

# **Nottinghamshire Pension Fund Committee**

**Thursday, 18 July 2019 at 10:30**

**County Hall, West Bridgford, Nottingham, NG2 7QP**

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## **AGENDA**

1	Minutes of the last meeting 6 June 2019	3 - 6
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	Prudential AVC Lifestyle Strategy Update	7 - 14
5	Guaranteed Minimum Pension Reconciliation Exercise with HMRC - Update Report	15 - 30
6	Pension Administration Performance Report	31 - 38
7	Transforming Pension Administration	39 - 44
8	Proxy Voting	45 - 46
9	Local Authority Pension Fund Forum Business Meeting	47 - 50
10	MHCLG Consultation	51 - 56
11	Work Programme	57 - 62

**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 Peter Barker (Tel. 0115 977 4416) 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 PENSIONS FUND COMMITTEE

Date Thursday 6 June 2019 at 10.30 am

### **membership**

Persons absent are marked with 'A'

### **COUNCILLORS**

Eric Kerry (Chairman)  
Stephen Garner (Vice Chairman)

Reg Adair  
Chris Barnfather  
David Martin  
Sheila Place

A - Mike Pringle  
Francis Purdue-Horan  
Parry Tsimbiridis

### **Nottingham City Council**

A - Councillor Graham Chapman  
Councillor Anne Peach  
A - Councillor Sam Webster

### **Nottinghamshire Local Authorities' Association**

Representatives to be confirmed.

### **Trades Unions**

Mr A Woodward  
Mr C King

### **Scheduled Bodies**

Mrs Sue Reader

### **Pensioners**

Mr T Needham  
Vacancy

### **Independent Adviser**

William Bourne

## **Officers in Attendance**

Pete Barker	(Chief Executive's Department)
Jon Clewes	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Nigel Stevenson	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)

## **1. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN**

### **RESOLVED 2019/027**

That the appointment of Councillor Eric Kerry as Chairman and Councillor Stephen Garner as Vice-Chairman of the Nottinghamshire Pensions Fund Committee for the 2019-20 municipal year be noted.

## **2. COMMITTEE MEMBERSHIP**

### **Resolved 2019/028**

That for the municipal year 2019/20 the membership of the Committee as stated below be noted:

#### **Nottinghamshire County Council**

Councillors Eric Kerry, Stephen Garner, Reg Adair, Chris Barnfather, Sheila Place, Mike Pringle, Francis Purdue-Horan, Helen-Ann Smith and Parry Tsimbiridis.

#### **Nottingham City Council**

Councillors Graham Chapman, Anne Peach and Sam Webster.

#### **Nottinghamshire Local Authorities' Association**

Confirmation of the two representatives from the Nottinghamshire Local Authorities' Association was outstanding at the time of the meeting.

#### **Trades Unions**

Mr Chris King and Mr Andy Woodward.

#### **Scheduled Bodies**

Mrs Sue Reader – Nottingham Trent University

#### **Pensioners' Representatives**

Mr Terry Needham  
Vacancy

The holder of the position of Independent Adviser is not a member of the Committee.

### **3. MINUTES**

The minutes of the last meeting held on 9 May 2019, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

### **4. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Pringle, Councillor Chapman and Councillor Webster.

Councillor Martin replaced Councillor Smith for this meeting only.

### **5. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS**

None.

### **6. PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) – LOCAL AUTHORITY CONFERENCE 2019**

Mr Stevenson introduced the report and on a motion by the Chairman, duly seconded it was:

#### **RESOLVED 2019/029**

That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to pension administration and investments.

### **7. WORK PROGRAMME**

Mrs Rabbitts introduced the report and on a motion by the chairman, duly seconded it was:

#### **RESOLVED 2019/030**

1) That the following amendments be made to the Work Programme:

- The report entitled 'LAPF Strategic Investment Forum' be deferred from the meeting on 18 July to the meeting on 12 September.
- A report on the AVC Review be brought to the meeting on 18 July.
- An update report on the GMP be brought to the meeting on 18 July.
- A report on the retendering for the position of Independent Adviser be brought to the meeting on 18 July.

2) That consideration be given to reinstating a two day property tour combined with a meeting of the Committee.

### **8. FUND VALUATION AND PERFORMANCE**

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:-

#### **RESOLVED 2018/031**

Page 5 of 68

That no further actions are required as a result of the contents of the report.

## **9. EXCLUSION OF THE PUBLIC**

### **RESOLVED: 2019/032**

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

And that Mr William Bourne, the Independent Adviser, be permitted to stay in the meeting during consideration of the exempt items.

### **EXEMPT INFORMATION ITEMS**

## **10. FUND VALUATION AND PERFORMANCE**

Mrs Rabbitts introduced the report and on a motion by the chairman, duly seconded it was:

### **RESOLVED 2019/033**

That no further actions are required as a direct result of the contents of the report.

## **11. REPORT OF THE INDEPENDENT ADVISER**

Mr Bourne gave an update on issues that affect the pensions investments of Nottinghamshire. On a motion by the chairman, duly seconded it was:

### **RESOLVED: 2019/034**

That no further actions are required as a direct result of the contents of the report.

## **12. FUND MANAGERS' REPORTS**

On a motion by the chairman, duly seconded it was:

### **RESOLVED: 2019/035**

- 1) That no further actions are required as a direct result of the contents of the fund managers' reports received from Aberdeen Standard Investments, Kames Capital and Legal & General Investment Management.
- 2) That a working Party be convened to review the performance of Schroders Investment Management.

The meeting concluded at 1.14pm

**18 July 2019****Agenda Item: 4****REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND  
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – PRUDENTIAL AVC LIFESTYLE  
STRATEGY UPDATE****Purpose of the Report**

1. The purpose of the report is to inform Nottinghamshire Pension Fund Committee of a review that has been undertaken by Barnett Waddingham, the scheme actuary, relating to changes being undertaken by the Prudential, one of the Pension Scheme's Additional Voluntary Contribution (AVC) providers.
2. The report provides a summary and high level background of the current position, the new options, and advice to the fund on the approach to be undertaken by the Fund.

**Information  
Background**

3. Earlier in 2018 the Prudential, one of the funds AVC providers, informed the fund of a number of changes to its lifestyle investment strategies which 88 members of the fund have some investments through the AVC provision.
4. As part of its restructure and refinement project, the Prudential has taken the decision to close a number of old lifestyle strategies (lifestyles) that it has been operating. The fund currently has members invested in three of the lifestyles which are closing and a replacement lifestyle will need to be selected from the new options. The impacted legacy lifestyles which members are invested in are known as:
  - Optimiser 6
  - Optimiser 8
  - Optimiser 10
5. Prudential plans to conduct this change later this year, and has requested that the fund makes a decision regarding the lifestyles to which its members invested in the three closing lifestyles to be switched.

6. Prudential have stated that they will not be switching members' With-Profits investments. Members in this fund will see their savings stay where they are to protect bonuses they have already built up. They can move their savings to one of the new lifestyles if they want to, but it will be important for them to consider carefully any change they make.
7. There will be no change for members who have chosen to self-select their own funds and their funds will continue to be managed as they are now. They will be able to continue to switch funds as they do now. There are no additional charges for investment switching and members can switch as often as they want including members who invest in the Prudential Deposit Fund.

## **The Report**

8. As this was a change to the plan's investment strategy, we sought advice from Barnett Waddingham and their recommendation was to adopt the new lifestyle strategies with the strategy that targets cash at retirement as the default. Prudential will therefore switch impacted members into the Prudential Dynamic Growth IV Lifestyle targeting 100% cash. Members can also self-select any of the further three new lifestyle strategies Prudential are introducing or move their investment to any of the individual funds available.
9. Prudential will be responsible for the communication of these changes to members and will also make the wider AVC membership, i.e. those invested in self-select funds rather than lifestyle, aware of the changes.
10. The recommendation by Barnett Waddingham has been communicated to the Prudential and they are currently planning in the communication to the members of the fund who hold an AVC.
11. A copy of the Lifestyle options is attached at Appendix 1
12. The timetable that the Prudential has put in place for the changes is as follows:-
  - Changes made to the fund choice and fund guide updated – 8<sup>th</sup> July 2019
  - Mailing to members – 22 July 2019
  - Actual switch date – 16 September 2019

## **Statutory and Policy Implications**

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

## **Financial Implications**

14. There are no financial implications to the pension fund as the changes being implemented relate to individual choice of those scheme members that hold an AVC in the investments identified within the report.



## RECOMMENDATIONS

It is recommended that the Committee:

- 1) Acknowledge that a review has been undertaken, with recommendations, and that the changes recommended will be communicated to the members affected by the Prudential.
- 2) Acknowledge that appropriate information will be made available by the Prudential for members to make any choices they need to make.

**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](mailto:Jon.Clewes@nottscc.gov.uk)

### **Constitutional Comments (KK 04/07/2019)**

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

### **Financial Comments (KP04/07/2019)**

As noted in the report there are no financial implications to the pension fund in the proposed changes to the AVC options available. The cost of the Barnett Waddingham review of £2,000 will be charged to the pension fund.

### **Background Papers and Published Documents**

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

- None

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

- All



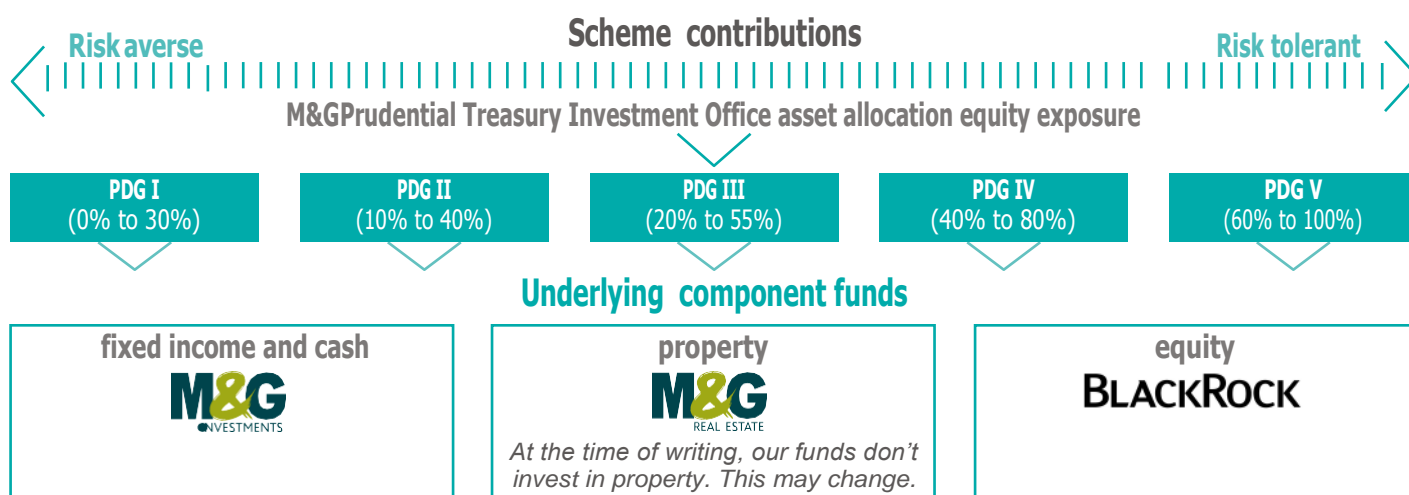
## Prudential Dynamic Growth Lifestyles

- What each of the four options is designed to do
- The funds in each lifestyle option and when members move between each fund as they get close to retirement age
- The funds' investment objectives and risk ratings

- Our lifestyle options invest in a range of multi-asset funds called Prudential Dynamic Growth Funds – or PDGs for short
  - They are a collection of five multi-asset funds:
    - Prudential Dynamic Growth I
    - Prudential Dynamic Growth II
    - Prudential Dynamic Growth III
    - Prudential Dynamic Growth IV
    - Prudential Dynamic Growth V
  - Each fund has its own mix of asset classes, such as equities, property, fixed income and cash. PDG I has the lowest allocation to equities. PDG V has the highest allocation to equities
  - Contributions are invested across a number of different assets to help protect investments from feeling the full effects of a fall in value of one type of asset
- These multi-asset funds are managed by our in-house investment experts, M&G Prudential Treasury Investment Office\*
  - M&G Prudential Treasury Investment Office constantly monitors different markets and economies, actively managing the funds with the aim of maximising returns
  - The funds can invest in equities, fixed income, cash and property. They currently use underlying component funds managed by BlackRock and M&G. The list of funds is not definitive. Other funds and asset classes can be added, and we may not always invest with some of the fund managers or in some of the funds. M&G Prudential Treasury Investment Office can change the allocation in each of the PDG funds to protect the value of customers' pension pots
- The graphic below shows how it all links up together.
- \* This team was formally known as Prudential Portfolio

The graphic below shows how it all links up together.

\* This team was formally known as Prudential Portfolio Management Group Limited (PPMG).



## A glimpse at Prudential Dynamic Growth Lifestyles

A lifestyle is a way of investing. At the start, money is invested for long-term growth with the aim of increasing the value of members’ pension savings. Our lifestyle options use a mix of four component funds. The funds members invest in depends on which lifestyle option they select.

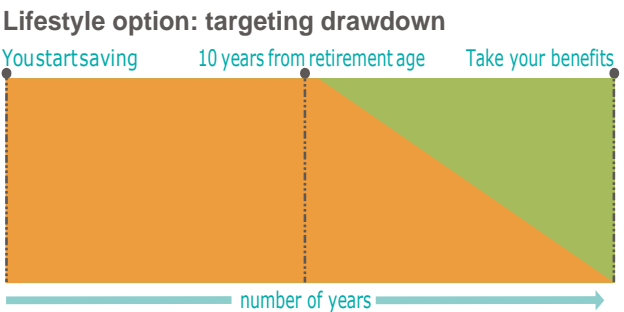
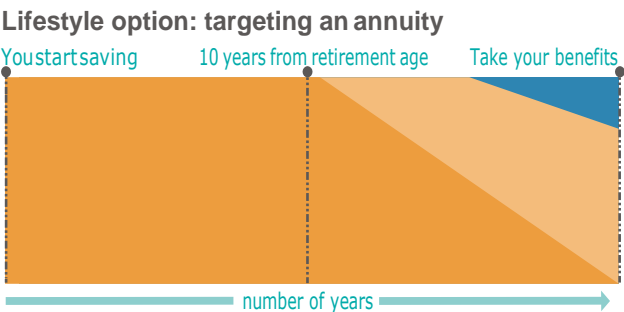
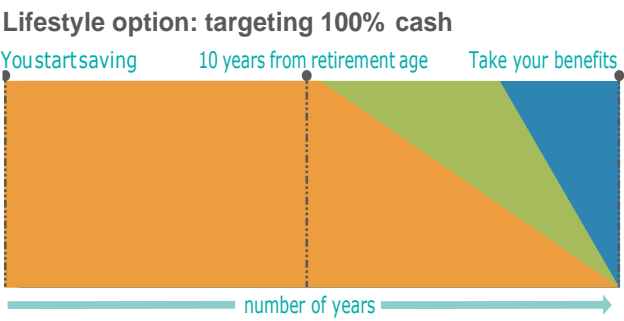
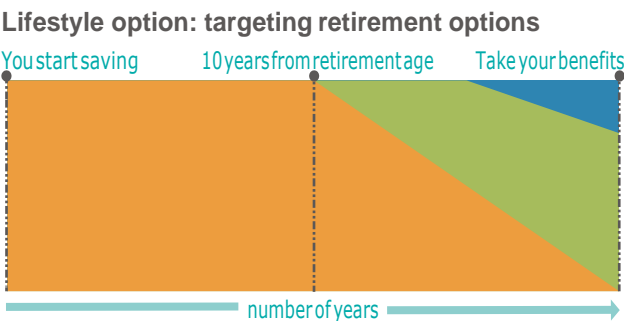
And as members get close to retirement age, how much they invest in each fund is adjusted to help align the funds’ investment risk with how they propose to use their savings.

We’ve four Prudential Dynamic Growth Lifestyle options. Each is designed to reflect what members are likely to do with their savings. There are three for members who know how they’re going to use their pension savings, and one is for members who have yet to decide.

1	Prudential Dynamic Growth IV Lifestyle targeting <b>retirement options</b>	This lifestyle option is designed for customers who aren’t yet sure how they’re going to use their pension savings.
2	Prudential Dynamic Growth IV Lifestyle targeting <b>an annuity</b>	These lifestyle options are designed for customers who know how they’re going to use their pension savings.
3	Prudential Dynamic Growth IV Lifestyle targeting <b>100% cash</b>	
4	Prudential Dynamic Growth IV Lifestyle targeting <b>drawdown</b>	

## A picture of how a lifestyle option works

The charts below show the funds in each lifestyle option and when members move between them as they get close to their retirement age.



Prudential Dynamic Growth IV Fund  
Prudential Dynamic Growth II Fund

Prudential Long Term Bond Fund  
Prudential Cash Fund

## The new funds may have a different aim

All investment funds have an aim. The aim, or objective, tells you what the fund manager is trying to do when managing the fund. Here are the investment objectives, and the risk ratings, of the funds in our four lifestyle options.

Component fund	Lifestyle option targeting	Number of years to retirement age	Our risk rating	Investment objective
<b>Prudential Dynamic Growth IV</b>	<ul style="list-style-type: none"> <li>retirement options</li> <li>an annuity</li> <li>100% cash</li> <li>drawdown</li> </ul>	more than 10 years	<b>medium</b>	<p>The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis.</p> <p>The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.</p>
<b>Prudential Dynamic Growth II</b>	<ul style="list-style-type: none"> <li>retirement options</li> <li>100% cash</li> <li>drawdown</li> </ul>	less than 10 years	<b>lower to medium</b>	<p>The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis.</p> <p>The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.</p>
<b>Prudential Long Term Bond</b>	<ul style="list-style-type: none"> <li>an annuity</li> </ul>	less than 10 years	<b>medium</b>	<p>The investment strategy of the fund is to purchase units in the M&amp;G PP Long Term Bond Fund.</p> <p>That fund invests, via other M&amp;G PP funds, in long-dated bonds split equally between UK Government gilts and corporate bonds. It is a 'fund of funds' with the gilts component passively managed. The actively managed corporate bonds are mainly high quality sterling issues, but may include limited amounts of high yield and hedged non-sterling bonds.</p> <p>The split between government and corporate bonds may be reviewed from time to time.</p> <p>Performance objective: to match the performance of the benchmark as closely as possible.</p>
<b>Prudential Cash</b>	<ul style="list-style-type: none"> <li>retirement options</li> <li>an annuity</li> <li>100% cash</li> </ul>	less than five years	<b>minimal</b>	<p>The investment strategy of the fund is to purchase units in the M&amp;G PP Cash Fund.</p> <p>That fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and certificates of deposit.</p> <p>It is actively managed against its benchmark, the London Interbank LIBID 7 day deposit rate.</p> <p>Performance objective: to outperform the benchmark before charges on a rolling three year basis.</p>

## Our investment risk ratings explained

<b>higher</b>	These are specialist equity funds that focus on set geographical regions or a particular type of share – shares of smaller companies or those that conform to certain criteria.
<b>medium to higher</b>	These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus (such as ethical). The equity funds in this category will have greater overseas exposure and underlying volatility than the medium sector.
<b>medium</b>	These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK gilts) are also in this category.
<b>lower to medium</b>	These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds – and other comparable strategies.
<b>lower</b>	These funds may invest in assets, combinations of assets or defensive strategies, where the chances of values falling and rising are likely to lie between those of funds investing in money market instruments and funds investing solely in corporate bonds.
<b>minimal</b>	These funds may invest in a combination of deposits, money market instruments and other interest bearing securities.

*The information in this leaflet was correct when the leaflet was written.*

18 July 2019

Agenda Item: 5

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

### **LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM PENSION RECONCILIATION EXERCISE WITH HMRC – UPDATE REPORT**

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

1. The purpose of the report is to update Nottinghamshire Pension Fund Committee on the progress of the guaranteed minimum pension (GMP) reconciliation exercise with HM Revenue and Customs (HMRC).
2. The report also seeks approval for additional resources to undertake the next stage of the GMP Project, leading to the rectification of records and the communication of the outcome of the rectification of pension benefits to actual pensioners.

#### **Information**

##### **Background**

3. The reconciliation exercise is a national requirement initiated by HMRC which is impacting on all Public and Private Sector Pension Funds who were contracted out of additional state pension.
4. Up until April 2016 contributing members of the Local Government Pension Scheme (LGPS) paid lower rate National Insurance contributions as they were “contracted out” of the Additional State Pension which has previously been known as S2P, the state second pension or the State Earnings-Related Pension (SERPS). LGPS employers also paid reduced rate National Insurance contributions in respect of their employees who were in the LGPS. Contracting out ended from 6 April 2016 as part of the Government’s introduction of a single-tier basic state pension.
5. Between 1978 and 1997 contracting out of the Additional State Pension was undertaken on a Guaranteed Minimum Pension (GMP) basis. This required contracted out pension schemes to offer pension benefits for the period of contracting out that were worth at least as much as the benefits the additional state pension would have provided. Contracted out pension schemes had to record the relevant contracted out earnings for that period and supply HMRC with details

of these. HMRC retained a record of contracted out earnings and GMP entitlement for each individual and then advised pension schemes of GMP entitlements when the individuals reach state pension age.

6. There are complex regulations regarding annual inflationary increases to the GMP element of an individual's pension and the dates at which it becomes payable to the scheme member. The Government decided that with effect from 6 April 2016 contracting-out would be abolished, coinciding with the introduction of the new single tier pension, and as a result HMRC are providing a one off service to enable schemes to reconcile the GMP figures they hold with those held by HMRC through a bulk process which ceased in December 2018. However due to delays in the National Project, HMRC have extended their project time lines to November 2019.
7. It is important to reconcile the GMP element recorded on the pension fund administration system with that held on the HMRC system, to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount, and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future valuation.
8. HMRC made data available to all pension schemes from February 2017 for reconciling GMP information for active members.

## The Reconciliation Process

9. Following approval by Nottinghamshire Pension Fund Committee on 8 March 2018 the fund has been engaged in the national reconciliation exercise with support from Civica, the fund software provider. The additional resources of a temporary project manager were also agreed to support the project team in the first and second phases of a complicated process of reconciling a total of 165,713 records within the fund.
10. The process has required the comparison of selected fund data with that held by HMRC. It has required the investigation of discrepancies between the two sets of data to come to an agreed record, reconciled with HMRC records.
11. In order to progress, the project was split into a number of distinct phases: the discovery phase, the delivery phase, and the completion phase.

	Stages of Activities	Activity Description	Project Status	Project Dates
Part 1 – identification and confirmation of liabilities with HMRC	<b>Discovery Phase</b> Stage 1	Initial comparison of fund data with HMRC file and an early indication of the potential size of the reconciliation issues	Complete	October 2017
	Stage 2	In Depth Analysis of results from Stage 1		- January 2018
	<b>Delivery Phase</b> Stage 3 Stage 4	Queries issued to HMRC	Complete	



	Stage 5 Stage 6  Stage 7	HMRC query returns analysed and distributed into specific categories Individual investigation In-depth analysis and bulk resolution Further individual investigation		May 2018 - November 2018
	<b>Completion Phase</b> Stage 8  Stage 9	Case Conclusion-Receipt of final file from HMRC Concluded cases uploaded into the pensions administration system	The File from HMRC is now due November. An interim file based on responses so far from HMRC due to be received from CIVICA June 2019.	November 2019
Part 2	<b>Calculation Phase</b> – Over payments – Under payments	System and individual calculation to be undertaken using reconciled GMP liability amounts to determine overpayments and underpayments	Final File not due from HMRC until November so another load will be required at that time	June 2019 – Nov 2019
Part 3	<b>Communication Phase</b>	Dependent on the outcome of the data from HMRC. A communication strategy will need to be developed to ensure that communication is clear to individual pensioners affected by the reconciliation exercise, and where a pension in payment needs to be adjusted, to enable them to understand the potential impact of any adjustment		Estimated Nov 2019 – March 2020
Part 4	<b>Rectification and Communication</b>	Pensioner payroll records to be adjusted to reflect correct payments determined in the Calculation Phase, and communicated to members		Estimated April 2020 - Onwards

12. The discovery phase provided some headline figures and identified the potential size of the reconciliation issues. This early analysis produced high level results based on data within the Civica pension administration system and data provided by HMRC.

13. Following a more in-depth analysis of the data involving the analysis of the fund's data quality with the outputs being:

- Identification of false mismatches – reducing the number of queries to be raised with HMRC to save time and money
  - Identification of discrepancies which should be queried with HMRC
  - Identification of discrepancies where all necessary data is readily available to facilitate a query with HMRC.
14. The project has followed onto the delivery phase following the identification of the discrepancies, and has been broken down into five areas of work. The completion of the delivery phase will provide the pension fund with data reconciled with HMRC that will identify the Fund's liabilities.
15. The areas of work that have been undertaken by Civica on behalf of the fund following project management methodology are as follows:
- Pension Fund Data issued to HMRC
  - HMRC returned data broken down into specific categories
  - Individual investigations of certain data
  - Undertook in-depth analysis and bulk resolution of some data
  - Individual investigation of certain data types.
16. On conclusion of the above methodology a file was submitted to HMRC on 30 October 2018 and a number of individual cases were also submitted in line with the published HMRC deadlines.
17. The total number of records submitted to HMRC is 52,072. As part of this process 1738 individual investigations have taken place requiring in depth analysis of individual pension records.
18. The first set of matching data was due to be received back from HMRC and loaded onto the pension's administration system at the end of February. However HMRC have now reviewed their project time line and the fund does not expect a completed file from HMRC until November 2019.

### **Additional Work with HMRC**

19. Committee will remember that in the last update report a further aspect of the project has been added by HMRC, in that HMRC are now expecting funds to reconcile their financial records relating to CEP payments. A CEP payment (contributions equivalent payment) is a payment to HMRC where a member of a scheme who had a refund of contributions on ceasing to be a member, this requires the pension fund to make a payment that restores a member of an occupational pension scheme into the state second pension (S2P).
20. HMRC are expecting funds to review their records of payment, and if in deficit or surplus then the appropriate adjustment will be made, either the fund will be required to pay up any deficit, or HMRC will return overpaid funds. Therefore work is required on reconciling historic financial data with HMRC records. In November 2018 HMRC issued the fund with an initial notification of a deficit of up to £750,000, calculated over a 30 year + timescale.

21. As previously reported to committee the administration team challenged this initial figure by writing to HMRC seeking clarification, and HMRC have responded by agreeing that there were discrepancies in their data and issued the fund with a new data file on the 10 April 2019, this identified that the deficit had reduced to £331,553.59.
22. Although this is a substantial reduction from the initial notification the Administration Team still has concerns over the validity of the data, particularly as we have identified a payment of around £190,000.00 which has been made to HMRC but which has not been credited against our Fund.
23. The Administration Team have continued to challenge this updated figure with the help of Civica due to further incorrect data issued by HMRC. The fund is currently awaiting a further updated reconciliation file in order to continue to check HMRC records against the fund records.

### **Review of Resources Requirements**

24. The work undertaken with Civica in Part 1 of the Project has enabled the fund to agree a position with HMRC relating to the fund's GMP liabilities against the pension records of the fund. This has been achieved using a blended approach by using Pension Administration Resources in the form of a Temporary Project Manager, and supplementing pension administration resources with Civica resources. This phase of the project has been brought in within the budget at a cost of £310,000, along with the cost of the Project Manager at a salary cost of £35,228. These additional resources have enabled the pension administration team to continue with day to day activities. At the Committee Meeting on 7 March 2019 Committee agreed to the extension of the Project Manager in order that the Administration Team could continue with the project in line with HMRC time lines up until September 2020.
25. However, as with all automation there will be exceptions, which may be due to other data issues or more complicated scenarios where an automated process is not possible or appropriate. It is with this position that the fund will need further support to complete this stage of the Project.

### **Solution**

26. For Part 2 of the project It is proposed to seek further support for the calculation and rectification stage from Civica, and the proposal would be as follows:
- a. An in-depth analysis of the Phase 2 output
  - b. Analysis of exceptions/anomalies
  - c. Accurate pricing and scope for the rectification
  - d. Support the project plan and timescales
  - e. Regular reviews of progress
  - f. Documentation of the activities and results
  - g. Cost benefit analysis.

### **Rectification**

27. The scope of this stage of the project will be determined once the Phase 2 module output analysis stage has been completed. Services which will be on offer will include but not be limited to the below. The services utilised will be decided by the Fund.

- Manual Calculations for ongoing GMP values
- Calculation of over and under payments
- Payroll reconciliation
- Communications
- Ongoing consultancy
- Attendance from an appropriate Civica representative at audit meeting

## Project Governance

28. A plan of work covering this level of complexity requires dedicated project management resource, whose duties will include but will not be limited to:

- Initial planning and resourcing
- Agreement and documentation of project-specific roles and responsibilities
- Communication with NCCPF of timescales and resource requirements
- Walk through of the agreed plan with key stakeholders
- GDPR compliance
- Prioritise work based on the risk to the Fund
- Regular MI updates
- Management of resources to co-ordinate and manage the impact of change, ensuring that timescales are met
- Progress reporting, issue management and escalation
- Attendance from an appropriate

## Costs

29. Until the Phase 2 data has been processed, it is not possible to accurately specify the required level of effort to complete the work for this stage of the project, it is therefore proposed a time and material approach should be used.

30. It is estimated that 20 days effort will be sufficient resource to complete the analysis required.

Type	Effort (Days)	Total
Output Analysis	20	£25,900
Rectification	100	£129,500
<b>Total</b>	<b>120</b>	<b>£155,400</b>

31. It is estimated that the effort required could range significantly depending on numerous factors, including decisions from the fund. However it has been estimated that 100 days' effort will provide sufficient resources to complete the rectification activities required.

32. As previously stated whilst it is hoped that the pension administration system will calculate a high proportion of pension benefits, it is highly likely there will be a requirement for manual calculations, therefore the additional support will be required to undertake the manual calculation work, and therefore the fund seeks to commission Civica to undertake some of this work as outlined above.

### **Other Options Considered**

33. Information from other LGPS Pension Funds across the country is that a number have engaged external providers to manage the project in totality at significantly greater costs, some are relying on internal resources with larger internal project teams.
34. The process and approach that the fund has followed has enabled the reconciliation of data to be completed in a much quicker time, and has kept the fund on schedule. It is only the change by HMRC in their time frame due to their ability to respond to funds that has caused the delay in the project.

### **Reasons for Recommendations**

35. In order to complete the project it will be important to continue to engage the support of Civica to assist in the rectification process, in terms of supporting the process of calculating the benefits for members following changes to their GMP, which cannot be catered for in the bulk calculation resolution.
36. Given information from other funds in line with their projects, resources have been used to communicate, and in certain instances meet with members of the scheme who have been affected, mainly by significant overpayments to their pensions which will need to be handled with sensitivity.
37. In addition work still needs to be ongoing in reconciling payroll data with pension records.
38. In order to complete the project it will be necessary to engage the support of Civica for Stage 2 of the project.
39. The work also supports the requirements of the Pension Regulator to reconcile and ensure that pension records are accurate and up to date, as the Pension Regulator will be asking funds to report on the accuracy of the fund data part of the Annual Scheme return.

### **Statutory and Policy Implications**

40. 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**

41. 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 HMRC and Civica, the software provider. However, a data impact assessment has been completed for the project overall to reflect the aspects of the data sharing, and updating of data, along with ensuring the mitigation of risks arising from the project activity itself.

## **Financial Implications**

42. The cost of the reconciliation stage was £309,833 and was completed to time and within the set budget of £310,000.

43. As stated in the body of the report It is difficult to estimate the support costs for the rectification stage where the fund will require support from Civica as we do not have the final file from HMRC which will enable the fund to understand how much work will be required to be undertaken.

44. Therefore it is proposed to undertake the output analysis using 20 days of effort at a cost of £25,900.

45. As stated in the body of the report it is estimated that the rectification stage will cost approximately £129,500 however this will only be confirmed following the completion of the output analysis.

46. Other costs will relate to the number of overpayments and underpayments identified following the calculation of benefits in payment, as stated in the body of the report given what is known about the data so far has been estimated at approximately £3 million.

47. Additionally there is now the financial reconciliation activity with HMRC which may require a deficit payment to HMRC. As previously stated the project has been able to reduce the deficit from £750,000 to £331,000 with the support of Civica to potentially reduce this amount even further.

48. The additional recommended resources costs for the next stage of the project will be charged to the Fund.

## **RECOMMENDATIONS**

It is recommended that the Committee:

- 1) Consider the progress of the GMP reconciliation project to date and agree to receive an update report.
- 2) Agree to allocate an additional £155,000 to pay for the next phase of the project.

**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@nottsc.gov.uk](mailto:Jon.Clewes@nottsc.gov.uk)

### **Constitutional Comments (KK 04/07/2019)**

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

### **Financial Comments (KP 04/07/2019)**

50. As set out in the report the costs to date are £309k, with possible additional costs of £30k for the initial work and up to a further £130k for rectification. These costs are a valid charge to the pension fund.

### **Background Papers and Published Documents**

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

- None

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

- All





**Compulsory bodies**

<b>Employer / work base</b>	<b>Administration area</b>	<b>Date of entry</b>	<b>Academy proprietor</b>
Two Counties Trust	Ashfield	01.04.2018	Not applicable
St Swithuns C of E Primary Academy	Bassetlaw	01.04.2018	Diocese of Southwell & Nottingham Multi Academy Trust
Gilthill Primary School	Broxtowe	01.04.2018	East Midlands Education Trust
Kimberley Primary School	Broxtowe	01.04.2018	East Midlands Education Trust
Archway Learning Trust	Nottingham	01.04.2018	Not applicable
Diverse Academies Trust	Nottinghamshire	01.04.2018	Not applicable
Robert Mellors Primary School	Gedling	01.05.2018	Redhill Academy Trust
Awsorth Primary School	Broxtowe	01.06.2018	East Midlands Education Trust
Parkdale Primary School	Gedling	01.07.2018	Transform Trust
Alderman Pounder Infants School	Broxtowe	01.09.2018	Flying High Trust
Python Hill Primary	Newark	01.09.2018	Forge Trust
Djanogly Learning Trust	Nottingham	01.09.2018	Not applicable
Our Lady of Lourdes Catholic Multi Academy Trust	Nottinghamshire	01.09.2018	Not applicable
Suther School	Newark	01.09.2018	Nova Education Trust
Larkfields Infant School	Broxtowe	01.11.2018	East Midlands Education Trust
Ellis Guilford School	Nottingham	01.11.2018	Creative Education Trust
Oak Tree Primary School	Mansfield	01.12.2018	Aspire Multi Academy Trust
Ernehale Infant School	Gedling	01.12.2018	Flying High Trust
Minster Trust for Education	Newark	01.12.2018	Not applicable
Hollywell Primary School	Broxtowe	01.03.2019	East Midlands Education Trust
Pending applications;			
Bilborough College	Nottingham	To be confirmed	Better Futures Multi-Academy Trust
Bleasby CE Primary School	Newark	To be confirmed	Minster Trust for Education
Brookside Primary School	Rushcliffe	To be confirmed	Equals Trust
Edwinstowe C of E Primary School	Newark	To be confirmed	To be confirmed
Everton Primary School	Bassetlaw	To be confirmed	To be confirmed
Farnsfield St Michael's C of E Primary	Newark	To be confirmed	Minster Trust for Education

## APPENDIX 1

Gamston CE Primary School	Bassetlaw	To be confirmed	Diocese of Southwell & Nottingham Multi Academy Trust
Haggonfields Primary & Nursery School	Bassetlaw	To be confirmed	To be confirmed
Halam C of E Primary School	Newark	To be confirmed	To be confirmed
Hillocks Primary School	Ashfield	To be confirmed	To be confirmed
Holy Trinity Infants School	Newark	To be confirmed	Minster Trust for Education
Langold Dyscarr Community School	Bassetlaw	To be confirmed	Shine Multi Academy Trust
Larkfields Junior School	Broxtowe	To be confirmed	East Midlands Education Trust
Lowes Wong Infants School	Newark	To be confirmed	Minster Trust for Education
Mattersey Primary School	Bassetlaw	To be confirmed	To be confirmed
Rampton Primary School	Newark	To be confirmed	To be confirmed
Richard Bonington Primary	Gedling	To be confirmed	Equals Trust

### **Consolidated academies**

The following establishments existed as separate entities for pension purposes but have been consolidated into a centralised Academy Trust record during 2018-19;

<b>Employer body</b>	<b>Administration area</b>	<b>Academy Trust</b>
Bluecoat Academy	Nottingham	Archway Learning Trust
Nottingham Emmanuel School	Nottingham	Archway Learning Trust
Bluecoat Beechdale Academy	Nottingham	Archway Learning Trust
Bracken Lane Primary Academy	Ashfield	Diverse Academies Trust
East Leake Academy	Rushcliffe	Diverse Academies Trust
Holgate Academy	Ashfield	Diverse Academies Trust
Queen Elizabeth's Academy	Mansfield	Diverse Academies Trust
Redgate Primary Academy	Mansfield	Diverse Academies Trust
Retford Oaks Academy	Bassetlaw	Diverse Academies Trust
Samuel Barlow Primary Academy	Newark	Diverse Academies Trust
Thrumpton Primary Academy	Bassetlaw	Diverse Academies Trust
Tuxford Academy	Bassetlaw	Diverse Academies Trust
Tuxford Primary Academy	Bassetlaw	Diverse Academies Trust
Wainwright Primary Academy	Mansfield	Diverse Academies Trust
Yeoman Park Academy	Mansfield	Diverse Academies Trust
Djanogly Northgate Academy	Nottingham	Djanogly Learning Trust

Djanogly Strelley Academy	Nottingham	Djanogly Learning Trust
Springfield Academy	Nottingham	Djanogly Learning Trust

**Designating bodies**

<b>Employer body</b>	<b>Administration area</b>	<b>Date of entry</b>
Rampton Parish Council	Bassetlaw	01.04.2018

**Transferee admission bodies**

<b>Applicant</b>	<b>Scheme employer</b>
Nottingham City Homes (Telecare)	Service contract with Nottingham City Council
Royal Society for the Protection of Birds	Service contract with Nottinghamshire County Council
Pedal Express Limited	Service contract with Culture, Learning and Libraries (Midlands)
OCS Group UK Ltd (Project co 1)	Service contract with Nottingham City Council
OCS Group UK Ltd (Project co 2)	Service contract with Nottingham City Council



Nottinghamshire Administration Costs compared to the average cost per member within the CIPFA Benchmarking Club						
Process	2013	2014	2015	2016	2017	2018
Total Net Cost (£'000)	£1,549	£1,585	£2,027	£1,475	£1,972	£1,952
Total membership (Nos)	112,443	116,815	127,221	131,923	138,625	143,606
Cost per member	£13.78	£13.57	£15.93	£11.18	£14.23	£13.59
Average cost per member in the cipfa benchmarking club	£19.74	£19.52	£18.73	£18.69	£20.14	£17.59



4 <sup>th</sup> Quarter 2018/19 01.01.2019 to 31.03.2019 Fund Key Performance Indicators compared to performance of the Cipfa benchmark Key Performance Indicators						
Process	Fund KPI	% of cases completed within the fund KPI	No. cases completed	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI	No. cases completed
<b>Deaths</b> – Initial letter acknowledging death of member	5 days	33.72	86	2 months	97.73	88
<b>Deaths</b> – letter notifying amount of dependants pension	10 days	75.86	87	2 months	88.35	103
<b>Retirements</b> –letter notifying estimate of retirement benefits	15 days	73.68	19	2 months	94.74	19
<b>Retirements</b> – process and pay pension benefits on time (next available payroll) –	30 days	77.55	579	2 months	91.45	468
<b>Deferment Retirement Quote Letter</b>	2 Months	99.26	544	2 Months	99.26	544
<b>Deferment</b> – calculate and notify deferred benefits	2 months	55.87	1636	2 months	55.87	1636
<b>Transfers in/out</b> – letter detailing transfer quote	1 month	78.16	87	2 months	76.64	137
<b>Refund</b> – Process and pay a refund following election	2 months **	96.09	179	2 months	96.09	179
<b>Divorce quote</b> – letter detailing cash equivalent value and other benefits	2 months **	98.61	72	2 months	98.61	72
<b>Divorce Settlement</b> – Letter detailing implementation of pension sharing order	2 months **	14.29	7	2 Months	14.29	7

\*\* Not yet developed a fund KPI for these activities

**18 July 2019****Agenda Item: 6****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND  
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION  
PERFORMANCE REPORT****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Fund Committee of the performance of the Administration Team, and provide details of the key performance indicators that have been developed and updated by Cipfa.

**Information****Background**

2. One of the of the main areas of focus across the Local Government Pension Scheme has been the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association has highlighted this matter.
3. The Pension Regulator has continued to raise concerns across the LGPS funds relating to data quality and the need for improvement. To help manage the improvement of data, Pensions Administration has been using the Pension Administration Strategy to try and drive compliance with scheme employers. Over the last financial year the Administration Team have also been undertaking data improvement activities to improve data quality for the fund valuation which is being undertaken currently.
4. The Fund will be reporting to the Pension Regulator in the Annual Scheme Return in August/ September the position of the fund relating to its common and conditional data.
5. To meet the requirements set out by the regulator the fund reported in 2017-2018:

Common Data	59%	Accuracy
Conditional Data	60%	Accuracy

6. A data improvement plan is in place to improve the data within the Administration System in order to be able to report in more detail to the Pensions Regulator once an agreed reporting format has been implemented by the Scheme Advisory Board in conjunction with the regulator for the 2019/20 scheme return. The LGPS funds are still awaiting what the reporting requirements will be.
7. 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.
8. The Administration Strategy was designed to provide a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data.
9. Data is important to the Administering Authority for a number of reasons, the main ones 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 – fewer queries
  - f. Reduce Internal Dispute Resolution Procedure cases
  - g. Avoid the Pensions Regulator
  - h. Maintains the scheme's reputation
10. 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.
11. The fund monitors its performance through a suite of SLA reports, which are based on the agreed SLAs within the Administration Strategy.
12. In addition this year CIPFA set up a working party which has developed a process whereby scheme administration data can be captured on a consistent basis and shared between funds, and therefore the Administration Team are able to report on a number of quarter 4 figures with a view to collecting a full set of data for 2019/20 financial year.

### **Pension Fund Membership Statistics**

13. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the fund under certain categories. These figures are used to populate the fund's annual report, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report.
14. The following table details the membership of the Fund against each category, and sets a context to the size of the fund.



<b>Pension Fund Members as at 31 March</b>	<b>2017-2018</b>	<b>2018-2019</b>
Active Members	44,436	46,350
Deferred - Staff	46,448	47,365
Pensioners	35,245	37,157
Frozen Refunds	8,275	8,118
Leavers in progress	9,202	7,070
<b>Total Membership</b>	<b>143,606</b>	<b>146,060</b>

**Frozen Refunds** – are where members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the payment of refund of benefits to be processed. The total net refund value is £1,598,266.56

15. 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.

<b>LGPS Employers</b>	<b>31.03.2018</b>	<b>Number Admitted</b>	<b>Changes +/-</b>	<b>Number Leaving</b>	<b>31.03.2019</b>
<b>Scheduled 1</b>					
Local Authorities	9	-	-	-	9
Academies	192	22	-	18	196
Others- Active	16	-	-	-	16
Others- Defunct	24	-	18	-	42
	241				263
<b>Scheduled 2</b>					
Town and Parish Councils	31	1	+1	-	33
Others - Active	10	-	-	1	9
Others - Defunct	12	-	+1	-	13
<b>Total Scheduled</b>	<b>294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>318</b>
<b>Admitted</b>					
Admission	57	5	-1	2	59
Others - Active	23	-	-	1	2
- Defunct	83	-	3	-	86
<b>Total Admitted</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167</b>
<b>Total</b>	<b>457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>485</b>

16. From April 2018 to March 2019, the number of active scheme employers has increased, with the continued growth and change of academies adding to the complexity of the scheme by increasing the employer bodies. The fund received 28 applications from employers who met the criteria for admission into the fund; the table above 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.

17. The number of scheme employers is continuing to increase as schools convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing

scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.

18. In order to try to reduce the number of employer bodies the fund continues to work with a number of Academy Trusts to support the merger of single academies within Multi Academy Trusts into one single employer, to try and reduce the complexity of scheme data, however this takes time and resource in supporting the changes.

19. A list of new scheme employers 2018-2019 is attached in Appendix 1. This list is split into compulsory bodies, designating bodies, and transfer admitted bodies. The employers have been listed against their administration area. As you will see, the vast majority of new employers relate to schools, with a number of applications still to be completed.

### **Year End and Scheme Valuation Employer Activities**

20. The Employer Support and Compliance Team continues to work with employers to improve the submission of pension data to the fund, and this is significantly important in 2019 being the valuation year.

21. There is a statutory requirement for participating scheme employers to provide timely and accurate data and in particular to provide accurate year-end data. For the year 2017-2018, participating employers in the scheme were required to provide accurate year-end data by 2 May 2018 following the processing of the year-end returns, annual benefit statements were issued to active and deferred members of the scheme by 31 August 2018. However this year the fund extended the submission date to 13 May 2019 to provide more time, to try and support the employers.

22. The following table provides information on employer submissions of year-end data over the last five year-ends.

<b>Year End</b>	<b>Number of submissions received by submission date</b>	<b>Accurate submissions received by submission date</b>	<b>Submission date</b>	<b>Number of Employer returns expected</b>	<b>Percentage of expected returns received by the deadline</b>	<b>Percentages of Accurate returns by the deadline</b>
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%

As at 1 July 2019 the fund has now received 341 submissions. There is still work being undertaken to balance and rectify the data submitted.

23. The Employer Support and Compliance Team has continued to support employers and to simplify the way data is requested, this has been achieved by reviewing communications and improving the content of the year-end briefings. The briefing delivered in March 2019 again

targeted new and existing employers to ensure that they understood their responsibilities for year-end but also in respect of the valuation process.

24. 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**

25. Performance statistics are attached at Appendix 2. The Table represents the 4th quarter of 2018/19 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. The Committee will see that performance against the legal requirement averages around 90% compliance. In addition Cipfa are recommending that this comparison data is used in the Fund Annual Report, in future years. This specification is in the new guidance for LGPS Administration Authorities 2019 edition. The Administration Team are currently working on these reports to be able to provide a full set over the coming financial year.
26. It can also be reported from information extracted from the administration system, in the financial year 2017/18, the Pension Administration Team completed 7617 processes across the year. For the year 2018/19 the Administration Team increased the number of processes to 10,688 which is an increase of 40%.
27. The main increase has been due to work being undertaken on deferred member benefits where the administration team has completed 4403 processes. This has been a focus for the team due to the need to have data updated for the valuation, and resources have been focused on this area of work.
28. Since the changes in legislation in May 2018, there has been a significant increase in requests from deferred pension members over 55 years of age to seek payment of their pension benefits. The Administration Team have completed 1026 processes, the majority of these coming in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of the year. It is expected that this will increase again following the issuing of Annual Benefit Statements in July and August 2019.
29. In terms of the performance targets meeting the SLA in 2018/19, these are shown in Appendix 2 the average performance against the fund KPI was 70% against 90% meeting the Cipfa benchmark, this must be set against an increase in the number of Scheme Employers and Members within the last year. Some of these activities have also been impacted due to statutory changes in government actuary factors, which meant that certain activities were put "on hold" whilst the Pension Administration system was updated with the new factors. This suspension meant a backlog built up which needed to be cleared following updates to the pension administration system.
30. The member death process is the most difficult statistic to gather and measure, and the team is currently reviewing how this process is monitored. The difficulty is the date and timing of when the Pension Administration Team are informed of the death, against when the team receive the appropriate documentation. Where the relevant information is provided Death in Service grants are paid within 5 days to the next of kin.
31. Included in the report is the cost per member, which is based on the Cipfa benchmarking club. It has not been possible to include the 2019 figure, as the data has not yet been collated at the

time of writing the report. However in terms of a trend you will see that on average against the average cost within the benchmarking club 30 + LGPS members the cost per member for Nottinghamshire Pension Fund is on average £5.35 below the benchmark over 6 years of data.

### **Other Options Considered**

- 32. Work will continue on the development of the SLA reports to provide a full range of benchmarking data over the coming financial year.
- 33. Further development of the Cipfa benchmarking reports in line with the guidance produced by Cipfa in the 2019 edition preparing the annual report.

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

- 34. This report has been compiled to inform the Nottinghamshire Pension Fund Committee 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**

- 35. 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**

- 36. The administration of the Nottinghamshire Pension Fund Administration is being delivered within existing resources at £1.952m 2017/18.

### **RECOMMENDATION**

It is recommended:

That the Nottinghamshire Pension Fund Committee 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 0115 977 3434 or [jon.clewes@nottscg.gov.uk](mailto:jon.clewes@nottscg.gov.uk)

**Constitutional Comments (KK 04/07/2019)**

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

#### **Financial Comments (KP 04/07/2019)**

38. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £1.952m at 2017/18.

#### **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 SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND  
EMPLOYEES****LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION  
ADMINISTRATION****Purpose of the Report**

1. To seek approval from members on the development of a programme of work to transform pension administration through digital development and implementation of new ways of working.

**Information****Background**

2. Nottinghamshire County Council is the Administering Authority for the Nottinghamshire Local Government Pension Fund. In its capacity as Administering Authority the Council provides a pension administration service to 146,060 members (active, deferred and pensioners, figures as at 31 March 2019) and 341 active scheme employers. There has been a substantial increase in the number of scheme employers from 260 in 2014-2015 to 341 in 2018-2019, which is a 31% increase.
3. The LPGS is under greater scrutiny through the enhanced role given to the Pension Regulator which requires Funds to demonstrate that compliance has been achieved across a wide range of activities on an ongoing basis.
4. The LGPS has become increasingly complex due to the frequent changes in legislation, regulation and best practice guidance. A significant number of members of the scheme have service which covers several LGPS regulations - the pre and post 2008 final salary scheme and the post 2014 career average scheme which brings a level of complexity to their pension calculations.
5. A key requirement to pension administration is good quality data, without it the administrators are unable to process requests from scheme employers or members. Nottinghamshire Pension Fund collects and holds large amounts of data and is reliant on the timely receipt of quality data from employers to administer the pension fund and pay the correct benefits to members when they become due. Continual issues with poor quality and missing data provided by scheme employers can impact funds in several ways including reputational risk

and fines from the Pension Regulator, valuation risks, which affect members and impact on administration.

## **Digital Transformation**

6. The County Council has been reviewing its approach to digital transformation. We live in a digital age. Customers expect to be able to interact with organisations online, 24/7 and self-serve. The Council has drafted its Digital Strategy for 2019 -2021 and outlined a cross council programme “Improving Customer Experiences through Digital Development”. This programme of work will build on digital good practice in Nottinghamshire and elsewhere and ensure that work is undertaken, and new developments are consistently applied across the Council to improve efficiency, maximise value for money and improve the customer experience for all.
7. The Pension Regulator has stipulated that it expects Pension Funds to enable scheme employers and members to interact with the Fund via digital platforms.
8. To align with the Council’s draft digital strategy and to address the Pension Regulator’s requirement for digital interaction, the Pension Administration Service has taken the opportunity to review and reflect on its own digital journey and look at what other LGPS administration services are doing to improve their administration service.
9. As part of its digital journey the Pension Administration Service has already launched a redesigned website, providing members and scheme employers with a wealth of information and access to a significant number of forms for members to use in their interaction with the Fund.
10. Work has progressed on improving data held by the Fund, following approval of the data improvement plan by Pension Committee in April 2018. The GMP Reconciliation project will also contribute to the data improvement work as the final stages of this project are completed.
11. Another project is already underway in configuring a scheme employers’ portal which will provide a “digital front door” for scheme employers to interact with the pension administration service. This is due to be piloted with a large scheme employer during the summer.
12. Work has also been undertaken to look at what other LGPS administration services are doing. A number have already developed or are in the process of developing a “digital first” programme which will enable them to interact on a digital platform with scheme employers and members, introduce new ways of working which will improve efficiency, maximise value for money and improve the customer experience for both scheme employers and members.

## **Benefits to be delivered from transforming the delivery of pension administration**

13. The use of technology would be maximised, in particular new functionality which has recently become available within the Civica UPM pension administration system, such as process automation, system validation, self-service portals and monthly returns from scheme employers. This would mean high percentages of work being completed in a “batch approach” taking minutes to process rather than individual cases being processed. Data improvement and a much more efficient use of skilled administrators would result.



14. The advantages of implementing secure self-service portals for both scheme employers and members is that they would be able to do more for themselves online which would result in the removal of paper processes and double keying of data leading to increased efficiency and ultimately reduced cost to the Fund.
15. The benefits for members is that they would be able to self-serve by accessing online services including personal information, viewing annual benefit statements, applying to access estimates and their benefits and other services to enable them to manage their pension.
16. Through improved data quality and increased automation, it would enable the Nottinghamshire Pension Fund administration service to move towards “administration by exception” and transform the pension administration service offering. Ensuring the right people are doing the right tasks at the right time. Making optimal use of resource enabling our skilled administrators to concentrate on dealing with complex issues, whilst the automation takes care of the every day tasks where possible.
17. This programme will support the Fund to meet increasing regulatory compliance requirements and standards on reporting, for example the Pension Regulator requirement for Funds to improve the quality of their data quality and the Regulator’s expectation that Funds enable scheme employers and members to interact with the Fund via digital platforms.
18. It is now recommended that all aspects of the Pension Administration digital journey are pulled together under one overarching programme - “Transforming Pension Administration through Digital Development”. This programme will provide a focus to align synergies between existing and new projects to be commissioned, ensuring that the interdependencies are understood, and benefits exploited through the use of digital tools to maximise automation, remove manual and duplicative steps, and also align with benefits from the wider corporate programme where possible.
19. This programme will ensure that the Nottinghamshire Pension Fund Administration Service can operate as a leading-edge administration service through improving the customer experience, ensuring regulatory compliance whilst delivering an efficient and cost-effective service.

## **Next Steps**

20. It is proposed that a programme is scoped for consideration by Nottinghamshire Pensions Committee at a subsequent meeting. This would include details of resources that would be required to deliver a phased programme of transformation and digital development and also indicate savings that would be realised through the delivery of the programme.

## **Other Options Considered**

21. The Pension Administration Service could continue to operate as it currently does but this is not considered a viable option given both the increasing legislative demands and increasing number of scheme employers, members and their expectations in this digital age.

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

22. With increasing number of scheme employers and members; as well as increasing compliance requirements the service would need to look at increasing the number of skilled administrators within the team. A digital programme would enable all stakeholders of the services to benefit from interacting with the administration team via digital services, as well as meeting the Pension Regulator expectation for stakeholders to interact with the Fund via digital platforms.

## **Statutory and Policy Implications**

23. 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**

24. An overall high-level Data Privacy Impact Assessment will be completed for the programme and kept under regular review. The potential data protection impacts of specific developments will be considered and reviewed on an ongoing basis as the work of the programme progresses.

## **Financial Implications**

25. At this point it is not possible to quantify the level of any potential savings which could be delivered or the potential costs of the programme. This level of detail would be included within a further report to Pensions Committee detailing the scope of the digital programme.

## **Human Resources Implications**

26. It is not possible to identify the potential implications for employees in any great detail at this stage. These could include changes to the work undertaken by our skilled administrators and new more flexible ways of working.

## **RECOMMENDATION/S**

It is recommended that members

- 1) Consider the report and agree to the scoping and development of a programme of work to transform pension administration through digital development and new ways of working.
- 2) Agree to receive a further report in September.

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

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

Sarah Stevenson, Group Manager, Business Services Centre on 0115 9775740 or [sarah.stevenson@nottsc.gov.uk](mailto:sarah.stevenson@nottsc.gov.uk)

**Constitutional Comments (KK 09/07/2019)**

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

**Financial Comments (RWK 08/07/2019)**

28. The report proposes the scoping and development of a project initiation document proposing a programme of transforming pension administration through digital development and new ways of working. This programme of work will incur a number of costs and result in potential savings which will be detailed in a future report to Committee. Any costs incurred and savings arising will accrue to the Pension Fund.

**HR Comments (JP 08/07/2019)**

29. Any potential changes in working practices as a result of the digital development programme will be introduced in line with the appropriate policies and procedures.

**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 SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****PROXY VOTING****Purpose of the Report**

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the first quarter of 2019 (calendar year) as part of this ongoing commitment.

**Information**

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, highlights the responsibilities that institutional investors have with regard to the 'long-term success of companies in such a way that the ultimate providers of capital [in this case, the Nottinghamshire Pension Fund] also prosper'. These responsibilities include, among other things, having a clear policy on voting and on the disclosure of voting activity. The *Code* states that investors "should not automatically support the board".
3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Statement of Investment Principles and report periodically on the discharge of such responsibilities. The Fund's statement on responsible investment states that 'the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds'.
4. The Fund retains responsibility for voting directly held shares (rather than delegating to its investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Voting is implemented by Pensions Investment Research Consultants (PIRC). PIRC issue Shareholder Voting Guidelines each year and these are the basis of the voting implemented on behalf of the Fund.
5. As part of its pooling commitment, in 2018 the Fund transferred its in-house portfolio into a passive equities fund managed by Legal & General (LGIM). Consequently, the Fund's passive equities allocation will be voted according to the LGIM policy, which is similar to PIRC's.
6. In a similar way, the Fund's investments in its pool, LGPS Central, will be covered by the pool's voting policy.

7. An overview of the PIRC voting activity and analysis of the key issues during the quarters will be published on the Fund website:

<http://www.nottspf.org.uk/about-the-fund/investments>)

and with the meeting papers on the Council Diary:

<http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>).

## **Statutory and Policy Implications**

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

## **RECOMMENDATION/S**

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

**Report Author:**  
**Ciaran Guilfoyle**  
**Investments Officer**

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

### **Constitutional Comments (KK 24/06/2019)**

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

### **Financial Comments (TMR 24/06/2019)**

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

## **Background Papers and Published Documents**

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

- PIRC – Nottinghamshire CC Pension Fund, Proxy Voting Review, 1 January 2019 to 31 March 2019
- Financial Reporting Council, *The UK Stewardship Code*, September 2012

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT****LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING****Purpose of the Report**

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meeting held in Leeds on 17 April 2019.

**Information and Advice**

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. In 2018 membership was also extended to cover pension fund pools. LAPFF membership currently stands at 80 funds and 6 pools (shown at Appendix A) with combined assets of over £250 billion. It is consequently able to exert significant influence over companies in which funds are invested.
3. LAPFF exists 'to assist Administering Authorities discharge their statutory responsibilities and promote the long-term investment interests of UK local authority pension funds. In particular, it seeks to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they hold an interest, commensurate with statutory regulations'. It also:
  - a. provides a forum for information exchange and discussion about investment issues.
  - b. facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual Forum members could achieve.
  - c. provides a forum for consultation on shareholder initiatives.
  - d. provides a forum to consider issues of common interest to all pension fund boards, committees and their supporting administrative staff, as well as to other interested parties from national, local and regional governments.
4. The business meeting was attended on behalf of Nottinghamshire Pension Fund by an officer representative.
5. It was reported that the lobbying work that PIRC has done regarding the Financial Reporting Council now has an ending, with the FRC to be replaced by a properly accountable public body. Over the last 9 years PIRC has always maintained that accounting standards (promoted by the FRC) should not be allowed to trump the 'true and fair view' required by the Companies

Acts, and that straying from the 'true and fair view' results in dividends exceeding prudent limits. This in turn can lead to the financial collapse of a company.

6. At the meeting an update on LAPFF's engagement work to March 2019 was provided. A copy of the latest engagement report is available as a background paper. For information, all LAPFF engagement reports can be found here:

<http://www.lapfforum.org/publications/qrtly-engagement-reports/>

7. The meeting concluded with a seminar on 'Just Transition', looking at various ways that the transition to a more sustainable economy be managed so that communities, employees, etc don't lose out. For instance, a repeat of the problems caused by UK coal-mine decommissioning in the 1980s is to be avoided.

## **Statutory and Policy Implications**

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

## **RECOMMENDATION/S**

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

**Report Author:**  
**Ciaran Guilfoyle**  
**Investments Officer**

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

### **Constitutional Comments (KK 24/06/2019)**

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

### **Financial Comments (TMR 08/07/2019)**

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

## **Background Papers**

- LAPFF constitution
- LAPFF Quarterly Engagement Report January to March 2019



## Membership of LAPFF as at October 2018

### Funds

- 1) Avon Pension Fund
- 2) Barking and Dagenham LB
- 3) Barnet LB
- 4) Bedfordshire Pension Fund
- 5) Cambridgeshire Pension Fund
- 6) Camden LB
- 7) Cardiff and Vale of Glamorgan Pension Fund
- 8) Cheshire Pension Fund
- 9) City of London Corporation
- 10) Clwyd Pension Fund
- 11) Cornwall Pension Fund
- 12) Croydon LB
- 13) Cumbria Pension Scheme
- 14) Derbyshire CC
- 15) Devon CC
- 16) Dorset County Pension Fund
- 17) Dyfed Pension Fund
- 18) Ealing LB
- 19) East Riding of Yorkshire Council
- 20) East Sussex Pension Fund
- 21) Enfield LB
- 22) Falkirk Council
- 23) Gloucestershire Pension Fund
- 24) Greater Gwent Fund
- 25) Greater Manchester Pension Fund
- 26) Greenwich Pension Fund RB
- 27) Gwynedd Pension Fund
- 28) Hackney LB
- 29) Hammersmith & Fulham LB
- 30) Haringey LB
- 31) Harrow LB
- 32) Hertfordshire County Council Pension Fund
- 33) Hounslow LB
- 34) Islington LB
- 35) Kingston Upon Thames RB
- 36) Lambeth LB
- 37) Lancashire County Pension Fund
- 38) Leicestershire CC
- 39) Lewisham LB
- 40) Lincolnshire CC
- 41) London Pension Fund Authority
- 42) Lothian Pension Fund
- 43) Merseyside Pension Fund
- 44) Merton LB
- 45) Newham LB
- 46) Norfolk Pension Fund
- 47) North East Scotland Pension Fund
- 48) North Yorkshire CC Pension Fund
- 49) Northamptonshire CC

- 50) Northern Ireland Local Government Officers Superannuation Committee
- 51) Northumberland Pension Fund
- 52) Nottinghamshire CC
- 53) Oxfordshire CC
- 54) Powys County Council Pension Fund
- 55) Redbridge LB
- 56) Rhondda Cynon Taf
- 57) Sheffield City Region Combined Authority
- 58) Shropshire County Council
- 59) Somerset CC
- 60) South Yorkshire Pensions Authority
- 61) Southwark LB
- 62) Staffordshire Pension Fund
- 63) Strathclyde Pension Fund
- 64) Suffolk County Council Pension Fund
- 65) Surrey CC
- 66) Sutton LB
- 67) Teesside Pension Fund
- 68) The City and County of Swansea Pension Fund
- 69) The Environment Agency Pension Fund
- 70) Tower Hamlets LB
- 71) Tyne and Wear Pension Fund
- 72) Waltham Forest LB
- 73) Wandsworth LB
- 74) Warwickshire Pension Fund
- 75) West Midlands ITA Pension Fund
- 76) West Midlands Pension Fund
- 77) West Yorkshire Pension Fund
- 78) Westminster City Council
- 79) Wiltshire CC
- 80) Worcestershire CC

### Pools

- 1) Border to Coast Pension Partnership
- 2) Brunel
- 3) LGPS Central
- 4) London CIV
- 5) Northern Pool
- 6) Wales Pension Partnership

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT****MHCLG CONSULTATION****Purpose of the Report**

1. To approve the response to the MHCLG consultation on valuation cycles and exit payments and credits.

**Information**

2. The MHCLG has made policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covers the following areas:
  - Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle
  - A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles
  - Proposals for flexibility on exit payments
  - Proposals for further policy changes to exit credits
  - Proposals for policy changes to employers required to offer LGPS membership
3. Officers plan to submit a response on behalf of Nottinghamshire Pension Fund.
4. The draft response is attached in Appendix 1.
5. The consultation closes on 31<sup>st</sup> July.

**Statutory and Policy Implications**

6. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and

where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

That the submission of the attached response on behalf of Nottinghamshire Pension Fund be approved.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure and Improvement**

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

Tamsin Rabbitts, Senior Accountant – Pensions and Treasury Management

### **Constitutional Comments (KK 08/07/19)**

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

### **Financial Comments (TMR 08/07/19)**

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.

This matter is being dealt with by:  
**Tamsin Rabbitts**  
 Reference: 041018LGPSC  
 T 0115 977 3427  
 E [tamsin.rabbitts@nottscc.gov.uk](mailto:tamsin.rabbitts@nottscc.gov.uk)  
 W nottinghamshire.gov.uk



LGF Reform and Pensions Team  
 Ministry of Housing, Communities and Local  
 Government  
 2nd Floor, Fry Building  
 2 Marsham Street  
 London  
 SW1P 4DF

Dear Sirs,

21 July 2019

RE: Policy proposals to amend the rules of the LGPS - open consultation

Dear Sirs,

**Local Government Pension Scheme – changes to the local valuation cycle and management of employer risk**

The Nottinghamshire County Council Pension Fund have comments on the consultation on the proposed amendments as follows:

**1 Changes to the Local Government Pension Scheme (LGPS) valuation cycle**

**Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?**

Given the LGPS scheme valuation has moved there are some advantages to moving the LGPS fund valuations too.

**Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?**

We are concerned that moving to a longer cycle could create bigger changes to employer contributions at valuation. This is of concern to all employers who already struggle with the timescales to set their budgets before the following year's contribution rate has been confirmed. The recent step changes in other (unfunded) public schemes highlight this risk.

The impact on GAD should be considered as this concentrates the resource requirement and may add to timescales.

Given the recent scrutiny we and employers within our scheme have received from auditors this year additional guidance as to the requirements for this disclosure would be required, potentially with a change in accounting rules to reflect this (which could still give a standardised approach, but would not require undeliverable requirements for the number to be not materially misstated under the current rules). Any situation where a valuation may be required to satisfy the auditors materiality limits needs to be avoided.

Page 53 of 68

**Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?**

Again, this seems reasonable under the circumstances

**Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?**

Yes, given concerns over increasing to four years, five years seems too much, so 3, then 2, then 4 yearly thereafter is a reasonable compromise.

**2 Dealing with changes in circumstances between valuations**

**Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?**

Yes, under certain circumstances, but these would need to be rare or this would increase costs. Having additional flexibility to review contribution rates for individual employers could be beneficial.

**Question 6 - Do you agree with the safeguards proposed?**

Yes, these seem reasonable.

**Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?**

These proposed changes need more clarity. It could be argued that the situation where liabilities have increased is a more important time to reassess contribution rates.

**Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?**

We believe this would be challenging and guidance would be helpful.

**Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?**

—

**3 Flexibility on exit payments**

**Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?**

Yes, there are many situations where this makes sense. As this is to be a permissive model that gives administering authorities flexibility to use their judgement and local knowledge in balancing the competing interests involved, administering authorities can decide whether and in what way this flexibility should be used.

**Question 11 – Do you agree with the introduction of deferred employer status into LGPS?**

Yes, this makes so much sense in many circumstances. However the requirement for the agreement of the fund is crucial as there will be some circumstances where this is not appropriate.

**Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?**

This all sounds reasonable. It should be recognised that putting all these arrangements into place will take some time with scant resource. It would be helpful if some example draft documents could be made available to form the basis of these agreements.

**Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?**

This seems reasonable.

**Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?**

Yes,

**Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?**

—

**4 Exit credits under the LGPS Regulations 2013**

**Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?**

Yes, changes should be made to prevent service providers receiving exit credits where others have taken the risk. Also we agree that timescales of 1 month are too tight.

**Question 17 – Are there other factors that should be taken into account in considering a solution?**

—

**5 Employers required to offer LGPS membership**

**Question 18 – Do you agree with our proposed approach?**

Yes

**6 Public sector equality duty**

**Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?**

No

Yours faithfully,

Nottinghamshire County Council Pension Fund





**REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE  
AND EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To consider the Committee's work programme for 2019/20.

**Information**

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

**Other Options Considered**

5. None.

**Reason/s for Recommendation/s**

6. To assist the committee 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, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

## **RECOMMENDATION/S**

- 1) That the Committee considers whether any amendments are required to the Work Programme.

**Marjorie Toward**  
**Customers, Governance and Employees**

**For any enquiries about this report please contact: Pete Barker, x74416**

## **Constitutional Comments (HD)**

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

## **Financial Comments (NS)**

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**

None.

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

All

## PENSION FUND COMMITTEE – WORK PROGRAMME

<b>Report Title</b>	<b>Brief summary of agenda item</b>	<b>Report Author</b>
<b>12 September 2019</b>		
Fund Valuation & Performance – Qtr 2	Summary of quarterly performance	Tamsin Rabbitts
LAPF Strategic Investment Forum	Report from LAPF Strategic Investment Forum	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers
<b>3 October 2019</b>		
Annual General Meeting		
Administration Update		Jon Clewes
<b>14 November 2019</b>		
Administration Performance	6 Months Update	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 3 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i> <a href="#">Page 59 of 68</a>	<i>Keith Palframan</i>

<b>12 December 2019</b>		
Fund Valuation & Performance – Qtr2	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers
<b>13 February 2020</b>		
Governance Conference	Update Report	Jon Clewes
Admission Body Status Update	Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)	Andy Durrant
Fund Strategies	Review of Fund Strategies	Tamsin Rabbitts
LAPFF Conference	Report from the LAPFF conference	Keith Palframan
Proxy Voting	Summary of voting activity during quarter 4 2019	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
<i>LGPS Scheme Advisory Board Update</i>	<i>6 monthly report updating members on the work of the SAB if anything of note</i>  <a href="#">Page 60 of 68</a>	<i>Jon Clewes/Ciaran Guilfoyle</i>

<b>12 March 2020</b>		
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers
<b>11 June 2020</b>		
Administration Performance	12 Months Update	Jon Clewes
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers
<b>9 July 2020</b>		
Pension Administration Annual Performance & Strategy Review	Report detailing the Administering Authority and Scheme Employers performance against the Admin Strategy including any data breaches	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 1 of 2020	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i> <a href="#">Page 61 of 68</a>	<i>Keith Palframan</i>



**REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT****PENSION FUND INDEPENDENT ADVISER****Purpose of the Report**

1. To provide information on the procurement of an independent adviser to the Pension Fund Committee and to seek approval to the proposed contract specification, the proposed selection process and to delegate selection of the Member panel to evaluate the tenders to the Chair and Vice-Chair of Pension Fund Committee.

**Background**

2. The current contract for the Independent Adviser ends in October 2019. The contract was originally let in October 2015 for 3 years and was extended in 2018, as permitted by the original contract, for a further year. The contract has been novated from the original provider company, but the actual advice has been provided by William Bourne for the duration of the contract.

**Information**

3. The LGPS Pension Regulations 2016 set out that Administering Authorities must take “proper advice” in the formulation of the Investment Strategy Statement and the taking of investment decisions. “Proper Advice” is defined as the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters. For Nottinghamshire Pension Fund this requirement has been met by letting a contract to receive advice from an Independent Adviser employed to support both officers and the Pension Fund Committee.
4. The current contract was let as a 3-year contract with the option of a 1-year extension. It is proposed that the new contract is let as 3 years plus a possible 2-year extension. This will ensure consistency of advice but allow for a change, if deemed appropriate, after the initial 3 years.
5. Support will be provided by Corporate Procurement throughout the tender process. In order to ensure a new contract is signed by October 2019, the procurement process will need to start at the end of July 2019.

6. It is proposed that evaluation of tenders will take place against the draft specification set out in Appendix A. A scoring matrix will be prepared assessing the tenders against the requirements, and it is envisaged that shortlisted advisers will be invited to interview to further establish their suitability against the requirements of the fund.
7. Final evaluation will be based on an assessment of quality and price. It is proposed that the evaluation is split 70% quality and 30% price to ensure the fund receives the best possible advice going forward to assist with investment decisions. This is consistent with the weighting applied at the last tender. It is proposed that the assessment and interview panel will consist of 3 Members and 2 Officers.

### **Other Options Considered**

8. None. Independent advice is essential to ensure Pension Fund Committee receives appropriate advice when making key decisions.

### **Statutory and Policy Implications**

9. 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**

10. The cost of the current contract is circa £30k p.a. The proposed 3-year contract with possible extension by 2 years will mean a total cost around £150k. The cost of the adviser will be charged to the pension fund.

## **RECOMMENDATION/S**

It is recommended that Members:

- 1) Approve the proposed specification and procurement process set out in the report.
- 2) Delegate the selection of the 3 Members of the selection panel to the Chair and Vice-Chair of the Pension Fund Committee.

**Keith Palframan**

Group Manager – Financial Services

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



### **Constitutional Comments (KK 5/7/19)**

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

### **Financial Comments (KRP 5/7/19)**

12. As noted in the report the estimated cost of the independent adviser is £30k p.a. This cost is a valid charge to the pension fund.

### **Background Papers and Published Documents**

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

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

- All



## **1. Background**

Nottinghamshire County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The LGPS is a statutory scheme administered by individual pension funds. The benefits within the scheme are determined by regulation and are guaranteed by statute. The pension fund exists to help defray the cost of paying the pension benefits. Members make contributions to the Fund as specified in the regulations and employers make contributions as determined by the Fund's actuary as part of the triennial valuation of the Fund. All new employees are brought into the scheme automatically, unless a positive election not to participate is received from the employee.

The Authority administers the pension fund for over 330 participating employers and over 47,000 contributing members. The employers include the County Council, the City Council, District Councils and organisations which used to be part of local government (such as Nottingham Trent University, Colleges, Police civilian staff and Academies). They also include organisations which satisfy the conditions to participate in the LGPS and have been admitted to the Fund by the Authority. In general, these organisations are non-profit making, or are undertaking a service which was, or could be, carried out by a local authority.

The operation of the Fund is set out in a number of published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the Fund are delegated to the Nottinghamshire Pension Fund Committee.

The Funding Strategy Statement sets out the aims and purpose of the Fund and details the responsibilities of the administering authority as regards funding the scheme.

The Investment Strategy Statement sets out more detailed responsibilities relating to the overall investment strategy of the Fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the Fund's approach to responsible investment and corporate governance issues.

The Risk Management Strategy and Risk Register identify the main risks to the operation of the Fund, prioritise the risks identified and detail actions required to further reduce the risks involved.

The Communications Strategy Statement details the overall strategy for involving stakeholders in the Fund. A key part of this strategy is a dedicated Fund website (available at [www.nottspf.org.uk](http://www.nottspf.org.uk)).

A separate annual report for the Fund is also produced and this, along with previous years' reports, is accessible via the pension fund website. The annual report includes

the accounts and the published policies as well as information on the investment performance and administration of the fund.

## **2. Outline of the Council's requirements**

The independent adviser shall 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

The role will involve attendance at:

- 4 investment meetings of the Pensions Fund Committee each year
  - The majority of meetings are expected to be held at County Hall with the remainder held at the offices of the principal fund managers
- 3 other meetings of the Pensions Fund Committee each year to be held at County Hall
- meetings of the Pensions Working Party as required
  - there are not expected to be more than three per year
- the annual meeting of the pension fund in Nottinghamshire
- the annual property inspection
  - to inspect a number of the fund's UK properties over 2 days
- occasional ad hoc meetings

Liaison will be required as necessary with:

- officers of the county council
- members of the Pensions Fund Committee

The Contract Questionnaire should be completed to provide details of technical capacity, experience of working with pension funds and methods of working. CVs of key personnel and references are also required.