

Local Pensions Board

Thursday, 29 September 2022 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|----|--|---------|
| 1 | Minutes of the last meeting held on 23 June 2022 | 3 - 8 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | To note the appointment of Councillor Dr. Nayab Patel as the representative of Nottingham City Council on the Board, and the appointment of Becky Smeathers from Nottinghamshire Fire and Rescue as an employer representative | |
| 5 | Nottinghamshire Local Pension Board LGPS Update (September 2022) | 9 - 22 |
| 6 | LGPS Pensions Administration Performance Report | 23 - 36 |
| 7 | Local Government Pension Scheme - proposed pension dashboard programme | 37 - 42 |
| 8 | Local Pensions Board Training Plan | 43 - 48 |
| 9 | Risk Register | 49 - 70 |
| 10 | Work Programme | 71 - 74 |

Notes

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

Customer Services Centre 0300 500 80 80

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

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Jo Toomey (Tel. 0115 977 4506) 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 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-pace 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

REPORT OF THE ADVISOR TO THE LOCAL PENSIONS BOARD

LOCAL GOVERNMENT PENSION SCHEME UPDATE

Purpose of the Report

1. To provide an update to the Local Pensions Board on the Local Government Pensions Scheme (Appendix A).

Information

2. The Local Pensions Board receives regular updates on the Local Government Pension Scheme from its advisor. The updates set out issues relating to the ongoing development of the LGPS at a national level.
3. The last update was presented to the Board at its meeting on 17 March 2022.
4. The issues covered in the report are:
 - a) Developments relating to the Department of Levelling up, Housing and Communities and issues on which a consultation had been expected in autumn 2022
 - b) Investment pooling
 - c) Climate reporting
 - d) Good governance in the Local Government Pension Scheme
 - e) Age discrimination in the Local Government Pension Scheme (McCloud)

Statutory and Policy Implications

5. 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

6. There are no financial implications arising as a result of this report.

RECOMMENDATION/S

- 1) That the report of the Advisor to the Pensions Board providing a Local Government Pension Scheme be noted.

John Raisin
Advisor to the Local Pensions Board

For any enquiries about this report please contact:

Jo Toomey, Advanced Democratic Services Officer
Telephone: 0115 977 4506
Email: jo.toomey@nottsc.gov.uk

Constitutional Comments (KK 09/09/22)

7. The proposal in this report is within the remit of the Nottinghamshire Local Pension Board.

Financial Comments (RWK 05/09/2022)

8. There are no specific financial implications arising directly 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

Electoral Division(s) and Member(s) Affected

- All

JOHN RAISIN FINANCIAL SERVICES LIMITED

The Nottinghamshire Local Pension Board

LGPS Update

A paper by the Advisor to the Pension Board **September 2022**

Introduction

This paper informs and updates the Board in respect of a number of important issues relating to the ongoing development of the LGPS at a national level. This includes developments since the last Advisor's LGPS Update which was considered at the 17 March 2022 meeting of the Pension Board.

The issues covered in this paper will, in due course, inform the decision making of each of the 86 LGPS Funds in England and Wales including the Nottinghamshire County Council Fund. The paper informs the Pension Board of developments relating to the Department for Levelling Up Housing and Communities (DLUHC) which is the government department responsible for the LGPS in England and Wales. This includes an update on the Consultation which, in the Summer, had been expected to be issued by the DLUHC in Autumn 2022. The paper also provides the background to and an update on a number of important national issues which will be consulted upon by the DLUHC at some point. The issues covered in this paper are:

1. Developments relating to the DLUHC and issues upon which a Consultation had been anticipated in Autumn 2022.
2. Investment Pooling
3. Climate Reporting – Task Force on Climate Related Financial Disclosures (TCFD) Reporting
4. Good Governance in the LGPS
5. Age Discrimination in the LGPS (commonly referred to as “McCloud”)

It is hoped that this paper will be informative to all Members of the Pension Board and in particular to those who have joined the Board recently.

1.Developments relating to the DLUHC and issues upon which a Consultation had been anticipated in Autumn 2022

The Department for Levelling Up Housing and Communities (DLUHC) is the government department responsible for the LGPS in England and Wales. The DLUHC is responsible (after due Consultation) for issuing the Regulations and Statutory Guidance in accordance with which each of the 86 LGPS Funds in England and Wales (known as Administering Authorities in the LGPS Regulations) operate the LGPS locally.

The DLUHC is headed by the Secretary of State for Levelling Up Housing and Communities who is assisted by a number of Ministers including a Minister of State whose responsibilities include Local Government and therefore the LGPS. As reported in the March 2022 Update the Rt Hon Michael Gove MP was appointed Secretary of State in mid-September 2021 and in early October 2021 it was announced Kemi Badenoch MP had been appointed Minister of State whose responsibilities were to include Local Government and therefore the LGPS. As the LGPS Scheme Advisory Board for England and Wales (SAB) correctly stated on its website on 6 October 2021 “...*We would expect that the change of minister would lead to some delays in the current workstream...*”

On 19 April 2022, the SAB website reported that the Board Chair and Board Secretary had met with Kemi Badenoch MP. It was stated that “*Cllr Roger Phillips and Board Secretary Jo Donnelly had a useful meeting with the Minister after the Easter weekend. Topics discussed included climate risk and reporting regulations for the LGPS...; levelling up; pooling...*” By June 2022 it was anticipated that a Consultation covering a number of important outstanding issues would be published by the DLUHC in Autumn 2022. For example the Minutes of the SAB Investment, Governance and Engagement Committee of 6 June 2022 record that the representative from the DLUHC on the Committee “*reminded members that the forthcoming public consultation is now likely to be published in the Autumn and will cover a range of elements including TCFD reporting, levelling up,... and pooling guidance for administering authorities.*”

However, on 6 July 2022 Kemi Badenoch MP resigned as Minister of State at the DLUHC and on the same day Rt Hon Michael Gove MP was dismissed from his post as Secretary of State. On 7 July 2022 Rt Hon Greg Clark MP was appointed Secretary of State at the DLUHC and Paul Scully MP Minister of State whose responsibilities include Local Government and therefore the LGPS. When a new Minister of State responsible for Local Government is appointed, it is inevitable that there will likely be delays in further developing LGPS policy proposals particularly given that the LGPS is only a small part of the Minister’s overall responsibilities and inevitably a lower priority than overall Local Government policy and finance matters.

Therefore, it was no surprise that on 21 July 2022, in relation to the appointment of Paul Scully MP, a news update was posted on the SAB website which stated *“We expect that the change of minister, and the process of electing a new Conservative party leader / Prime Minister, may lead to some delays in current workstreams...”* The situation was further complicated by the fact that one issue (Investment Pooling guidance) that was expected to be included in the anticipated Autumn 2022 consultation is particularly complex and any Consultation on this matter will need to be/should be particularly carefully considered and approved at Ministerial level before it is issued.

Therefore, the issuing of the anticipated Autumn 2022 Consultation covering Climate (TCFD) reporting, Investment Pooling, and Levelling Up in the context of the LGPS was placed in clear doubt by the events (relating to changes in the Government) of July 2022. The SAB, however, actively, and positively sought to encourage the Government not to delay the issuing of the expected Autumn Consultation also stating on 21 July 2022 that the SAB *“will continue to work with the Department to minimise”* delays in the current workstream *“as much as possible.”* The SAB particularly sought to encourage the DLUHC to at least issue a Consultation covering Climate/ Task Force on Climate Related Financial Disclosures (TCFD) Reporting for the LGPS. On 15 July 2022 the Chair of SAB (Councillor Roger Phillips) wrote to the Secretary of State (Rt Hon Greg Clark MP) – this letter included the following *“The main purpose of this letter is to convey the Board’s hope that the timetable for public consultations on changes to the Scheme which, up to now, had been planned for the Autumn will not be delayed by the recent changes in the Ministerial team.*

Those consultations were likely to cover a number of different areas relevant to the scheme, however, our main concern centres on the introduction of a framework for LGPS administering authorities to report on climate change risks, as stipulated by the Taskforce on Climate Related Financial Disclosures (TCFD).

Corresponding regulations for private sector pension schemes came into force in October last year and reports for the 2021/22 period are now being published. The LGPS is therefore already a year behind the private sector and delaying the planned consultation beyond the Autumn risks even further delay and the resultant criticism that the scheme, and those responsible for making scheme regulations, are dragging their heels on this key issue.

I very much hope that you will feel able to give an early assurance to the Board that the anticipated public consultations, and in particular that the reporting of climate related risk, will proceed in time for the necessary regulations and associated guidance to be introduced by April next year. This is necessary to enable LGPS administering authorities to put in place arrangements to report on climate risks and progress against emissions targets... Any delay beyond then would put us a further year behind the private sector, which would be regrettable for a globally significant investor like the LGPS.”

A letter from the Chair of SAB to Paul Scully MP of 21 July 2022 referred to the fact that they had met on 19 July 2022 and included the following – *“Can I first of all reaffirm my request to you in Tuesday’s meeting for the Department to publish the TCFD consultation and regulations as soon as possible. We have been waiting to move forward with this since last October and there is growing concern about the delay in the LGPS when the DWP regulations and guidance are already out for private sector schemes... As a more public facing scheme it is important that we can demonstrate our commitment to climate risk reporting transparency, and other key issues.*

Similarly, I will support both the Board’s Secretariat and your officials working closely on getting the broader consultations due out after the recess...” Therefore, the SAB very clearly engaged with the DLUHC following the appointment of the new Ministers in July 2022 to seek to facilitate the issuing of the anticipated broad ranging LGPS Consultation in Autumn 2022. In particular the SAB sought to encourage DLUHC not to delay a Consultation covering Climate/TCFD reporting for the LGPS.

On 1 September 2022, the DLUHC issued a LGPS Consultation entitled **“Governance and reporting of climate change risks”** which seeks views on Government proposals to require LGPS administering authorities (LGPS Funds) *“in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).”* The Consultation closes on 24 November 2022.

The LGPS Consultation issued on 1 September 2022 is concerned solely with Climate related issues. There were no proposals relating to Investment Pooling (expected since 2019) or Levelling Up in relation to the LGPS. While it is not possible to state categorically that these issues will not be consulted on during 2022 it would now seem unlikely. This is because the Climate/TCFD reporting Consultation remains open until 24 November 2022, and then the DLUHC will have to consider all responses received, draft final Regulations and lay them before Parliament so as to enable the finalised LGPS Climate Change reporting Regulations to come into effect by 1 April 2023.

The changes in Ministerial appointments at the DLUHC in July 2022 were potentially temporary as they were made at the point when it was clear that there would be a change of Prime Minister in early September 2022. Following the appointment of Rt Hon Elizabeth Truss MP as Prime Minister on 6 September 2022 there was a change in the Secretary of State responsible for the DLUHC with the replacement of Rt Hon Greg Clark MP by Rt Hon Simon Clarke MP. It is however worth noting that the new Secretary of State has previously served as Minister of State with responsibility for the LGPS (February to September 2020).

Paul Scully MP who was appointed in July 2022 as the Minister of State whose responsibilities include the LGPS has been retained in this role by the new Prime Minister. This provides continuity and hopefully will avoid further delays to the policy development of the LGPS which would likely have resulted from the appointment of another (new) Minister of State.

2. Investment Pooling

A Consultation including proposals on further developing Investment (Asset) Pooling expected since 2019 had, as explained in Section 1 of this paper, been expected in the Autumn of 2022. This however now seems likely to be delayed until 2023.

In November 2015, the government issued guidance entitled “**Local Government Pension Scheme Investment Reform Criteria and Guidance.**” This set out criteria for the (then) 89 LGPS Funds in England and Wales to form Investment Pools whose fundamental role is to select asset managers to implement the Investment Strategy determined by each individual LGPS Fund. This resulted in the creation of 8 Investment Pools across the LGPS. These had a wide range of both regulatory and governance structures and have, individually, developed very differently since 2015. The Nottinghamshire County Council LGPS Fund is a member of the LGPS Central Pool.

Crucially, however, all Pools are creations of their constituent LGPS Funds, owned by them, and ultimately accountable to them. Furthermore, all assets continue to belong to the individual LGPS Funds not the Pools.

The sole fundamental role of Investment Pools, including LGPS Central, is to select and monitor investment managers to implement the Investment Strategy of their constituent (individual) LGPS Fund’s. The setting of Investment Strategy (including the types of Assets and their proportions) which academic studies clearly demonstrate is the primary driver of investment returns remains the responsibility of each individual LGPS Fund. To fulfil its role, it is crucial that an Investment Pool provides/procures investment products that meet the needs of its constituent LGPS Funds.

The (then) MHCLG issued a Consultation on a new framework for Pooling in January 2019 but subsequently withdrew this. In November 2020, the Government stated in writing (in “**The Balance Sheet Review Report**” issued by HM Treasury) that it would “consult” in 2021 “on next steps” to implement “a strengthened framework for LGPS investment and pooling” but this did not occur. Therefore, the mandate for Pooling within the actual LGPS Regulations remains limited to one statement in the LGPS (Management and Investment of Funds) Regulations 2016. This is, that the Investment Strategy of an LGPS Fund must include “*the authority’s approach to pooling investments, including the use of collective investment vehicles and shared services.*” In reality the present position with Investment Pooling is therefore that while LGPS Funds need to demonstrate commitment to the principle, the actual pooling of particular assets is in essence ultimately voluntary. The extent to which individual LGPS Funds across England and Wales have pooled their assets varies enormously. Some Funds have now placed the majority of their assets with their Pool while some have placed very little.

There can be no doubt, however, based on both written statements and speeches made by Civil Servants that Pooling is here to stay and that the DLUHC intend to develop it further. The question is how? The DLUHC will certainly need to think carefully given responses to the Consultation of 2019 and the 2020 Supreme Court case relating to another LGPS issue which resulted in a judgement which included reference to the (limited) extent to which the Secretary of State (DLUHC) can use Statutory Guidance (rather than Regulations) to mandate how LGPS Funds should act.

There have been various suggestions as to the nature of the Consultation that the DLUHC will issue. Particular important themes will be the extent of mandation which could cover a range of issues including the structures and governance of Investment Pools, and possible timescales. One suggestion is that the Consultation might include “comply or explain” provisions. Whatever the contents of the Consultation, however, given the broad range of views amongst the 86 LGPS Funds together with the diverse approach to Pooling that has developed since 2015 there will doubtlessly be a vigorous response from the LGPS community when the Consultation is (finally) issued.

3. Climate Reporting – Task Force on Climate Related Financial Disclosures (TCFD) Reporting

In 2015 the Financial Stability Board (established in 2009 by the G20 countries) created the Task Force on Climate Related Financial Disclosures (TCFD) to develop consistent climate related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

In 2017 the TCFD published its final recommendations. The Task Force recommendations were structured around four thematic areas that represent core elements of how organisations operate - Governance, Strategy, Risk Management, Metrics and Targets. The 2017 report summarised these as follows

1. **Governance:** *“Disclose the organization’s governance around climate-related risks and opportunities.”*
2. **Strategy:** *“Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.”*
3. **Risk Management:** *“Disclose how the organization identifies, assesses, and manages climate-related risks.”*
4. **Metrics and Targets:** *“Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.”*

In the United Kingdom, the Department for Work and Pensions (DWP) has consulted upon (in January 2021) and issued final Regulations (***The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021***) on TCFD reporting by Private Sector Pension Schemes. These set out how private sector schemes are required to report against the TCFD framework. These Regulations came into force from 1 October 2021. The DWP Regulations do not apply to the LGPS as the DWP has no role in relation to the Regulations relating to the governance and investment of the LGPS. This responsibility lies with the DLUHC.

A Consultation to amend the LGPS Regulations to apply Climate/TCFD reporting to Local Government Pension Funds was expected by early 2021. As already stated, (in Section 1 of this paper) the SAB made very clear representations to DLUHC in July 2022 requesting that there be no further delay to issuing a Consultation to enable *“the necessary regulations and associated guidance to be introduced by April next year.”* The SAB letters to the DLUHC of 15 July 2022 and 21 July 2022 (referred to in Section 1 of this paper) clearly indicated that SAB considered that urgently issuing a Consultation on Climate/TCFD reporting was more important than a Consultation on Investment Pooling. This was because if the LGPS as a whole lacked a Regulatory framework to report on climate risks and progress the LGPS as a Scheme could appear, through absolutely no fault of its own, not to be serious when it comes to Climate/TCFD reporting. Of course, any such perception would be absolutely and totally erroneous. In contrast the DWP had already put in place Regulations on Climate/TCFD reporting which came into force from 1 October 2021 for Private Sector Pension Schemes with assets over £5bn and will come into force for Private Sector Pension Schemes with assets over £1bn from 1 October 2022.

A Consultation in respect of proposals to require LGPS administering authorities (LGPS Funds) in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) was, as stated in Section 1 of this paper, issued by the DLUHC on 1 September 2022. The full title of the Consultation is ***“Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks.”***

As Paragraph 8 of the Consultation states individual LGPS Pension Funds such as the Nottinghamshire County Council Fund (known as in the LGPS Regulations as Administering Authorities (AA's) of which there are 86 in the LGPS) *“are already required to consider factors that are financially material to the performance of their investments, including environmental, social, and corporate governance considerations. They also must have a policy stating how such considerations will be considered in setting their investment strategy. The aim of the proposals in this consultation document is to build on that position by ensuring that the financial risks and opportunities arising specifically from climate change are properly understood and effectively managed by AAs, and that they report transparently on their approach”*

Paragraph 9 of the Consultation states *“The government’s view is that the requirements for the LGPS should set as high a standard as for private schemes. We have therefore made the requirements for private schemes the starting point for our proposals but have aimed to take account of the unique features of the LGPS including its local administration and democratic accountability through the AAs.”*

It is important that the Nottinghamshire Fund carefully considers, and responds as it considers appropriate, to this Consultation as the regulatory requirement to report on Climate change risks will lie with individual LGPS Funds rather than their Investment Pool. The consultation lasts from 1 September to 24 November 2022.

4. Good Governance in the LGPS

The Good Governance in the LGPS project was initiated by the SAB in 2018. The project sought to fundamentally enhance and strengthen the governance of the individual LGPS Funds in England and Wales. The project took place over three phases which progressively developed a broad range of proposals. Two broad ranging stakeholder working groups (the Standards & Outcomes Group and the Compliance & Improvement group) were established at Phase II to work with Hymans Robertson who were tasked with co-ordinating the project. The Advisor to the Nottinghamshire Pension Board was a member of both working groups and the Phase III Implementation Group. The detailed proposals of the Good Governance in the LGPS project in the Phase II report which were further developed in the Phase III report may be summarised as follows:

- The MHCLG (now the DLUHC) to produce Statutory Guidance to establish new governance requirements for Funds to effectively implement the proposals from the Good Governance in the LGPS project.
- Each Administering Authority (LGPS Fund) must have a single named officer responsible for the delivery of all LGPS related activity for the Fund – “the LGPS Senior Officer”
- Each Administering Authority must publish an annual Governance Compliance Statement that sets out how they comply with the governance requirements for LGPS Funds as set out in the new Statutory Guidance.
- Enhancements to the requirements in relation to - Conflicts of Interest, Knowledge and Understanding, Service Delivery including Business Planning/Budgeting, and performance against a key set of indicators.
- Each Administering Authority be required to undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

In February 2021, the SAB received the final Phase III report, considered, and approved an Action Plan based on the final report. It was agreed that the Board's Chair (Councillor Roger Phillips) would write to the (then) Local Government Minister Luke Hall MP inviting him to consider the Board's Action Plan.

The Action Plan consists of formal requests from the SAB to the Government to implement the proposals of the Good Governance in the LGPS project. Given DLUHC were represented on both the Phase II Working Groups and the Phase III Implementation Group it is highly likely that the Action Plan will be positively received by the DLUHC. The Action Plan includes the Recommendations in the Phase III report, the consequent proposed actions for DLUHC either by Regulation or Statutory Guidance, and work to be undertaken by SAB.

The approval of the Phase III report by SAB and the submission of the Action Plan to the Government bring closer the implementation of the project's proposals. However, implementation of proposals by the DLUHC (likely to be closely but not exactly derived from those of SAB) requires a formal Consultation. Based on statements from SAB, arising from discussions with DLUHC it became clear that the Good Governance in the LGPS proposals, thought submitted to Government in early 2021, would potentially not form part of the (expected) Autumn 2022 Consultation but would be held over until later. Given the likely delay to some parts of the (previously expected) Autumn 2022 Consultation it would seem that any Consultation on requiring national implementation of the project proposals will not be issued until well into 2023 at the earliest.

Notwithstanding this Consultation delay some Funds are seeking to implement (some of) the proposals of the Good Governance in the LGPS Project prior to the issuing of Regulations/Statutory Guidance from DLUHC and further SAB guidance. The Nottinghamshire Fund may wish to consider if, from the perspective of enhanced Fund governance, it would be beneficial to implement some of the proposals from the SAB Good Governance in the LGPS project prior to any statutory requirement to do so. Any such decision is ultimately a matter for the Pension Fund Committee advised by Officers.

5.Age Discrimination in the LGPS (commonly referred to as “McCloud”

The Public Service Pensions Act 2013 which reformed all the major public service pension schemes from 2014 or 2015 included provision for protections for older members designed to ensure they would not be worse off as a result of the introduction of the new schemes. In 2018 the Court of Appeal ruled that in the case of the Judges' and Firefighters' Pension Schemes this was (age) discriminatory against younger members. In July 2019, the Government confirmed that there would be changes to all public service pension schemes, including the LGPS, to remove this age discrimination. This whole issue is now commonly referred to as “McCloud.”

On 16 July 2020, the then MHCLG issued a Consultation called “**Amendments to the statutory underpin**” to address the age discrimination identified in the LGPS. However, given the age discrimination in the LGPS and other public service pension schemes had resulted from the Public Service Pensions Act 2013 there was a need for revision to primary legislation before the LGPS Regulations could be amended. On 11 May 2021, the Government confirmed that a Public Service Pensions and Judicial Offices Bill would introduce amendments to incorporate the McCloud judgment into public service pension schemes. On 13 May 2021, in a Ministerial Statement, Luke Hall MP, the then Minister of State with responsibility for the LGPS, confirmed that it was intended that these remedial Regulations “*will be retrospective to 1st April 2014.*” Referring to the Consultation of July 2020 it was confirmed that key elements of this would form changes to the LGPS Regulations which would be made after the Public Service Pensions and Judicial Offices Bill had become an Act.

The Public Service Pensions and Judicial Offices Act came into effect from 10 March 2022. In an update issued by the DLUHC on 27 July 2022 it was stated that “*Later this year*” the DLUHC will publish its formal response to the July 2020 Consultation and also “*an updated version of the draft regulations implementing the McCloud remedy.*” Given that this statement was issued by the DLUHC **after** the July 2022 Ministerial changes it appears that the Consultation response and draft Regulations to remedy McCloud, which had been expected during the calendar year 2022, will still be issued this year.

However, there is already clarity regarding the overall nature of the remedy from the Ministerial Statement of 13 May 2021 and a letter issued from the Head of Local Government Pensions at the DLUHC on 22 March 2022 which suggested that for purposes of the 2022 Actuarial Valuations Funds apply the following:

- *It should be assumed that the current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap.*
- *The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).*
- *Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner).*
- *Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.*

- *The underpin will consider when members take their benefit so they can be assured they are getting the higher benefit.*

The update from the DLUHC on “McCloud” issued on 27 July 2022 provided clear assurance that the Government intends to act in a timely fashion to seek to put in place Regulations and Statutory Guidance to enable the 86 individual LGPS Funds (Administering Authorities) in England and Wales to apply a finalised remedy to the benefit entitlement of individual members of the LGPS. The DLUHC communication of 27 July 2022 included the following: “*Later this year, we intend to publish the Government’s response to our 2020 consultation, in which we’ll set out our decisions on the matters covered in that consultation...*”

Alongside the Government response, we intend to publish an updated version of the draft regulations implementing the McCloud remedy. The updated draft regulations will reflect the new powers in Chapter 3 of Part 1 the 2022 Act governing the statutory underpin, as well as technical feedback we received at the 2020 consultation and any changes in policy. To ensure the updated draft regulations are accurate in light of the changes made, they will be subject to a further period of consultation early in 2023. At that time, we will also consult on other aspects of the McCloud remedy which did not feature in our original consultation (for example, compensation and rates of interest). The regulations will be made later in 2023 and will come into force on 1 October 2023. We intend to issue statutory guidance on the implementation of McCloud in 2023 following a period of consultation.

This approach will ensure that the regulations, when made, will reflect all aspects of the remedy and have been appropriately scrutinised. We would encourage LGPS administrators to begin taking steps towards the implementation of McCloud remedy following the publication of the Government response, and will shortly be holding a meeting with software suppliers to discuss the implementation of the McCloud remedy to this timetable.”

In conclusion, there is now clarity as to the remedy for “McCloud” in the context of the LGPS particularly in the light of the enactment of the Public Service Pensions and Judicial Offices Act 2022, and the statements from the DLUHC issued on 22 March 2022 and 27 July 2022. However, for the Nottinghamshire County Council Fund (and every other individual LGPS Fund) there is a huge amount of work to be undertaken, by the Pensions Administration Team, to apply the finalised remedy (when fully issued and known) to the benefit entitlement of individual members of the LGPS.

John Raisin

15 September 2022.

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29 September 2022

Agenda Item: 6

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

LOCAL GOVERNMENT PENSION SCHEME (LGPS) – PENSION ADMINISTRATION PERFORMANCE REPORT

Purpose of the Report

1. The purpose of the report is to inform the Nottinghamshire Local Pension Board of the work of the Pension Administration Team for the period 1 April 2021 to year ending 31 March 2022.

Information and Advice

Background

2. The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members benefits are determined strictly in accordance with the scheme regulations and are not affected by the value of Fund assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.
3. One of the of the main areas of focus across the Local Government Pension Scheme is always the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association continues to highlight this matter.

Pension Benefits Administration

4. The Pensions Office undertakes the administration of the pension benefits of the scheme members against the regulations of the Local Government Pension Scheme, and the administration broadly comprises of maintaining a data base of:
 - Active members (i.e.) contributors
 - Pensioners, including widows, widowers, and dependants
 - Those with deferral benefits that will become payable in the future
 - Providing Annual Benefit Statements to active and deferred scheme members
 - Providing estimates of benefits
 - The calculation and payment of retirement benefits

- The calculation and payment of transfer values to other schemes
 - Processing transfer values from “club” and local government schemes
 - Providing valuations, a splitting of pensions in divorce cases
 - Communicating with employers and scheme members on scheme changes and pensions issues
 - Onboarding new scheme employers
 - Supporting employers to carry out their responsibilities under the LGPS Regulations
 - Reconciling employers’ monthly and annual contribution rates
 - Providing pension savings statements to scheme members as appropriate
 - Providing data for triennial valuations and the annual FRS102 for all but large bodies who report in accordance with AIS19
 - Replying to questions and issues raised by scheme members and employers
 - In addition, the office also undertakes some of the employer related work of the LGPS on behalf of Nottinghamshire County Council
5. The current Pension Team structure comprises of the, the following areas of work:
- a. Pensions Administration
 - b. Employer Support and Compliance
 - c. Technical/Communications
 - d. Technical/Performance
 - e. Temporary McCloud Project establishment
6. The following table details the Pension Administration establishment and occupied posts. There has been a number of staff movements during the 2021-2022 Financial Year, this has included 3 experienced members of staff either leaving, retiring, or reducing their hours due to a change in personal circumstances. A number of staff have achieved promotion to higher graded posts. The impact of this means that there are currently vacancies at the Pensions Administrator Grade 3 level.
7. Following approval by Committee in July 2021 a number of temporary posts were establishment to support the pension team to respond to the McCloud National Project which will require the recalculation of member benefits. All posts have been advertised once but it is proving difficult to appoint in the current labour market. All funds are reporting some difficulty in recruiting staff, and this is being monitored by the LGA.

	Establishment	As at 31.03.2021	As at 31.03.2022
Pension Team	26.20	25.77	23.18
Pension System Team	4 FTE This includes 1 FTE FTC for McCloud	3	4
GMP Project Manager (Temporary post until 31.12.22)	1	1	1
McCloud Project – all posts current offered as fixed term contracts for 2 years			
Project Manager	1	1	1
Data Officer	1	N/A	1

Admin Team	7	N/A	0
Employer Support & Compliance	1	N/A	0

8. Due to the current number of vacancies work has been undertaken to consider options for attracting new recruits to the pension administration team. A recruitment campaign was launched week commencing 11 July advertising all vacant posts through the Indeed and Pensions Career job board, a dedicated board for all types of pension roles. Job Boards enable adverts to be “pushed” directly to registered applicants. A review of the Authority’s application form has been completed, as the current form was considered as a potential barrier to applicants applying. A shortened application form has been developed which requires candidates to complete a reduced number of sections with other information being picked up from the applicants CV.
9. As at the end of August 2022 following recent interviews 4 appointment have been made to Pension Administration Officer Posts, who will be joining the administration team in September. An appointment has also been made to the McCloud Employer Support and Compliance post.
10. The vacant Training Officer post has been reviewed and the responsibilities of this post have been expanded to include the establishment of an apprenticeship programme within the Pension Administration team. The apprenticeship programme would engage individuals at the entry level into the team and provide them with a route to achieving a professional pension qualification. The professional qualification programme would also be made available to existing members of the team. Once scoped this will be the subject of a separate report to Committee. An initial discussion has also taken place with Nottingham Trent University with a view to working with them to advertise vacant post to their students. Similar discussions are planned with local colleges such as West Notts. An initial discussion has also taken place with the Authority’s graduate programme where the Pension Team would look to offer graduate’s a 6-month placement within the Pension Admin Team. This would provide the team with additional project management capacity which would accelerate the implementation of the transformation programme. We have also engaged one of our system partners in a pilot programme enabling them to undertake members transfer processes on behalf of the Fund. As part of this work an evaluation will be conducted where we will assess the feasibility of extending this engagement and widening the type of processes that our partner can undertake on behalf of the Fund. This too will be the subject of a separate report to Committee.
11. The Pension Team are also supported by a number of other teams within the Business Service Centre (BSC) whose work is recharged to the Pension Fund these include –
- Business Hub Team who undertakes a range of clerical and administrative tasks on behalf of the Pension Administration Team.
 - The Authority’s Payroll Service who processes the monthly Pensioners Payroll on behalf of the Nottinghamshire Pension Fund.
 - BSC Security and Authorisation Team who are undertaking a number of activities to support the Employer Portal rollout.

12. The total cost of administration expressed as a cost per member for the past five years is shown in the table below –

£ per member	2015	2016	2017	2018	2019	2020	2021
The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37	£14.08	£14.08
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34	£20.02	£21.05

Data Quality

13. The Pensions Regulator has continued to raise concerns across the LGPS Funds relating to data quality and the need for improvement. The Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected and are taking appropriate steps to improve pension records.

14. Data is important to the Administering Authority for several 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

15. Members will be aware that the pension fund has an Administration Strategy which provides a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data in a timely manner. 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.

16. The Administration Team is continually updating records, chasing employers, and reminding members of the scheme to update the Fund of changes of personal circumstances, e.g., changes of address.

17. To meet the requirements set out by the Regulator the Fund reported the following:

	2019 Accuracy	2020 Accuracy	2021 Accuracy	2022 Accuracy
Common Data	59%	76%	85%	*Available September 2022
Conditional/Scheme Specific Data	60%	43%	54%	*Available September 2022

*It should be noted that the 2021-2022 figures will not be available until September due to a change in the timeline for the request for data by the Regulator

- **Common data** – Common data is the basic information which every scheme should hold for each member, such as name, address, and date of birth. It is the information that identifies their benefits and allows the scheme to keep in contact with them.
- **Conditional/Scheme specific data** – This is the data used for calculating pension benefits.

18. The Data Audit and Improvement workstream approved by Pension Committee in September 2019, is progressing and now enables us to measure our data more accurately. This has highlighted changes in our data scores with an increase in common data accuracy and following an initial decrease in the conditional/ scheme specific data score, this too has increased following the initial application of a range of rectification routines.
19. The Data Improvement Project is moving into the bulk data rectification phase. As part of this phase, we will be working with Civica to implement bulk data resolutions, as well as with individual Scheme Employers to update both common and scheme specific data at individual member level. A detailed transformation update report will be presented to Committee following the completion of additional data improvement activity.

Pension Fund Membership Statistics

20. On 31st 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, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report
21. The following table details the membership of the Fund against each category and sets a context to the size of the fund.

Type of Member	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Active Members	44,436	46,350	47,841	43,957	44,299
Deferred members	46,448	47,365	56,068	60,935	62,501
Pensioners	35,245	37,157	38,923	40,481	42,715
Total Membership	126,129	130,872	142,832	145,373	149,515

22. 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.

The following table gives a breakdown of the employers in the scheme. The headline figure in the table shows a net increase of 14 employer bodies which are mainly due to new admission bodies, but there has been a reduction in the number of active employers to 281. The reduction in numbers is due to the Fund continuing to consolidate academy trust schools into single employers. This trend will continue as academies continue to consolidate, and we anticipate further requests to the Secretary of State for other academies to transfer in and potentially out of the Fund. There is an advantage to the Fund for Academy Trusts to consolidate as it reduces complexity of administration along with reducing costs due to economies of scale.

23. The table (below) also shows the movement of employers in the Fund with employers withdrawing from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.

	2020	2021			2022		
	as at 31/03/20	Number Joined	Number Leaving	as at 31/03/21	Number Joined	Number Leaving	as at 31/03/22
Scheduled							
Local Authorities	9	0	0	9	0	0	9
Academies	158	7	12	153	7	17	143
Others - active	56	3	5	54	0	1	53
Others - closed	97	17		114	19	1	132
Total Scheduled	320	27	17	330	26	19	337
Admitted							
Admission	57	4	7	54	5	3	56
Others - active	22	0	0	22	0	2	20
Others - defunct	95	7	0	102	5	0	107
Total Admitted	174	11	7	178	10	5	183
Total	494	38	24	508	36	24	520

The following is a list of new scheme employers 2021-2022

Scheme employer	Type of employer
Evolve Trust	Schedule 1 part 1 - Academies
Springbank Academy	Schedule 1 part 1 - Academies
John Clifford School	Schedule 1 part 1 - Academies
White Hills Park Trust	Schedule 1 part 1 - Academies
Abbey Primary School	Schedule 1 part 1 - Academies
Churchill Contract Services Limited (Nova)	Admitted - Admission
Mellors Catering Services Limited (Evolve)	Admitted - Admission
Accuro FM Limited	Admitted - Admission
St Augustine's Academy	Schedule 1 part 1 - Academies
Mount C of E Primary	Schedule 1 part 1 - Academies
Cater Link Limited (National)	Admitted - Admission
Aspens Services Limited (Nova)	Admitted - Admission

Complaints and Internal Dispute Resolution Procedure Appeals

24. Set out below are three tables which outline the number of written complaints received by the Administering Authority in 2021-2022 along with the number of formal appeals at stage 1 and stage 2 of the Internal Dispute Resolution Procedure process along with the number of appeals that the Administering Authority is aware of that have been submitted to the Pension Ombudsman in respect of cases escalated following the two-stage adjudication process.

Recorded Written Complaints						
Date	Total	Closed	Outstanding	Justified	Partial Justified	Not Justified
2021/22	31	15	16	7	6	4
2020/21	26	24	2	14	3	9
2019/20	25	23	2	4	6	13

Main Reasons

- Transfers in and out - timescales
- Deferred record future review dates
- AVC complaints related to the Prudential
- Benefit calculations

The Pension Fund continues to receive subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. In 2020/21 we received 17 against 14 for 2021/22. We are currently reviewing our process to ensure that it is robust and in accordance with the regulations.

Independent Disputes Resolution Procedure (IDRP)

IDRP -Stage 1 Appeals against the Administering Authority and Employers 2021-2022

Total	Appeals upheld	Appeals dismissed	Progressed to stage 2	Awaiting Decision
11	2	5	3	1

IDRP - Stage 2 Appeals against the Administering Authority

Total	Appeals upheld	Appeals dismissed	Progressed Ombudsman	Awaiting Decision
3	0	0	0	3

Pensions Administration System

25. The Pension Administration system used by the Nottinghamshire Pension Fund is the Universal Pensions Management (UPM) system, provided by Civica UK. UPM was implemented in 2015 and is an 'on premise' system with the servers located at the County Hall Data Centre and the Node 4 site in Derby, for resilience. The infrastructure is managed by Nottinghamshire County Council ICT and regular co-ordination with the Pensions Systems team. Maintenance and upgrades are undertaken on a regular basis to ensure the system remains compliant. All new developments and upgrades from the software supplier are evaluated, tested, and deployed in line with the requirements of the Pension Office

26. The Employer portal is now live and has continues to be rolled out to scheme employers.

Employer Support and Compliance Team

27. The Pension Office Employer Support and Compliance team is responsible for liaison with scheme employers on a range of matters in relation to their responsibilities under the LGPs Regulations. This includes –

- Supporting employers in undertaking their responsibilities.
- Communicating Regulation and process changes to LGPS employers.
- Resolving problems in relation to the quality of information supplied by LGPS employers.
- The development of improved communication methods between the Pensions Office and LGPS employers.
- Work on Employer acceptance into the scheme, plus also employer closures.
- The review and improvement of information and administrative systems.

28. The team also have the following contact with Nottinghamshire LPGA Scheme Employer representatives –

- Year-end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end.
- Meetings with employer representatives to communicate changes to the LGPS Regulations and the impact on employer responsibilities.

- Ad hoc individual or group support and training sessions with LGPS Employers
29. The Team continue to monitor the performance of scheme employers to ensure that scheme employers meet their statutory requirements in the administration of the scheme.
30. The Team has continued to work with employers to improve the submission of pension data to the Fund.
31. In addition, there are also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2020-2021, participating employers in the scheme were required to provide accurate year-end data by 14 May 2020. The annual benefit statements were issued to deferred members of the scheme by July 2021 with all active benefit statements issued by the statutory date of 31 August 2021. There was a further issue of benefit statements, where data was either provided late to the Fund or that there were queries with the submitted data which had to be rectified before benefit statements could be issued. The current year end processing is on going with employers having to provide their year end data by 14 May 2022. Evaluation of this data is currently on going.
32. Where employers fail to meet the requirements set out in the Administration strategy the Pension Fund reserves the right to charge the employer for additional administration time where appropriate. The fund also reserves the right to report employers to the Pension Regulator where there is a breach of statutory regulations.
33. The following table provides information on employer submissions to year end data over the last six-year ends.

Year End	Number of submissions received by submission date	Accurate submissions received by submission date	Submission date	Number of Employer returns expected	Percentage of expected returns received by the deadline	Percentages of Accurate returns by the deadline
2014-2015	112	92	31 May 2015	260	43%	35%
2015-2016	162	157	30 April 2016	276	59%	57%
2016-2017	253	166	2 May 2017	310	82%	54%
2017-2018	314	183	14 May 2018	337	93%	54%
2018-2019	272	162	13 May 2019	341	80%	47.5%
2019-2020	304	206	15 May 2020	342	88.%	60%
2020-2021	261	138	14 May 2021	296	88%	46.6%
2021-2022	249	153	9 May	286	87%	53.5%

34. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. Without the correct data, 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 type of 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

Performance Data

35. Performance statistics in the table below represent the 4th quarter of 2021/22 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. Overall, the fund performance average against our KPI's is 66.8% against 66.2% the previous year. This has been impacted by the increased activity in retirements, transfers, and deaths of pension members. The fund continues to receive increased deferred members taking their benefits, as well as increased activity with transfers. It must also be noted that the transfer process was changed in November 2021 due to changes in regulations on the monitoring of transfers, this has increased the time taken to undertake the transfer process.

36. As part of the pandemic response, advice from the Pension Regulator was to focus on the maintenance of benefits for pensioners, the payment of benefits to retiring members, and those of dependants of pensioners who had died. Several processes were put on hold and these included transfers of benefits.

4 Quarters 2021-2022 1.04.2021 to 31.03.2022 Pension Administration Cipfa Benchmark Key Performance Indicators			
Process	Cipfa benchmark legal requirement (from notification)	No of Cases completed within the Year	% Of cases completed within CIFPA KPI
Deaths – All activities	2 months	1087	89.14
Deaths – Acknowledging death of member letter	2 months	496	93.95
Deaths – letter notifying amount of dependent's pension	2 months	591	85.11
Deferments	2 months	4492	32.68
Retirements- process and pay pension benefits (at next available payroll)	2 months	2521	84.85
Retirement – Estimate of retirement benefits letter (CAT A)	2 months	1624	95.94
Retirement – Estimate of retirement benefits letter (CAT B)	2 months	81	88.89
Deferred Retirement Quotes	2 months	2449	95.1
Transfer - Quotes	2 months	766	41.64
*Transfers – actual – internal KPI no CIPFA KPI stated	1 month	433	44.11
Divorce Quotes	3 months	282	98.58
Divorce Settlement	3 months	15	40
Refunds	2 months	639	99.22

37. Table 1 details the number of completed processes with the KPIs by Financial Year with the measurement commencing in 2017/2018. This table shows the increase in the number of completed processes year on year with the exception for 2020-2021, where a decrease was recorded. This is inevitably due to the initial impact of the pandemic with the administration team moving to working from home, staff having to undertake home schooling, COVID related absence and staff turnover. However as can be seen from the figures for 2021-2022 the number of completed processes within KPIs has increased to 15,843 an increase of 4,120 completed processes or **35%**.

Table 1					
Years	2017/18	2018/19	2019/20	2020/21	2021/22
No of KPI Processes Completed	7,617	10,688	12,138	11,723	15,843
Difference	0	3,071	1,450	-415	4,120
% Change in difference	⇒ 0.00%	↑ 40.32%	↑ 13.57%	↓ -3.42%	↑ 35.14%

38. Table 2 gives a comparison of all activities reported in the Pension Administration System and again we see a slight decrease, in 2020-2021 due to COVID.

Table 2				
Years	2018/19	2019/20	2020/21	2021/22
No of Processes completed	51,976	56,722	53,121	56,900
Difference	0	4,746	-3,601	3,779
% Change in Difference	⇒ 0.00%	↑ 9.13%	↓ -6.35%	↑ 7.11%

39. There continues to be a significant increase in requests from deferred pension members over 55 years of age to seek payment of their pension benefits. However, in table 2 above this shows there has been a 7.1% increase in the numbers of total processes across the fund being completed.

40. The member death process is the most difficult statistic to gather and measure. The difficulty is the date and timing of when the Pension Administration Team are informed of a death, against when the team receive all the necessary documentation. Where the relevant information is provided death in service grants are paid within 5 days to the next of kin.

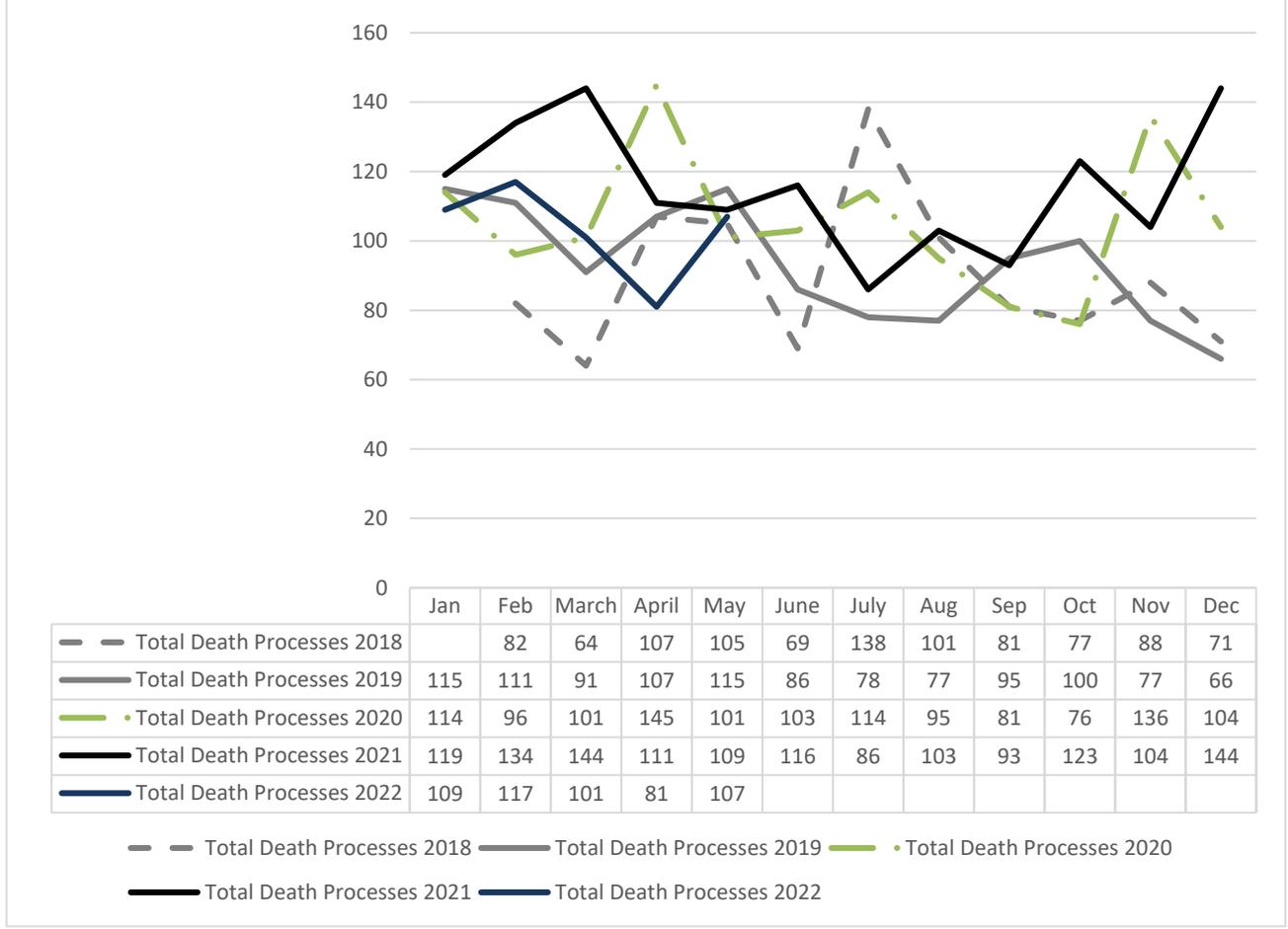
41. Following a number of appeals to the Ombudsman across the LGPS relating to the release of death grants to the next of kin, the Fund now reviews each individual death grant payable, and where required seeks additional information prior to release of death grant benefits.

42. The following graph shows the number of deaths processed each year. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.

43. From January 2020 to April 2022 the average monthly deaths were 107 per month, Pre Pandemic the average death per month was approximately 91 deaths. However, the statistics, show that the Nottinghamshire Pension Fund has followed the national trends during the COVID waves.

44. Another trend that the fund has seen is the number of deaths in service cases in 2021/22 we saw 70 deaths which averaged 6 deaths per month, again this trend has increased from pre pandemic levels.

Comparison of Deaths Over 4 Year Time Scale



	2018	2019	2020	2021	2022
Average no of Deaths Per Month	89	93	105	115	103

Other Options Considered

45. Work on developing the Service Level Agreement will continue, to ensure they provide a full range of benchmarking data for the coming financial year. This work will be done in conjunction with a national set of benchmarks across all LGPS schemes

Reason/s for Recommendation/s

46. This report has been compiled to inform the Nottinghamshire Local 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

47. 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

48. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £3.2m including all costs and external fees.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Local 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, Governance, and Employees

For any enquiries about this report, please contact:

Jonathan Clewes, Pension Manager on 01159773434 or jon.clewes@nottsc.gov.uk

Constitutional Comments (KK 15/09/2022)

49. The proposal in this report is within the remit of the Nottinghamshire Local Pension Board.

Financial Comments (KP 15/09/2022)

50. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £3.2m at 2021-22 including all costs and external fees.

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

29 September 2022

Agenda Item: 7

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND
EMPLOYEES.**

**LOCAL GOVERNMENT PENSION SCHEME – INITIAL REPORT ON THE
PROPOSED PENSION DASHBOARD PROGRAMME**

Purpose of the Report

1. The purpose of the report is to provide an overview of the introduction of a National Pensions Dashboard, emanating from a government led project requiring the pension industry to design and own the dashboard.
2. The report will give an outline of Proposed Phases (approximate timeline subject to change)
3. The report also explains what activities the Pension Fund will potentially need to undertake in the implementation of the potential solution and preceding preparation, that is being proposed through a current consultation process.

**Information
Background**

4. In 2019, the Government established the Money and Pensions Service (MaPS), which brought together the Money Advice Service, the Pensions Advisory service and Pension Wise. These are Government backed bodies created to improve awareness of pension assets, pension regulations and the options as people approach retirement. The Pensions Dashboard Programme was launched in April 2020 and work is progressing.
5. The Pension Scheme Act 2021 provides a framework to support pensions dashboards, and in particular gives powers to compel pension scheme to provide information.
6. The current plan is for schemes with more than 1000 members (excluding pensioners) will start to connect with dashboards between October 2023 and September 2024. Pensions dashboards will be online platforms providing one place for individuals to access pensions information from multiple sources, including on their state pension.
7. The objective of the Government is to give individuals a better understanding of their pensions and support retirement planning. Under the Act, the Money, and Pensions Service (MaPS) will develop and host its own pension dashboard. Currently, the aim is that an individual will submit a request to find their pension information (confirming their identity and

giving the relevant consent). A 'pension finder service' then sends this 'find request' to all pension schemes: if a pension scheme finds a match with this individual it will confirm this with the dashboard service and, if the individual then requests to view their information, the dashboard will pull the individuals data directly from the pension scheme.

Requirements for Public Service Pension Schemes

8. The draft regulations propose that pension schemes must connect to the digital architecture (which includes being able to respond to find and view requests) within prescribed timescales. Schemes must identify whether information held in the 'find request' matches with an individual's pension and if it does, return a pension identifier. Schemes should have discretion over which data elements they use to search their records for a match but will need to minimise the risks of either not returning pensions matches or returning incorrect matches.
9. Schemes will need to have regard to any guidance issued by The Pensions Regulator (TPR) on matching. In December 2021, the Pensions Administration Standards Association (PASA) published initial guidance on the data conventions for matching their records. Schemes must then return 'view data' to individuals. Much of the proposed view data is already provided by schemes under the Disclosure Regulations.

However, certain 'administrative data' must also be provided such as information about the schemes and the administrator, and where relevant the individual's employment. Certain 'signpost data' must also be provided where relevant, via website addresses.

10. The guidance underlying the present money purchase illustrations (which we think will impact on members with Additional Voluntary Contributions) is to be amended to reflect and build on these new requirements—this will not be expected until October 2023, so the annualised values will not need to be provided until then.
11. Defined benefit arrangements must show the accrued deferred benefit at the illustration date (or revalued to that date for a deferred member). Active members will also need to see a projected benefit at retirement but based on current salary.
12. There will be some exemptions from providing this information –it is proposed that pensioners are out of scope. The draft regulations propose timescales for schemes to provide this information to the dashboard. Administrative data and signpost data should be provided immediately. Value data should also be provided immediately if it relates to information already prepared in a recent benefit statement and otherwise within 10 days (or 3 days if the information only includes defined contribution (i.e., AVCs) information)

Requirements For Pension Dash Boards

13. The Current understanding is that organisations other than MaPS will be able to develop and host dashboards if they meet requirements set out in the draft regulations. They will be known as Qualifying Pensions Dashboard Services if they meet all the requirements, including authorisation from the Financial Conduct Authority, compliance with relevant standards and connection to the specified digital architecture. Dashboards must also show an individual's state pension as a current amount and forecast amount.
14. The DWP proposes that there will be a range of standards covering the legislative requirements, including data, design and messaging, technical matters, and reporting. It is

expected that MaPS will set these standards, although TPR may set the reporting standards. Time scales for joining dashboards, all schemes in scope will have to register with MaPS Governance Register and must then connect to the dashboard. The current proposed onboarding deadline for Public Service Pension Schemes is September 2024. There will be limited provision for schemes to request an extension to their staging date. Further LGPS regulation is expected.

McCloud

15. The McCloud reform currently underway within the fund will create challenges for the Fund and the LGPS in general to provide information for pension dashboards. The draft regulations currently allow for Public Service Pension Schemes (excluding the LGPS) to provide more than one pension value to those members impacted by transitional protection. The LGPS would not need to report two different values, due to giving an automatic “underpin” approach to the McCloud remedy, rather than an options exercise.
16. DWP recognises the scale of the work placed on Public Service Pension Schemes in response to the McCloud Judgment and reflects this in its proposal to stage all Public Service Pension Schemes by the end of September 2024. DWP has also affirmed that it recognises further mitigation may be afforded to Public Service Pension Schemes following consultation to help Public Service Pension Schemes to successfully onboard to pension dashboards in line with their staging principles. Officers anticipate that additional external consultancy and advice may be required for this project.

Current Time Scales.

17. The current timescale nationally is as follows:

- June 2023 – Large schemes (1000+ members) and Master trusts have a staging deadline between June 2023 and September 2024 depending on type.
- April 2024 – Public service and collective defined contribution schemes (100 – 999 members) have deadlines between October 2024 and October 2025.
- 2026 _ Small schemes (99 or fewer members) to comply by 2026.

18. A full Programme Timeline can be viewed using the following link [Programme timeline | Pensions Dashboards Programme](#) .

Review of Resource Requirements

19. Currently the Pension Fund has allocated a Pension Project Manager to oversee the project as it progresses. However, the Fund will need to undertake various action to ensure that it is ready for dashboards these are:

20. These requirements are:

- The implementation of Monthly returns scoping session scheduled in October 2022
- Employer Portal rollout to scheme employers – already underway

- Data improvement plan progression – already underway this will ensure that the Pensions Dashboards Programmed data standards are met.
- Ensure that the Pension Fund complies with the statutory staging timeline to onboard schemes onto the dashboard

Other Options Considered

21. The Pension Fund is following, the Scheme Advisory Board, and the LGA advice, along with engaging with the Scheme Actuary, as well as using normal LGPS funds to ensure that Nottinghamshire is following the best advice.

Reasons for Recommendations

22. This is a significant project for the Pension Scheme which will require project management activities, and considerations will be needed to be made around fund resource and the ongoing requirements of Pensions Administration beyond 2024.

23. This is a regulatory requirement and there are proposed penalties for noncompliance which could be up to £5K for individuals (£50K otherwise). These will be imposed by the Pension Regulator.

Statutory and Policy Implications

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

Data Protection and Information Governance

25. The project, by its very nature, involves reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with scheme employers and scheme members.

RECOMMENDATIONS

It is recommended that the Pension Board:

- 1) That Nottinghamshire Pension Board consider the implications of the Pension Dashboard Programme and agree to receive further update reports as the project becomes clearer as the National Programme progresses.
- 2) Agree to receive an update report on the resource requirements of the Pension Fund to enable the implementation of the Pension Dashboard Programme.

Marjorie Toward

Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jonathan Clewes, Pension Manager on 0115 9773434 or Jon.Clewes@nottscc.gov.uk

Constitutional Comments (KK 15/09/2022)

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

Financial Comments (KP 15/09/2022)

27. There are no financial implications at this stage however provision of resource will be considered as the programme progresses..

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

REPORT OF THE ADVISOR TO THE LOCAL PENSIONS BOARD

PENSION BOARD TRAINING PROGRAMME

Purpose of the Report

1. To agree the proposed training programme as recommended by the Advisor to the Board (**Appendix A**).

Information

2. The Pensions Act 2013, which amended the Pensions Act 2004, sets out the required knowledge for all members of pensions boards of public service pension scheme. It states that all local authority Pension Board members must be conversant with:
 - a. The rules of the scheme
 - b. Any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme
3. They must also have knowledge and understanding of:
 - a. The law relating to pensions
 - b. Such other matters as may be described
4. The degree of knowledge and understanding required is that which is sufficient for the purposes of enabling the individual to be able to properly exercise the functions of a member of the Pensions Board.

Statutory and Policy Implications

5. 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

6. Training costs will be met directly by the Pension Fund but are not expected to be a significant part of the budget of the Fund with some training being provided free by officers or by external providers.

RECOMMENDATION/S

- 1) That the training programme proposed by the Independent Advisor to the Board in **Appendix A** be approved.

John Raisin
Advisor to the Local Pensions Board

For any enquiries about this report please contact:

Jo Toomey, Advanced Democratic Services Officer
Telephone: 0115 977 4506
Email: jo.toomey@nottscc.gov.uk

Constitutional Comments (KK 09/09/2022)

7. The proposal in this report is within the remit of the Nottinghamshire Local Pension Board.

Financial Comments (RWK 05/09/2022)

8. The financial implications are set out in paragraph 6 of the report. All training costs incurred will be funded by the Pension Fund.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

The Nottinghamshire Local Pension Board

Pension Board Training Programme

A paper by the Advisor to the Pension Board
September 2022

Purpose

This paper makes proposals in respect of the Pension Board Training programme for 2022-2023 and going forward.

Background

At the meeting held on 30 September 2021 the Pension Board received a paper from the Advisor to the Board entitled “Pension Board Training Programme” which made proposals in respect of the Pension Board Training Programme for 2021-2022 and going forward. The paper included reference to the legislative requirement for Pension Board Members to have “*knowledge and understanding*” of pensions law and be “*conversant*” with Scheme Regulations and Fund documents as required by **The Pensions Act 2004** as amended by the **Public Service Pensions Act 2013**. The paper also referred to relevant guidance relating to Pension Board Members knowledge and understanding issued by the Pensions Regulator (**Code of Practice No14**, 2015) and CIPFA (**CIPFA Code of Practice on LGPS knowledge and skills**, June 2021, and the **CIPFA Local Pension Boards A Technical Knowledge and Skills Framework** of July 2015).

As stated in the September 2021 paper The **CIPFA Local Pension Boards A Technical Knowledge and Skills Framework** (July 2015) sets out eight “core” areas of Knowledge and Skills for Pension Board members and that it is fundamental that training across all eight of the core areas in the CIPFA Knowledge and Skills Framework are made available to all Pension Board members. These eight core areas are:

- Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions accounting & auditing standards
- Financial markets and products knowledge (including understanding of the importance of the investment strategy)
- Procurement and relationship management
- Investment performance & risk management
- Actuarial methods, standards, and practices

The paper of September 2021 set out a range of proposed methods and sources of Training for the Pension Board. This paper, of September 2022, provides an update on Training

delivered since the September 2021 paper and makes proposals in respect of the Pension Board Training programme for 2022-2023 and going forward.

Training update September 2021 – August 2022

Since September 2021 there has been a range of activity in relation to providing Training to Pension Board Members in order to maintain and update their knowledge and understanding. During this period, however, there have been a number of vacancies on the Board (three out of eight Members for much of the period) and actual attendance at Board meetings has primarily been by (very) long term Members of the Board.

Therefore, it has not been appropriate to commence (as proposed in the September 2021 paper) the introductory and overview training covering the eight “core” areas of Knowledge and Skills for Pension Board Members as identified in the CIPFA Knowledge and Skills Framework for Local Pension Boards (2015) as this training would be provided primarily for the benefit of new Members of the Board. Training on these eight “core” areas has previously been made available to those Board Members who have been on the Board for some years. When good progress is achieved in appointing new Board Members this broad ranging introductory and overview training will be provided over a number of sessions.

A specific, and important, proposal in the September 2021 report was that the Actuary to the Pension Fund be requested to provide a training session, during 2021 or early 2022, on Actuarial issues with a focus on the 2022 Actuarial Valuation process. Consequently at the Board meeting held on 16 December 2021 the Fund Actuary Barry McKay of Barnett Waddingham provided a detailed **Actuary Report and Presentation** to the Board covering the nature of a Valuation; how Liabilities are valued; how Assets are valued; how Employer Contribution rates are set; key issues affecting the LGPS including “McCloud,” Cost Management, Exit Reform, Covid, Climate, Future Inflation. Following the presentation there were a number of observations/questions to the Fund Actuary including in respect of events since the last Valuation in 2019, and possible future circumstances.

An overarching theme of the September 2021 paper was that training from external sources (that is additional to the Fund Officers or Fund Advisors) should be made more available to Board Members. An important event in this respect was therefore the presentation entitled **LGPS Pooling Update – Presentation by LGPS Central** which the Board received on 17 March 2022 from Colin Pratt, Investment Director and Lee White, Communications Manager at LGPS Central. This included an overview of the background to pooling and its principles; the role of LGPS Central and the products it offers; developments in Responsible Investment and Engagement. Colin Pratt also responded to a range of questions from Board Members.

At the 17 March 2022 meeting the Board received a detailed report and oral presentation on the LGPS Governance Conference 2022 by Jon Clewes who attended this important external event (national conference) on 20 and 21 January 2022. The conference covered a range of important topical issues including McCloud, investment engagement/disinvestment and stewardship, cyber risk, and the 2022 Actuarial Valuation.

The September 2021 paper proposed that the Advisor to the Pension Board (continue to) provide training to the Board on LGPS developments. This was provided in the form of an

LGPS Update report at the 30 September 2021 meeting and the 17 March 2022 meeting. A further LGPS Update is provided elsewhere on the Agenda of today's meeting.

Proposed Methods and Sources of Training - September 2022 and beyond

As emphasised in the September 2021 report it is desirable for the Members of the Pension Board to have access to a wide range of training opportunities provided both internally (by Fund Officers and Advisors including the Fund Actuary) and externally. Hopefully, the Nottinghamshire Fund will be able to positively progress the appointment of new Board Members to fill existing vacancies. The extent to which there are new Members appointed to the Board will, of course, clearly influence training provided over the coming months/year.

It is proposed that the provision of Board Training, from September 2022 onwards, be provided in the following ways listed below. The extent to which any method is utilised will depend on both Members needs and availability as well as the availability of suitable presenters/events. It is suggested there be, as appropriate, discussions between Fund Officers, the Advisor to the Board, the Chair of the Board, and Board Members regarding the provision of training. The methods proposed to be potentially utilised to provide Training are:

1. The Advisor to the Pension Board to provide introductory and overview training commencing in late 2022 (or in 2023 depending on the appointment of new Board Members) covering all eight "core" areas of Knowledge and Skills for Pension Board Members as identified in the CIPFA Knowledge and Skills Framework for Local Pension Boards (2015).
2. As appropriate the Advisor to the Pension Board, Fund Officers and other Fund Advisors including the Fund Actuary provide training on LGPS developments to the Board.
3. Consideration be given by the Fund Officers as to the possible benefit and practicality of some joint Pension Fund Committee and Pension Board training events.
4. Appropriate external events/seminars/conferences be made available (on a rotational basis) to the Members of the Board.
5. Specifically, attendance at the Barnett Waddingham Pension Board Seminars be made available (on a rotational basis) to Board Members.
6. Existing Members of the Pension Board who have not already completed the Pensions Regulator's Public Service Toolkit be required to do so by 31 March 2023 and to provide their certificate to Board officers.
7. New Members appointed to the Board be required to complete, and provide evidence of completion, of the Pension Regulator's Toolkit within six months of the first Board meeting they are eligible to attend.
8. All Members of the Board on appointment and annually complete a Training Needs Analysis covering the seven "core" areas in the CIPFA Local Pension Boards Technical Knowledge and Skills Framework.

9. Members be required to provide to Board Officers details of any relevant training undertaken and the Fund maintain records of the learning activities of individual Pension Board Members and the Board as a whole.

Training Needs Analysis and Training Records

To help facilitate the delivery of training to both longstanding and new Members of the Board every Board Member should both on appointment and annually complete a Training Needs Analysis covering the seven “core” areas in the CIPFA Framework. It is proposed that such a Training Needs Analysis form, to inform training in the next year, be circulated to all Board Members in the near future.

Clearly records need to be maintained by the Pension Fund of training undertaken by Board Members. Indeed, the **Pension Regulator’s Code of Practice No14** (2015) and the **CIPFA Code of Practice on LGPS knowledge and skills** (2021) are clear that appropriate records/reporting arrangements should be maintained by the Scheme Manager/Administering Authority. This is an area where, it is suggested future arrangements should be determined in the near future by Fund Officers and the Advisor to the Board, in consultation with the Board Chair.

John Raisin

2 September 2022

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

29 September 2022

Agenda Item: 9

REPORT OF SERVICE DIRECTOR – CUSTOMER, GOVERNANCE AND EMPLOYEES.

PENSION FUND - RISK REGISTER

Purpose of the Report

1. To present the current Nottinghamshire Pension Fund Risk Register to the Pensions Board.

Introduction

2. 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.
3. 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

4. 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.
5. 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.

6. 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 of Fund

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

The Administering Authority

8. The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement. 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.

Committee members

9. The members of the Committee are not trustees (as the LGPS is a statutory scheme) but do have fiduciary duties towards the scheme members and employers. The main responsibilities of the Committee 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.

Scheme Employers

10. 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.

Fund Actuary

11. 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

12. Under the Council's constitution, the Service Director Finance, Infrastructure & Improvement 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).

13. Representatives of the Service Director Finance, Infrastructure & Improvement provide advice to the Committee on investment matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Service Director Customers, Governance and Employees

14. The Service Director Customers, Governance and Employees is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Services Centre. This function covers:

- Pensions administration and employer's support
- Pensions administration systems
- Communications
- Technical/performance support

15. The Group Manager, Business Services Centre and the Pension Manager, who are representatives of the Service Director Customers, Governance and Employees provide advice to the Committee on pension administration matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

16. The Fund has an Independent Adviser who attends meetings of the Nottinghamshire Pension Fund Committee and Pensions Working Party as required.
17. 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

18. The risk tolerance of the Fund is agreed with the Nottinghamshire 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 described in paragraph 4.
19. 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.
20. 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.
21. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, the Nottinghamshire Pension Fund Committee have been 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.
22. 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.

23. The risk register is attached as Appendix A.

Statutory and Policy Implications

24. 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

25. That The Nottinghamshire Local Pension Board members consider whether there are any actions they require in relation to the issues contained within the Risk Strategy report.

Marjorie Toward
Service Director – Customers, Governance, and Employers

For any enquiries about this report please contact:

Jonathan Clewes, Pension Administration Manager, Pension Administration
on 01159773434 or jonclewes@nottscc.gov.uk

Constitutional Comments (KK 15/09/2022)

26. This is an updating information report and Pension Board 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 (KP15/09/2022)

27. 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

Objectives

1. 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

2. 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.
3. 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

4. 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.

Risk Rating Matrix

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)	(2)	(3)	(4)	(5)
		Rare	Unlikely	Possible	Likely	Almost Certain
		Relative Likelihood				

5. 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

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

↑ Increase

↓ Decrease

↔ No Change

★ New

Risk Description	Inherent Risk			Current Risk		
	Rating	Change	Rating	Change		
Risk Gov4 Inadequate resources are available to manage the pension fund.	20	VERY HIGH	↔	12	HIGH	↔
Risk Adm1 Standing data & permanent records are not accurate.	16	VERY HIGH	↔	9	HIGH	↔
Risk Inv3 Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	↔	9	HIGH	↔
Risk Inv6 LGPS Central incurs net costs or decreases investment returns	12	HIGH	↓	9	HIGH	↓
Risk Adm2 Inadequate controls to safeguard pension fund records	15	VERY HIGH	↔	6	MEDIUM	↔
Risk Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer Risk) Potential data quality issues.	15	VERY HIGH	↔	6	MEDIUM	↔
Risk Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk).	15	VERY HIGH	↔	6	MEDIUM	↔
Risk Inv4 Significant variations from assumptions used in the actuarial valuation	12	HIGH	↔	9	HIGH	↔
Risk Inv7 Financial risk of climate change	12	HIGH	↔	8	MEDIUM	↔
Risk Inv1 Inappropriate investment strategy is adopted.	12	VERY HIGH	↔	6	MEDIUM	↔
Risk Inv5b Custody arrangements	12	VERY HIGH	↔	6	MEDIUM	↔
Risk Gov5 Failure to adhere to relevant legislation and guidance.	12	HIGH	↔	6	MEDIUM	↔
Risk Gov3 An effective performance management framework is not in place.	9	HIGH	↔	6	MEDIUM	↔
Risk Gov1 Pension Fund governance arrangements are not effective	9	HIGH	↔	6	MEDIUM	↔

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Risk Gov2 Pension Fund objectives are not defined and agreed.	9	HIGH	↔	6	MEDIUM	↔
Risk Inv2 Fund cash is insufficient to meet its current obligations.	9	HIGH	↔	6	MEDIUM	↔
Risk Inv5a Fund manager mandates	9	HIGH	↔	6	MEDIUM	↔
Risk Inv5d Financial Administration	9	HIGH	↔	6	MEDIUM	↔
Risk Adm3 Failure to communicate adequately with all relevant stakeholders.	9	HIGH	↔	6	MEDIUM	↔
Risk Inv5c Accounting arrangements	6	MEDIUM	↔	4	LOW	↔
Risk Inv5e Stewardship	6	MEDIUM	↔	4	LOW	↔

Governance				
Risk description: Gov1 - Pension Fund governance arrangements are not effective				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	3	9	HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee. • Under the LGPS Regulations the Administering Authority has established a Pension Board • The terms of reference of the Nottinghamshire Pension Fund Committee are agreed. • The terms of reference of the Nottinghamshire Pension Board are agreed. • 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. • A training policy is in place which requires Members to receive continuing training and encourages all new Members to attend the Local Government Pension Scheme Fundamentals training course. • Nottinghamshire Pension Board Members are also required to undertake training • Officers of the Council attend meetings of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board. • The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each Nottinghamshire Pension Fund Committee meeting. • The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Nottinghamshire Pension Board 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Confirmation of Pension Board meetings • Pension Board Vacancies to be filled 			
Responsibility:	Group Manager (Financial Services) Group Manager (BSC) Group Manager (Legal Services) Pension Manager Senior Accountant - Pensions & TM		Timescale:	On-going

Governance			
Risk description: Gov2 - Pension Fund objectives are not defined and agreed			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	3	3	9 HIGH ↔
Current Risk:	2	3	6 MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are approved by the Nottinghamshire Pension Fund Committee and reviewed on a regular basis. 		
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 		
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services)	Timescale:	On-going

Governance			
Risk description: Gov3 - An effective performance management framework is not in place.			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	3	3	9 HIGH ↔
Current Risk:	2	3	6 MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • Investment performance is reported quarterly to the Nottinghamshire Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers. • Poor investment performance is considered by the Nottinghamshire Pension Fund Committee. The Nottinghamshire Pension Fund Committee's actions are monitored by the Nottinghamshire Pension Board • A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements. This was reviewed at a Working Party in August 2021. • Performance of the administration function is managed through an Administration Strategy 		
	<ul style="list-style-type: none"> • Performance of the Administration function is managed through a set of performance indicators and reported to Pension Committee and Pension Board 		
Action Required:	<ul style="list-style-type: none"> • Continue to review the performance monitoring framework for Fund Administration. 		
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Group Manager (BSC) Pension Admin Manager Senior Accountant - Pensions & TM	Timescale:	On-going

Governance				
Risk description: Gov4 - Inadequate resources are available to manage the pension fund.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	5	4	20	VERY HIGH ↔
Current Risk:	4	3	12	HIGH ↔
Current Controls:	<ul style="list-style-type: none"> • The pension fund investments are managed by the Pensions & Treasury Management team. • Pension administration is managed by the Pension Team Manager within the BSC • Operating costs are recharged to the pension fund in accordance with regulations. • Staffing levels and structures are kept under regular review. • Additional resources have been requested to meet new requirements across the LGPS • Additional Resources have been agreed in relation to The McCloud Project • Pension Costs and resources monitored against the CIPFA Benchmarking club 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor resource requirements via existing processes. 			
Responsibility:	Group Manager (Financial Services); Group Manager (BSC) Pension Team Manager Senior Accountant - Pensions & TM		Timescale:	On-going

Governance				
Risk description: Gov5 - Failure to adhere to relevant legislation and guidance.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	4	3	12	HIGH ↔
Current Risk:	3	2	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • An established process exists to inform members and officers of statutory requirements and any changes to these. • An Administration Strategy was introduced in 2017 to monitor the Administration of the Fund, along with monitoring Employer compliance. • Sufficient resources are required to implement LGPS changes while continuing to administer the scheme. • Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates. • Any breaches in statutory regulations must be reported to the Pension Regulator. 			

Action Required:	<ul style="list-style-type: none"> • Review Resources against statutory requirements • Continue to monitor requirements via appropriate sources. • Continue to monitor resources to ensure adherence to legislation and guidance. • Update Breaches Policy 		
Responsibility:	Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions & TM Pension Manager	Timescale:	On-going

Investments				
Risk description: Inv1 - Inappropriate investment strategy is adopted.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	4	12	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • The investment strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the Nottinghamshire Pension Fund Committee. • In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk. • The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation. • Investment performance is monitored against the Fund's strategic benchmark. • A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party. • An Independent Adviser provides specialist guidance to the Nottinghamshire Pension Fund Committee on the investment strategy. 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going	

Investments				
Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	3	9	HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls	<ul style="list-style-type: none"> • Fund cash flow is monitored daily and a summary fund account is reported to the Nottinghamshire Pension Fund Committee each quarter 			

	<ul style="list-style-type: none"> • Annual accounts are produced for the pension fund and these show the movements in net cash inflow 		
	<ul style="list-style-type: none"> • Regular assessment of Fund assets and liabilities is carried out through actuarial valuations. 		
	<ul style="list-style-type: none"> • The Fund's Investment and Funding Strategies are regularly reviewed 		
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 		
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going

Investments			
Risk description: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	4	4	16 VERY HIGH ↔
Current Risk:	3	3	9 HIGH ↔
Current Controls:	<ul style="list-style-type: none"> • Fund assets are kept under review as part of the Fund's performance management framework. • Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations. • The Fund's Investment and Funding Strategies are regularly reviewed. • An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy. • Strength of covenant of new employers carefully assessed • Risks relating to existing employers are reviewed periodically 		
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis. 		
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going

Investments			
Risk description: Inv4 - Significant variations from assumptions used in the actuarial valuation occur			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	4	3	12 HIGH ↔
Current Risk:	3	3	9 HIGH ↔
Current Controls:	<ul style="list-style-type: none"> • Actuarial assumptions are reviewed by officers and discussed with the actuaries • Sensitivity analysis is undertaken on assumptions to measure impact 		

	<ul style="list-style-type: none"> Valuation are undertaken every 3 years 		
	<ul style="list-style-type: none"> Monitoring of cash flow position. 		
	<ul style="list-style-type: none"> Contributions made by employers vary according to their member profile. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. Review cash flow projections prepared by actuaries on a regular basis. 		
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going

Investments				
Risk description: Inv5 - Inadequate controls to safeguard pension fund assets.				
Inv5a - Investment managers				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	3	9	HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. The main managers attend Nottinghamshire Pension Fund Committee on a regular basis. Investment objectives are set, and portfolios must be managed in accordance with these AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for main managers. Internal decisions have a robust framework in place which is tested by internal audit Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets. 			
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going	
Inv5b - Custody arrangements				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	4	12	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> Complete and authorised agreements are in place with the external custodian. AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian. Regular reconciliations carried out to check external custodian records. 			

	<ul style="list-style-type: none"> Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 		
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going
Inv5c - Accounting arrangements			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	3	2	6 MEDIUM ↔
Current Risk:	2	2	4 LOW ↔
Current Controls:	<ul style="list-style-type: none"> Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP. The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate. Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers. Internal Audits are carried out regularly. External Audit review the Pension Fund's accounts annually. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 		
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going
Inv5d - Financial Administration			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	3	3	9 HIGH ↔
Current Risk:	2	3	6 MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> The Pension Fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions. Daily cash settlements are made with the external custodian to maximise returns on cash. Investment transactions are properly authorised, executed and monitored. Contributions due to the fund are governed by Scheme rules which are overseen by Pensions Administration Contributions checked at the beginning of the year and the end of the year, and reconciled and balanced at the year-end. The Pension Fund maintains a bank account which is operated within regulatory guidelines. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 		
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going

Inv5e – Stewardship -				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	2	6	MEDIUM ↔
Current Risk:	2	2	4	LOW ↔
Current Controls:	<ul style="list-style-type: none"> • The Pension Fund aims to be a long term responsible investor. • Effective management of financially material social, environmental and corporate governance (ESG) risks should support the requirement to protect investment returns over the long term. ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments by both the Pension Fund and underlying managers on the Fund's behalf • The Fund has a Climate Stewardship Plan which is implemented and reported on with the support of LGPS Central • The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement. • The pension fund has a contract in place for a proxy voting services. Voting is reported to the Nottinghamshire Pension Fund Committee each quarter and published on the Fund website. 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		Timescale:	On-going
Inv6 - LGPS Central incurs net costs or decreases investment returns				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	4	3	12	HIGH ↓
Current Risk:	3	3	9	HIGH ↓
Current Controls:	<ul style="list-style-type: none"> • We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF • Costs and performance will be monitored 			
Action Required:	<ul style="list-style-type: none"> • Continue to attend meetings relevant meetings • Continue to monitor via existing processes. 			
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		Timescale:	On-going
Inv7 – Climate change affects the financial returns of the Fund.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	4	3	12	HIGH ↔
Current Risk:	4	2	8	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • The financial impact of climate change on the fund can be mitigated. Businesses and individuals will have to change their behaviour and 			

	consumption to reduce their carbon footprint and this presents both opportunities and threats as investors.		
	<ul style="list-style-type: none"> • We engage with management of the companies we own through LGPS Central, LAPFF and Hermes EOS to influence them to consider climate change and their sustainability. 		
	<ul style="list-style-type: none"> • Climate change risks are already considered as part of the purchasing and holding decision 		
	<ul style="list-style-type: none"> • Climate risk analysis undertaken on an annual basis with the assistance of LGPS Central. 		
	<ul style="list-style-type: none"> • The Fund has a Climate Risk strategy and a Climate Stewardship plan 		
Action Required:	<ul style="list-style-type: none"> • The current impacts of climate change are affecting particular industries and regions and the Pension Fund will look to reduce exposure to these. • Continued move towards our long term asset allocation. 		
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going

Administration				
Risk description: Adm1 - Standing data and permanent records are not accurate.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	4	4	16	VERY HIGH ↔
Current Risk:	3	3	9	HIGH ↔
Current Controls:	<ul style="list-style-type: none"> • Business processes are in place to identify changes to standing data. • Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input. • Documentation is maintained in line with agreed policies. • The Administration Strategy supports the monitoring of employer compliance. • A change of details form is sent out to members alongside their annual statement. • Data matching exercises (National Fraud Initiative) help to identify discrepancies. • Mortality Screening is being performed • The Data Improvement Plan is being implemented as reported to committee. • The GMP Reconciliation Project including Payroll and Pensions Data matching exercise with HMRC is continuing 			

	<ul style="list-style-type: none"> • Employer annual returns are reviewed and monitored. Breaches are reported to committee.
	<ul style="list-style-type: none"> • McCloud Project initiated to collect and check scheme data to enable re calculation of benefits.
	<ul style="list-style-type: none"> • Project to implement monthly return data collection from scheme employers.
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Improve monitoring of returns from major fund employers • Implementation of Data Improvement plan • Progress GMP rectification • Progress Mc Cloud project
Responsibility:	Group Manager (BSC) Pension Manager
Timescale:	On-going

Administration				
Risk description: Adm2 - Inadequate controls to safeguard pension fund records.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	5	15	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • ICT Disaster Recovery Plan and Security Plan are agreed and in place • The Administration Authority has an Operational Security and Risk Team, a Security Architect providing strategic direction, an Information Governance Team headed by the Data Protection Officer and an Information Governance Board, chaired by the SIRO, providing oversight. The network has been certified as PSN Code of Connection compliant for the last decade and comprises internal and perimeter firewalls, anti-virus software, intrusion detection and response platforms, secure baseline operating system builds, annual penetration tests, multi-factor authenticated remote access and offline backups, aligning with National Cyber Security Centre best practice at all points. • New back up arrangements are in place • Software is regularly updated to meet LGPS requirements. • Audit trails and reconciliations are in place. • GDPR awareness training and documentation is in place • Pension Administration Documentation is maintained in line with agreed policies. • Physical records are held securely in the Pension Office. • Pensions and other related administration staff undertake data management training as required. 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 			

	<ul style="list-style-type: none"> Undertaking a review of controls and Safeguards separate report to Pension Board and Committee once review has been completed. 		
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going

Administration				
Risk description: Adm3 - Failure to communicate adequately with all relevant stakeholders.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	3	9	HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> A communications strategy is in place and is regularly reviewed. The Fund website is periodically updated. Member information guides are reviewed. The Fund has an annual meeting aimed at all participating employers. The Nottinghamshire Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies. Meetings are held regularly with employers within the Fund. District and City Council employers and other adhoc employer meetings take place as required A briefing for employers takes place in February or March each year in preparation for year end Benefit Illustrations are sent annually to contributing and deferred Fund members. Annual report, prepared in accordance with statutory guidelines, is published on the website. 			
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 			
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going	

Administration				
Risk description: Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk)				
Potential data quality issues.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	5	15	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔

Current Controls:	• Clear communication of requirements to scheme employers.		
	• Employer data is being reviewed as part of the data improvement plan.		
	• Planned roll out of the employer portal to improve the transfer of data to the Pension Fund.		
	• Actuary makes prudent assumptions at valuation.		
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Monitor using the Breaches Policy 		
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going

Administration				
Risk description: Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	5	15	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	• Information Governance oversee policies and procedures			
	• Data breach procedure in place			
	• Assurance obtained from third party providers and contractors on compliance with relevant legislation.			
	• Identified Data Protection Officer			
	• Appropriate access levels in the Pension Administration system.			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Undertaking a review of controls and Safeguards separate report to Pension Board and Committee once review has been completed. 			
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going	

29 September 2022

Agenda Item: 10

REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND EMPLOYEES

PENSION BOARD WORK PROGRAMME

Purpose of the Report

1. To consider the Pension Board's work programme.

Information

2. The work programme, attached as an Appendix to this report, will assist the management of the Pension Board's agenda, the scheduling of the Board's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Board meeting. Any member of the Board is able to suggest items for possible inclusion.
3. The attached work programme incorporates those items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. It is also anticipated that the Board may wish to commission periodic reports on specific issues. The Board is therefore requested to identify any additional activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason for Recommendation

6. To assist the Pension Board in preparing its work programme.

Statutory and Policy Implications

7. 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.

RECOMMENDATION

- 1) That the Nottinghamshire Pension Board considers whether any amendments are required to the Work Programme.

Marjorie Toward
Service Director, Customers, Governance & Employees

For any enquiries about this report please contact:

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Constitutional Comments (KK - Standing)

8. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (RK - Standing)

9. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

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

PENSION BOARD - WORK PROGRAMME 2022

REPORT TITLE	BRIEF SUMMARY OF AGENDA ITEM	LEAD OFFICER	REPORT AUTHOR
15 December 2022			
LGPS Update Report	Regular Update on national LGPS issues		The Advisor to the Pension Board
Cipfa Benchmarking	Report on the funds CIPFA Benchmarking	Jonathan Clewes	Jonathan Clewes
Cyber Security	Review of the Pension Fund Cyber security to meet the Pension Regulator requirements	Jon Clewes	
Good Governance in the LGPS project – Implications for the Nottinghamshire Pension Fund	Report on the implications of the national Scheme Advisory Board/MHCLG project on LGPS governance in the context of the Nottinghamshire Pension Fund	Good Governance in the LGPS project – Implications for the Nottinghamshire Pension Fund	Report on the implications of the national Scheme Advisory Board/MHCLG project on LGPS governance in the context of the Nottinghamshire Pension Fund
16 March 2023			
Pension Fund Investment Strategy Statement	Update to the Pension Board in respect of the development of the Pension Fund Investment Strategy Statement	Keith Palframan	
The Pensions Regulator Single Modular Code	Report on new national pensions governance and administration Code of Practice	Jon Clewes	The Pensions Regulator Single Modular Code
To Be Placed			
Pension Fund –Update on Internal Audit reviews	To update the Pension Board on work relating to the Pension Fund undertaken by Internal Audit		

