

# minutes

Meeting NOTTINGHAMSHIRE LOCAL PENSION BOARD

Date Thursday 30 November 2023 at 10:30 am

## membership

### Employers

Councillor Reg Adair	Nottinghamshire County Council
Councillor Dr. Imran Jalil*	Nottingham City Council

### Members

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

### Also in Attendance

Councillor Dr Nayab Patel	Nottingham City Council
John Raisin – Advisor to the Board	(via video link)

### Officers in Attendance

Noel McMenamin	Democratic Services Officer
Ciaran Guilfoyle	Investments Officer
Jon Clewes	Team Manager, Pensions
Sarah Stevenson	Group Manager, Business Service Centre

\*Note: Following the meeting, it was confirmed that Councillor Jalil was the Nottingham City Council Employer Member on the Board, replacing Councillor Patel.

## 1. MINUTES

The minutes of the last meeting held on 15 June 2023 were agreed and signed by the Chairman.

## 2. APOLOGIES FOR ABSENCE

None

## 3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

#### **4. NOTTINGHAMSHIRE PENSIONS BOARD ANNUAL REVIEW 2022-23**

John Raisin, Advisor to the Board, introduced the report which reviewed the Board's activity during the period 1 April 2022 to 31 March 2023

During his introduction, Mr Raisin made the following points:

- The Board had met three times in 2022-23, which was above the minimum of 2 meetings as set out in the Board's Terms of Reference. However, despite efforts by Fund officers to fill vacancies and provide a full complement of 4 Employee and 4 Employer representatives, the Board operated below its membership capacity throughout 2022-23.
- The Board considered and commented on the Fund's Risk Register at each of its 3 meetings, in line CIPFA guidance on managing risk.
- While training responsibilities had been fulfilled, recent LGPS consultation indicated that Board member training should be more structured, with records kept of whom had and had not attended training provided.
- While investment is not a responsibility falling to the Board, investment governance does fall under its remit. William Bourne, Advisor to the Pension Committee, has provided assurance that 'the Fund has a very long-term investment horizon and even a sustained period of poor returns will not affect its ability to pay pensions'. Mr Bourne also provided briefing and support to the Board at its June 2022 meeting in respect of a report on investment policy and governance.
- The Board had received positive support, advice and guidance from Pension Fund officers, as evidenced by robust reporting and engagement with Board members. However, the lack of resources/capacity to support the Scheme was the greatest ongoing risk facing the Scheme. This was exacerbated by the increasing complexity involved in successfully operating the Scheme in terms of governance, administration and investment functions.

In the brief discussion which followed, the Chair undertook to liaise with the chair of the Pension Committee about possible joint training opportunities.

#### **RESOLVED 2023/011**

That, there being no amendments arising during debate, the Local Pensions Board Annual Review be approved for onward consideration by the Pensions Committee.

## 5. NOTTINGHAMSHIRE PENSION BOARD ADVISOR – LOCAL GOVERNMENT PENSION SCHEME UPDATE

John Raisin, Advisor to the Board, introduced the report, which provided an update on two national issues relating to the Local Government Pension Scheme (LGPS). These were the LGPS Consultation ‘Next Steps on Investments’ and Regulations to Implement the McCloud Remedy in the LGPS

- In respect of the ‘Next Steps on Investments’ consultation, which ran from 11 July to 2 October 2023, a number of very significant reforms have been proposed. The Update before the Board had been completed on 8 November 2023 in accordance with the timetable for preparing reports for this meeting. However, unexpectedly the DLUHC had issued a **Consultation Outcome** on 22 November 2023. Therefore, Mr Raisin included reference to this in his briefing to the Board;
  - The **Consultation Outcome** confirmed that the Government intended to go ahead with almost all of the proposals published in the Consultation issued in July 2023;
  - Guidance will be issued requiring LGPS Funds to transition their listed assets to their Investment Pool by March 2025 or set out detailed reasons for retaining the asset. This is in effect a ‘comply or explain’ approach. In the longer run the Government wished to reduce the number of Investment Pools, but not immediately. The Government will issue Guidance to further develop asset pooling and to enhance reporting arrangements related to pooling;
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- The consultation also put forward proposals to use up to 5% of assets to support levelling up in the UK, to invest up to 10% of assets in private equity, as well as proposing changes to the provision of investment consultancy services and a revised definition of investments. In respect of the levelling up and private equity proposals the Consultation Outcome confirmed that there would be no mandatory investment levels but rather merely the requirement for a ‘plan’ and ‘ambition’;
  - On the McCloud remedy, the Government’s response to consultation on supplementary issues and draft regulations was issued on 8 September and the Regulations came into effect just 3 weeks later on 1 October 2023. Underpin protection for those meeting the required criteria as detailed in the report only applied to the between 1 April 2014 and 31 March 2022.

During debate, Mr Raisin explained that the Government’s position on pooling and particularly private equity was nuanced rather than overly prescriptive, with Funds expected to ‘comply or explain’ in respect of pooling listed assets and to merely have an ‘ambition’ to invest 10% of assets in private equity. There had been a lukewarm response from Funds in respect of private equity investment.

In response to a member's question, it was explained that the pros and cons of the Government's proposals on investments had been debated at Pensions Committee, and that it wouldn't be appropriate for officers unqualified on investments issues to comment on the investments proposals.

## **RESOLVED 2023/012**

That the Board considered and commented on the information presented on the LGPS Scheme update.

### **6. GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION PERFORMANCE UPDATE**

Jon Clewes, Pensions Team Manager, introduced the report which provided a detailed breakdown of the work of the Pensions Administration Team for the year ending 31 March 2023.

Mr Clewes drew the Board's attention to the following points:

- The year to end March 2023 had been a challenging period, with several ongoing statutory projects running alongside the day-to-day administration of the Scheme. There had been increased activity with the cost of living crisis in 2022-23 leading to an increase in those drawing down benefits early.
- The Administration Team had put a lot of work into improving data quality, with common data accuracy at 87%, up from 59% in 2019. There were currently 295 employer members, which was a slight reduction on the previous year, largely due to consolidating academy trusts into single employers. The Scheme had a total individual membership of 155,702, incorporating active members, deferred members and pensioners. This was up from 149,515 in 2021-22. Almost 90,000 annual benefit statements had been sent out in August 2023, with a further 2,000 in November 2023.
- A two-stage internal dispute resolution procedure was in place to address complaints and issues and to minimise escalation. 2 cases were currently with the Scheme Ombudsman. There had been a number of complaints specifically involving the Prudential/Scottish Widows, with complainants alleging benefits not being paid nor information provided as a result of inaccurate data.
- The year to end March 2023 had also seen an increase in the complexity of issues around retirements, transfers and deaths in service. Anecdotal evidence suggested that this was in part as a result of residual issues from the pandemic.

During debate, a Board member confirmed that members were having issues with Prudential/Scottish Widows in respect of the administration of Additional Voluntary Contributions. Those contacting the Prudential were being

signposted to the LGPS without elaboration, resulting in complainants being passed between organisations.

### **RESOLVED 2023/013**

That the performance of the administration of the pension fund and the continued development of systems and processes that will improve the service to the members of the fund.

#### **7. LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM PENSION RECTIFICATION - UPDATE**

Jon Clewes, Pensions Team Manager, introduced the report which updated the Board the progress of the Guaranteed Minimum Pension rectification exercise following the completion of the reconciliation exercise conducted by HM Revenue and Customs.

Mr Clewes explained that a long-running reconciliation exercise had been carried out from 2017, which sought to compare the Guaranteed Minimum Pension liabilities held by the Fund with data on contracted out earnings and entitlements held by HMRC.

Following several delays, definitive scan data was received from HMRC in 2020 and a rematching exercise with LGPS-held data was then carried out. This revealed 766 pensioner records requiring adjustment. Redress for underpayments is being processed, while legal advice is not to seek recovery for overpayments totalling £5.9 million, a position endorsed by Pension Committee

The Board noted the update without substantive comment.

### **RESOLVED**

That the update on the Guaranteed Minimum Pension reconciliation project and the proposals for the rectification of the pension records as outlined in the report be noted.

#### **8. LOCAL GOVERNMENT PENSION SCHEME – UPDATE ON PROGRESS OF THE IMPACT OF THE MCCLLOUD JUDGEMENT**

Jon Clewes, Pensions Team Manager, introduced the report which updated the Board the progress of the Pension Fund McCloud Project.

Mr Clewes provided the following information:

- New legislation removing McCloud age discrimination came into force on 1 October 2023, just 3 weeks following the publication of consultation outcomes on draft regulations and supplementary McCloud issues.

- The judgement/regulations had required a great deal of work to prepare for the judgement, including receiving and validating supplementary information from employers, installing specialist software, and drawing up communications and guidance. This had taken resource away from day-to-day management of the LGPS, with marginal benefit for those affected.

During debate, it was explained that further implementation of the McCloud remedy could not be completed until further national guidance was provided. Given the slippage that had taken place, and as the McCloud project team had been established on a fixed term basis, discussions about extending the contract were taking place.

#### **RESOLVED 2023/015**

That the update on the McCloud Judgement, and progress in addressing the implications for the Fund, be noted.

#### **9. LOCAL GOVERNMENT PENSION SCHEME – REVIEW OF FUNDING STRATEGY DOCUMENTS**

Ciaran Guilfoyle, Investment Officer, introduced the report which updated the Board on the suite of Fund Strategy documentation required to be kept up to date. The Pension Fund Committee had considered and endorsed the revisions.

The Board noted the revisions and updates without debate.

#### **RESOLVED 2023/016**

That the review of the Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and Risk Management Strategy and Risk Register documents by the Nottinghamshire Pension Fund Committee be noted. update on the McCloud Judgement, and progress in addressing the implications for the Fund, be noted.

#### **10. PENSION BOARD – RISK REGISTER**

Sarah Stevenson, Group Manager, Business Service Centre, introduced the report which presented the current Nottinghamshire Pension Fund Risk Register for the Board's consideration.

Mrs Stevenson made the following points and comments:

- A review of the Risk Register involving the council's insurance providers Zurich was currently ongoing and, once completed, a revised Risk Register model would be presented to Pension Committee and Pension

Board. The current Risk Register would be reformatted to reflect the review outcomes in due course.

- 4 apprentices had been successfully recruited to help address the current capacity issues within the Pension Fund administration team. Managers had been impressed by the calibre and enthusiasm of the recruits and it was hoped that once the apprenticeships were completed it would lead to permanent appointments.
- Work was also being carried out to automate some administrative tasks, which would in turn release resource to address more complex issues.
- Cyber security remained a significant risk. Hosting Civica and UPM away from the Nottingham County Council servers represented a significant opportunity to reduce vulnerability from cyber attack.

During debate, the Board was advised that there had been a low turnout for risk training provided for Pension Committee. The Chair undertook to contact the Chair of the Pension Committee, Councillor Kerry, to suggest that similar training in future be opened up to Board members.

#### **RESOLVED 2023/017**

That the Board considered whether there were any actions required in relation to the issues in the Risk Register report.

### **11. LOCAL PENSION BOARD – TRAINING PROPOSAL**

John Raisin, Advisor to the Board, introduced the report, which proposed delivering training specifically on Pensions Accounting, Auditing and Reporting. This had last been provided prior to 2020 and so it was recommended that all Board members were invited to attend.

Mr Raisin explained that training based on the Local Pension Board's Technical Knowledge and Skills Framework and covering all 8 core areas of the Framework would be progressively delivered. Pensions Legislation and Pensions Governance training had been provided by the Advisor during June 2023.

#### **RESOLVED 2023/018**

That the training proposal for Board members as detailed in the report be endorsed.

### **12. WORK PROGRAMME**

Members considered the work programme, copies of which had been circulated.

During debate, several possible areas for future inclusion were identified, but for a variety of reasons these were unlikely to be ready for the February 2024 meeting. These included the Pension Regulator Single Modular Code, a Guaranteed Minimum Pension Rectification update and a cyber security report.

Further training, as identified at minute 11 above, also needed scheduling

**RESOLVED 2023/019**

That, subject to the inclusion of items agreed elsewhere on the agenda, the work programme be approved.

The meeting concluded at 12.10pm.

**CHAIRMAN**