertaken by the administration team and systems of working
- Strategies and statements prepared by the Fund
- Updates and training that were provided on major developments
- The agreement of a new training programme

Members were also reminded about a number of consultations that had been expected during the year. Specifically highlighted was the anticipated consultation on good governance, which was expected to have implications for resourcing. The Advisor to the Board highlighted some Funds had already begun using information from the good governance review and that the Fund did not need to wait for the consultation information to be released before taking action.

Reference was made to additional resourcing to support tackling the risk of pensions fraud and whether there was evidence of improvement. The Board was advised that processes had been reviewed and revised. The available resourcing meant that the Fund was able to be more proactive in respect of members' benefits and making decisions around transfers. Any member considering or requesting a transfer was sent an estimate with a questionnaire that must be completed to assess risk. If the risk is believed to be high then the Pensions Administration Team could stop the transfer or ask the member to think again before the transfer was made. Board members noted that whilst more people had been asking for estimates of benefit, this had not been borne out with an increase in transfers.

Members noted that when benefit statements were sent out to deferred and active members, a separate leaflet on pension scams would be included. As on previous occasions, members of the board were asked to provide support where they could in raising awareness amongst their own members.

A question was raised about the training programme for members of the Nottinghamshire Pension Fund Committee. The distinction was highlighted that training for members of the Pension Board was regulated but there was not the same onus on training for members of the Committee and the expectation that this would be addressed as part of the good governance review was highlighted. It was noted that the matter of training was in hand with Members attending the Fundamentals training over the course of the year. Discussions were underway exploring opportunities for joint training for the Board and Committee.

RESOLVED 2022/006

1. That the contents of the Nottinghamshire Pension Board Review 2021-22 be noted.
2. That the Nottinghamshire Pension Board Review 2021-22 be submitted to the Nottinghamshire Pension Fund Committee.

6. PENSION FUND RISK REGISTER

Jon Clewes, the Pensions Manager presented the Pension Fund Risk Register. The area of greatest risk that was identified was around resourcing. Whilst funding had been put in place to support additional posts for specific projects, difficulties had been experienced in recruiting to the Fund. This difficulty was common across Funds.

The Fund had strategies in place to try and address recruitment difficulties, which were being rolled out. Officers summarised some of the different options that were being explored and gave an example of a recent recruitment exercise setting out the number of applications, the number due to attend interview and the number of candidates appointed. Further reports would be brought to the Board to update them at future meetings.

One risk that was raised covered standing data and permanent records not being accurate. It was noted that the Fund had a data improvement plan had Committee had agreed resources for this. It was hoped that as this was pre-planned it would better-prepare the Fund for the implementation of pensions dashboards.

Issues around data security were raised within the risk register. These risks were mitigated by the work that the Fund does with the Nottinghamshire County Council IT Team and that the security measures that were in place.

Board members were interested in the size of the establishment of the Pensions Administration Team as well as the current vacancy rate and asked whether there was any evidence to explain the difficulties in recruitment. Options being considered to recruit staff included apprenticeships, work with universities and colleges, and focussing on moving staff into lower grade roles and training them up. Options were also being explored to increase capacity, including increased automation of function through the Civica system, the impact of a new telephony system and channel shift, including self-service.

Members of the Board expressed concern about the recruitment and resourcing issues that had been raised by the Independent Advisors to both the Board and Committee, as well as the risk register entry. This was particularly around ensuring that resourcing arrangements were fit for the future. There was consensus amongst the membership that the concern should be raised with the Pensions Committee and a proposal was made recommending that the Committee should consider commissioning a review to the resourcing of the Fund on the staff side. During discussion, the suggestion was made that the terms of reference for any review that was commissioned could be prepared in conjunction with the Chairs of both the Committee and the Board.

Reference was made to the recent change by the Council from a Committee to Executive model of governance and the next phase of work, which would look at the Board and Committee, and would include any requirements around good governance coming from the Scheme Advisory Board, and which could also capture resourcing.

RESOLVED 2022/007

That the Board requests the Nottinghamshire Pension Fund Committee considers commissioning a review into the resourcing of the Pension Fund on the staff side.

7. WORK PROGRAMME

Members were given an update on possible items for future meetings of the Board.

RESOLVED 2022/008

That the work programme be approved.

The meeting concluded at 12:09pm.

CHAIR