Nottinghamshire County Council

Nottinghamshire Pension Fund Committee

Thursday, 27 April 2023 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

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2	Apologies for Absence	
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Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

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

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Jo Toomey (Tel. 0115 977 4506) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 2 March 2023 at 10.30 am

membership

COUNCILLORS

Eric Kerry (Chairman)
Mike Introna (Vice Chairman)

André Camilleri
John Clarke MBE - **Apologies**
Bethan Eddy
Stephen Garner
Roger Jackson
Sheila Place
Francis Purdue-Horan
Tom Smith
Lee Waters

Substitute Members present

Councillor Errol Henry JP

NON-VOTING MEMBERS:

Nottingham City Council

Councillor Graham Chapman
Councillor Sally Longford - **Apologies**
Councillor Zafran Khan - **Absent**

District / Borough Council Representatives

Councillor David Lloyd, Newark and Sherwood District Council - **Absent**
Councillor Gordon Moore, Rushcliffe Borough Council - **Apologies**

Trades Unions

Yvonne Davidson – **Apologies**
Chris King - **Apologies**

Scheduled Bodies

Sue Reader - **Apologies**

Pensioners' Representatives

Vacancy x 2

Independent Adviser

William Bourne

Officers in Attendance

Nigel Stevenson	(Chief Executive's Department)
Jon Clewes	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Ciaran Guilfoyle	(Chief Executive's Department)
Jo Toomey	(Chief Executive's Department)

1. MINUTES OF THE LAST MEETING HELD ON 8 DECEMBER 2022

The minutes of the last meeting held on 8 December 2022 were confirmed as a correct record for signing by the Chair.

2. CHANGES IN MEMBERSHIP

The Committee noted the replacement of Councillor Chris Barnfather with Councillor Roger Jackson as a member of the Committee, and of Alan Woodward with Yvonne Davidson as a Trade Union representative.

3. APOLOGIES FOR ABSENCE

- Councillor John Clarke MBE (other County Council Business) substituted by Councillor Errol Henry
- Councillor Sally Longford (Nottingham City Council)
- Councillor Gordon Moore (Rushcliffe Borough Council)
- Yvonne Davidson (Trade Union representative)
- Sue Reader (Scheduled Bodies representative)

4. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None were disclosed.

5. MCCLOUD UPDATE AND EXTENSION OF PROJECT MANAGER ROLE

The Pensions Manager presented the report which provided members with a progress update on the McCloud project. It also sought additional funding to extend the tenure of the temporary project manager.

10:42am – Councillor Garner entered the meeting

During discussions, Members:

- Explored the other activity that the project manager would be engaged in should the Committee agree to extend funding for the role
- Discussed the challenges in recruiting experienced personnel, together with opportunities for different local government pension schemes to support one another and revisions to processes and systems to mitigate recruitment challenges

RESOLVED 2023/001

1. That the progress of the project and the implications of the McCloud case to date be noted.

2. That the funding for the Temporary Project Manager role be extended until 31 March 2025.

3. That further update reports on the progression of the project and implementation of national proposals be provided to Committee.

6. STRATEGIC ASSET ALLOCATION PARTY

The Senior Accountant, Pensions and Treasury Management summarised the matters considered by the Strategic Asset Allocation Party and the presented the recommendations that it had made. In doing so, members attention was drawn to a correction to the inflation projection range shown in table 2, which should read 18-35% rather than 15-30%.

During discussions:

- Members referred to the session as a constructive discussion forum.
- One member outlined those recommendations from the working party about which they had concerns; there was also wider recognition that the working party's recommendations were produced based on consensus.
- Were given information about how Index Linked Gilts would protect the Fund from inflation.

RESOLVED 2023/002

1. That the wording of the fund's investment beliefs be amended to those shown in Appendix C.

2. That the new wording about the Fund's investment beliefs be reflected in the Investment Strategy Statement at its next review.

3. That Index Linked Gilts be included as an investment option within the inflation allocation currently met by the Aegon Sustainable Diversified Growth Fund.

4. That the current Gilts mandate be renamed Government Bonds and that consideration be given to the extension of the universe to include overseas Government Bonds.

5. That the Strategic Asset Allocation credit category subclass allocations as shown in Table 1 in the report be formalised.

7. PENSION FUND TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The Investments Officer presented the report on the Pension Fund's Treasury Management Strategy Statement for 2023/24

During discussions, Members:

- Asked questions about asset allocation and the amounts held in cash balances
- Noted that short bonds held by the Fund were coming to term, which meant that the number was reducing over time
- Requested use of performance indicators and comparator data in performance reports to assess the effectiveness of the strategy

RESOLVED 2023/003

1. That the Pension Fund Treasury Management Strategy Statement 2023/24 as set out in the report be approved

8. CONFERENCES AND TRAINING

The Senior Accountant (Pensions and Treasury Management) presented the report to the Committee which sought approval for attendance at conferences and training taking place during 2023/24.

RESOLVED 2023/004

1. That attendance at conferences and training as set out in the report be approved.

9. INDEPENDENT ADVISER'S REPORT

The Independent Advisor to the Committee presented his report and provided an update on changes that had taken place since both his last report to the Committee and the Strategic Asset Allocation working party meeting.

During discussions, Members:

- Asked about the relationship between the US economy and indicators of possible recession with the markets in Europe and the UK
- Explored the choices that were being made between quantitative easing and tightening
- Sought assurance that the Fund's asset allocation provided protection against different economic risks

RESOLVED 2023/005

That the report of the Independent Adviser to the Committee be noted.

10. WORK PROGRAMME

In considering the work programme, a question was raised about the review of the Nottinghamshire Pension Fund Committee and the Local Pensions Board. Members were advised that work had begun on the review but timelines had been affected by the delayed publication by Government of the good governance consultation.

RESOLVED 2023/006

That the work programme be agreed.

11. FUND VALUATION AND PERFORMANCE

The Fund valuation and performance report, which set out the total value and performance of the Pension Fund to 31 December 2022, was presented.

During discussions, Members:

- Asked whether the Fund should be divesting from fossil fuels in anticipation of a reduction in the price of energy stocks
- Requested qualitative information about the proxy votes cast by Hermes, including the reasons any votes against a particular board were cast
- Explored whether the increased percentage in fossil fuel holdings was the result of increased asset valuation rather than an increase in stocks held

RESOLVED 2023/007

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

12. EXCLUSION OF THE PUBLIC

RESOLVED 2023/008

That the public be excluded for the remainder of the meeting on the grounds that the discussions were 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 outweighed the public interest in disclosing the information.

13. FUND VALUATION AND PERFORMANCE – EXEMPT APPENDIX

RESOLVED 2023/009

That the contents of the exempt appendix be noted.

14. FUND MANAGERS' PRESENTATIONS

14a. Abrdn

Jon Holguin and James McLean were present in the Chamber with Caroline Casson joining the meeting remotely. They provided a report updating the Committee on the activities of Abrdn.

11:48am – Councillor Smith left the meeting
11:53am – Councillor Garner left the meeting
11:54am – Councillor Smith returned to the meeting
12:01pm – Councillor Garner returned to the meeting
12:11pm – Councillor Waters left the meeting
12:13pm – Councillor Waters returned to the meeting

12:40pm-12:47pm – the meeting adjourned. Councillor Garner left the meeting and did not return. Councillor Henry was not present at the resumption of the meeting.

14b. Schroders

Olivia Docker and Alex Tedder provided a report updating the Committee on the activities of Schroders.

12:50pm – Councillor Henry returned to the meeting
12:57pm – Councillor Purdue-Horan left the meeting and did not return
1.06pm – Councillor Camilleri left the meeting and did not return

The meeting concluded at 1:29pm

CHAIR

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

27 April 2023

Agenda Item: 4

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

TRIENNIAL VALUATION – RESULTS

Purpose of the Report

1. To inform members of the results of the triennial valuation of the Fund as at 31 March 2022.

Information

2. The Fund is required to obtain an actuarial valuation of the assets and liabilities of the Fund every three years in order to determine the contributions payable by each employer. The actuary issues a rates and adjustments certificate specifying the common rate of employer's contribution and any individual adjustments to take account of circumstances particular to each employer. These circumstances include the different membership profiles of each employer and the level of assessed deficit of liabilities over assets.

3. The rates and adjustments certificate covers the three years following the year in which the valuation is prepared. The latest triennial valuation of the Fund was required as at 31 March 2022 with rates being certified for years 2023/24 to 2025/26. The final report was published on the website on 31 March 2023 and forms Appendix A of this report.

4. In order to carry out the valuation, the actuaries, Barnett Waddingham, require detailed information about the membership of the fund and its investments. This information is used to estimate the cash flows in relation to each member. The actuaries have made assumptions over pay increases, inflation, life expectancy and other relevant issues in order to come up with this estimate. Further assumptions are used (mainly in respect of expected investment returns) to determine a 'discount rate' which is then used to discount the cash flows to estimate the total of the Fund's liabilities.

5. The basic premise of the discount rate is that investment returns can help to cover liabilities in the future – if the Fund has £100 now and can expect investment returns of 5% pa then that £100 is sufficient to cover £105 of liabilities in 1 years' time. Hence the liability figure (in this example £105) is 'discounted' back to the present value (£100) using the assumed rate of investment return. The actuaries therefore look at the asset allocation of the Fund and the expected long term returns of each asset class in deciding the appropriate discount rate. It is important to note that a lower discount rate produces a higher liability figure (and vice versa).

6. The agreed financial assumptions used in the latest valuation are shown below, along with comparisons from the previous valuation.

Financial Assumptions	31/03/22	31/03/19
Central Discount Rate	4.7%	4.8%
Salary Increases	3.9%	3.6%
Pension Increases (CPI)	2.9%	2.6%

7. Factored in to the discount rate is a prudence adjustment of 1.4%.

8. As can be seen, the discount rate has reduced slightly increasing liabilities, although the increase is mitigated slightly by assumptions over mortality. Initial results for the Fund show liabilities of £6,489 million compared to assets of £6,481 million, giving a funding level of (virtually) 100%. This is up from 93% at 2019.

9. The contributions determined at this valuation payable by each employer are set out in the actuary's final report. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers. Future service contributions are certified as a percentage of payroll. For the majority of employers, deficit recovery contributions have been certified as a monetary amount, payable each year in addition to the future service rate. This is to ensure that deficit contributions are made at the required level regardless of any reductions in payroll. The certified contributions are the minimum that each employer is required to pay. The deficit recovery contributions are set to enable employers to move towards a fully funded position over the recovery period which is specific to each employer. No employers have a recovery period longer than 18 years (reduced from 19 years at the last valuation).

10. As part of the communication process with employers a briefing note was prepared by the Actuary in January and circulated to employers. It was also made available via the employers section of the Funds website. In addition specific queries were passed to the Actuary for individual responses as they were received.

Other Options Considered

11. None.

Reason/s for Recommendation/s

12. The triennial valuation is an important part of the management of the funding for the Pension Fund.

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. The triennial valuation ensures that employer contributions are set at an appropriate level to ensure the solvency and sustainability of the Fund.

RECOMMENDATION/S

1) That members note the report and the results of the triennial valuation of the Fund as at 31 March 2022 and consider whether there are any actions they require in relation to the issues contained within the report.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement
For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/04/2023)

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

Financial Comments (TMR 31/03/2023)

16. The financial implications are set out in paragraph14.

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

VALUATION REPORT

Nottinghamshire County Council Pension Fund

Actuarial valuation as at 31 March 2022

Barry McKay FFA

Matthew Paton FFA

Barnett Waddingham LLP

30 March 2023

Contents

Executive summary

Some of the key results contained within this report are set out below:

1. Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 100% of the accrued liabilities as at 31 March 2022, which has increased from 93% at the 2019 valuation.

2. Contributions

Individual employer contributions are set out in Appendix 5 in the Rates and Adjustments Certificate to cover the period from 1 April 2023 to 31 March 2026. No employer is permitted to pay their deficit over a period greater than 18 years from 1 April 2023.

3. Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe they are appropriate for the 31 March 2022 valuation. The key assumptions used are a discount rate assumption of 4.7% p.a. and a CPI inflation assumption of 2.9% p.a.

4. Investment performance

Investment returns have been strong since the previous valuation, but gains in the funding position have been partially offset by a reduction in future anticipated investment returns net of inflation (i.e. a reduction in the real discount rate).

5. Regulatory changes

There have been a number of important regulatory changes since the 2019 valuation including McCloud, Cost management and Climate risk.

Details of how we have approached each change are provided in this report.

Background

We have been asked by Nottinghamshire County Council, the administering authority for the Nottinghamshire County Council Pension Fund (the Fund), to carry out an actuarial valuation of the Fund as at 31 March 2022. The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2023 to 31 March 2026 as required under Regulation 62 of the Regulations.

This report summarises the results of the valuation and is addressed to the administering authority of the Fund. It is not intended to assist any user other than the administering authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This report is provided further to earlier advice dated 25 October 2022 which set out the background to the valuation and explained the underlying methods and assumptions derivation.

This advice complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council – in particular TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions.

We would be pleased to discuss any aspect of this report in more detail.

Valuation methodology

Setting contributions

The contribution rates consist of two elements, the primary rate and the secondary rate:

- The **primary rate** for each employer is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The **secondary rate** is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). The secondary rate may be expressed as a percentage of pay or a monetary amount.

Regulation 62 specifies four requirements that the actuary "must have regard" to:

1. The existing and prospective liabilities arising from circumstances common to all those bodies
2. The desirability of maintaining as nearly a constant a primary rate as possible
3. The current version of the administering authority's Funding Strategy Statement (FSS)
4. The requirement to secure the "solvency" of the pension fund and the "long-term cost efficiency" of the Scheme, so far as relating to the pension fund.

The wording of the second objective is not ideal in that it appears to be aimed towards the primary rate rather than taking into account the surplus or deficit of the employer. We believe that if we achieve reasonably stable total individual employer rates (which seems like a preferable objective) then we will also meet the regulatory aim.

CIPFA's FSS guidance includes further details, summarised as follows:

- **"solvency"** means ensuring that employers are paying in contributions that cover the cost of benefit accrual and target a fully funded position over an appropriate time period using appropriate actuarial assumptions, and
- **"long-term cost efficiency"** means that employers have the financial capacity to increase contributions (or there is an alternative plan in place) should contributions need to be increased in future.

Assumptions used

We have considered these four requirements when providing our advice and choosing the method and assumptions used.

A number of reports have been provided and discussions have taken place with the administering authority and, where required, its investment advisors before agreeing the assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 25 October 2022 provides information and results on a whole fund basis as well as background to the method and derivation of the assumptions.
- The follow up report dated 18 December 2022 confirming the agreed actuarial assumptions.
- The climate analysis report dated 15 March 2023 which considers climate risk in the context of the Fund's 2022 actuarial valuation. It considers whether the 2022 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.
- The FSS which will confirm the approach in setting employer contributions.

Note that not all of these documents are necessarily in the public domain and may be restricted to the administering authority which has no obligation to share them with any third parties.

The assumptions detailed in this report have been agreed with the administering authority. The Fund's FSS has been reviewed in collaboration with the administering authority to ensure that it is consistent with this approach. The FSS complies with the latest version of CIPFA's FSS guidance but we understand that this guidance is currently under review by the Scheme Advisory Board's Compliance and Reporting Committee. This updated guidance had not come into effect as at the date of this report.

We confirm that in our opinion the agreed assumptions are appropriate for the purpose of the valuation. Assumptions in full are set out in Appendix 2.

Valuation of liabilities

To calculate the value of the liabilities, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then discount these projected cashflows using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality and staff turnover etc.

The assumptions used in projecting the future cashflows in respect of both past service and future service are summarised in Appendix 2.

Valuation of assets

We have been provided with audited Fund accounts for each of the three years to 31 March 2022.

The market asset valuation as at 31 March 2022 was £6.62bn. Please note that this excludes members' additional voluntary contributions (AVCs).

For the purposes of the valuation, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the period 1 January 2022 to 30 June 2022. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

The smoothed asset valuation as at 31 March 2022 was £6.50bn. This was based on a smoothing adjustment of 98.2%. More detail can be found in Appendix 1.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the discount rate assumption. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) that is publicly available on the Fund's website.

Previous valuation results

The previous valuation was carried out as at 31 March 2019 by Barnett Waddingham. The results are summarised in the valuation report dated 31 March 2020 and reported a deficit of £405m.

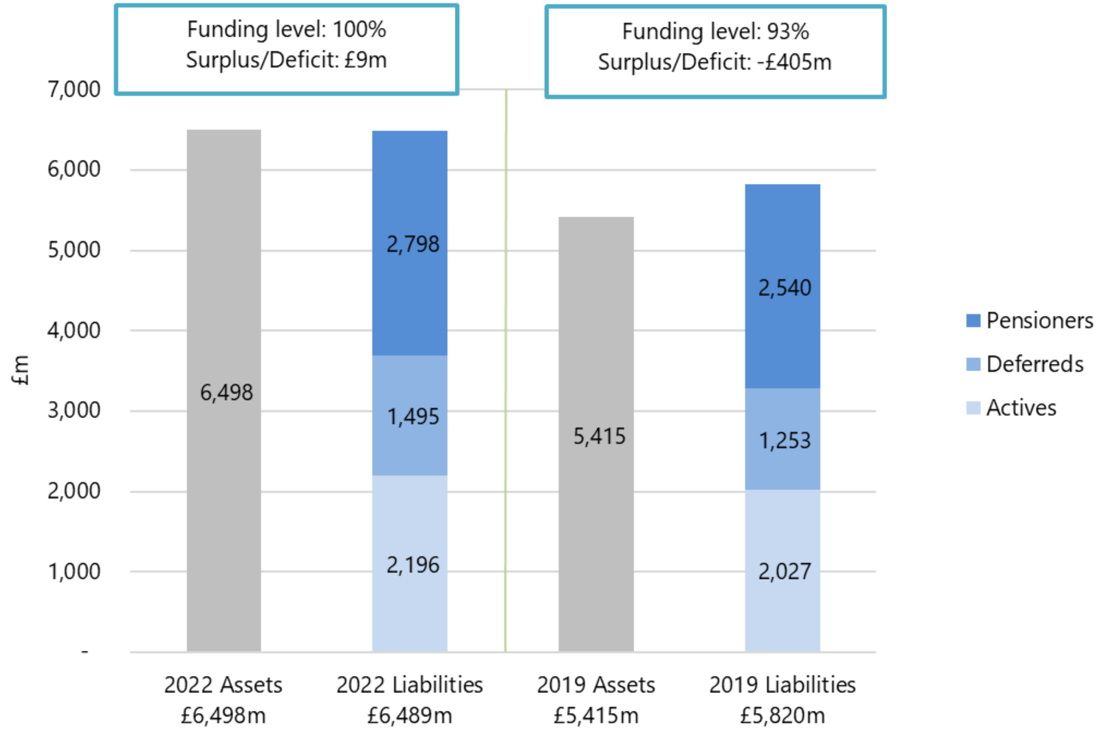
Results

Funding position

A comparison is made of the value of the existing assets with the value of the accrued liabilities. If there is an excess of assets over the liabilities then there is a surplus. If the converse applies there is a deficit.

Using the assumptions summarised in Appendix 2, the funding position is set out in the graph below. This shows the funding position of the Fund at the current and previous valuation dates.

There was a surplus of £9m in the Fund at the valuation date, corresponding to a funding level of 100%.



Contribution rates

Primary rate

Using the assumptions summarised in Appendix 2, the resulting average primary rate across the whole Fund is set out in the table below (after allowing for member contributions). This includes a comparison to the primary rate at the previous valuation.

The primary rate for the whole Fund is the weighted average (by Pensionable Pay) of the individual employers' primary rates.

Primary rate	2022 valuation of payroll p.a.	2019 valuation of payroll p.a.
Average total future service rate	25.5%	24.2%
Less average member rate	-6.4%	-6.3%
Fund primary rate	**19.0%**	**17.9%**

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

Please note that expenses are allowed for in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

Secondary rate

The secondary rate is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). Where there is a deficit, contributions should be set to restore the funding positions to 100% over an agreed "recovery period".

The recovery period for individual employers varies across the Fund. The administering authority's approach to setting recovery periods is set out in the FSS. Where there is a surplus, this may also be reflected in contribution rates in line with the Fund's FSS.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustments Certificate in Appendix 5. These will differ from the primary rate set out above as well as varying from each other as they are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

In Appendix 5 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning 1 April 2023.

The secondary contributions agreed with the administering authority have been set at this valuation in order to restore, where appropriate, the Employers' funding position of 100% by no later than 2041.

Projected funding position

Based on the assumptions as set out in Appendix 2 and the contributions certified and set out in Appendix 5, we estimate that the funding position of the whole fund may increase to 103% by 31 March 2025, the next valuation date. This projection is based on the assumptions made for this valuation and contributions being paid at the agreed amounts. This projection does not allow for any actual experience since 31 March 2022 nor any other risks or uncertainties. Some of these additional risks are set out later in this report and in Appendix 3.

Standardised basis

Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether the following aims are achieved: compliance, consistency, solvency and long-term cost efficiency, and to identify any funds that cause concerns.

As part of our calculations we have considered the results on a standardised basis as set by the Scheme Advisory Board (SAB). We are required to provide the SAB with the results for the Fund for comparison purposes.

The standardised basis is set using assumptions advice from the Government Actuary's Department (GAD) with some of the assumptions used being set locally (such as mortality) and some are set at Scheme level (including all the financial assumptions). It is not used to set contributions as it does not reflect the Fund's investment strategy or the administering authority's attitude to risk; contributions are set using the funding basis.

The results on the standardised basis as at 31 March 2022 are set out in the dashboard in Appendix 4. The dashboard should assist readers in comparing LGPS valuation reports and the information will be used by GAD in their "Section 13" report.

Reconciliation to previous valuation

Funding position

The previous valuation revealed a deficit of £405m. The key factors that have influenced the funding level of the Fund over the period are illustrated in the chart below.

Experience

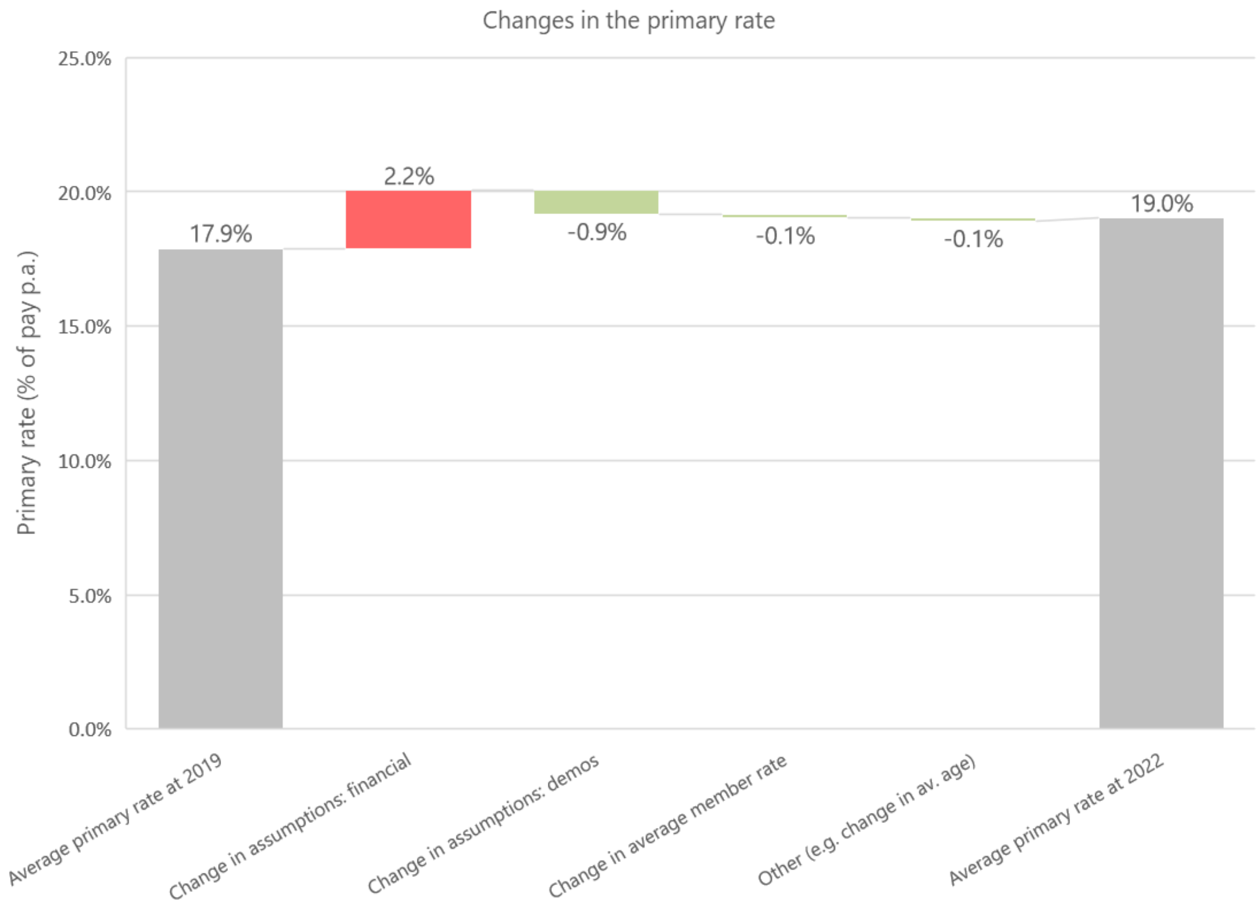
- Investment returns have been strong since 2019 leading to a reduction in the deficit by £434m.
- Payment of secondary contributions has decreased the Fund deficit by approximately £95m.
- Lower inflation than assumed has decreased the deficit by approximately £130m.

Assumptions

- Changes in financial assumptions (including changes in market conditions) has increased the Fund deficit by £475m.
- Updating the demographic assumptions following a longevity review of the Fund resulted in a decrease to the Fund deficit of £297m.

Primary contribution rate

The previous valuation resulted in an average primary rate of 17.9% of Pensionable Pay. The reasons for the change in the cost of future benefit accrual are set out in the reconciliation chart below.



Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with the assumptions adopted at the last valuation in 2019 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2019.

Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

The figures in the table are shown relative to the surplus of £9m and funding level of 100% on the agreed funding basis.

2022 sensitivity analysis of funding position	2022 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.	Increase initial addition to mortality improvement by 0.5%	Decrease 2020/21 weighting parameter by 5%
	£m	£m	£m	£m	£m	£m	£m
Smoothed asset value	6,498	6,498	6,498	6,498	6,498	6,498	6,498
Total past service liabilities	6,489	6,598	6,589	6,553	6,538	6,582	6,528
Surplus / (Deficit)	**9**	**-100**	**-91**	**-55**	**-40**	**-84**	**-30**
Funding level	**100%**	**98%**	**99%**	**99%**	**99%**	**99%**	**100%**

Sensitivities to the primary contribution rate

The calculated primary contribution rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below. Please note that the primary rate set out below does not include any adjustment via the secondary rate. The total contribution rate payable by employers will be a combination of the primary rate and a secondary rate adjustment, further details can be found in Appendix 5.

The figures in the table are shown relative to the primary rate of 19.0% of Pensionable Pay on the agreed funding basis.

2022 sensitivity analysis of primary rate	2022 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.	Increase initial addition to mortality improvement by 0.5%	Decrease 2020/21 weighting parameter by 5%
	% of payroll p.a.	% of payroll p.a.	% of payroll p.a.	% of payroll p.a.	% of payroll p.a.	% of payroll p.a.
Average total future service rate	25.5%	26.1%	26.1%	25.7%	25.7%	25.6%
Less average member rate	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Fund primary rate	**19.0%**	**19.7%**	**19.7%**	**19.3%**	**19.3%**	**19.2%**

Further comments

Funding Strategy Statement (FSS)

The assumptions used for the valuation have been documented in a revised Funding Strategy Statement agreed between the Fund Actuary and the administering authority.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Regulatory risk
- Climate risk

The sensitivity of the funding results to some of these risks was set out in the sensitivities section of this report. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the FSS.

Post valuation events

Since the valuation date, there has been some significant market turbulence including material increases in short-term inflation and gilt yields. There is an ongoing cost of living crisis, as well as political turmoil.

However, our funding model is designed to help withstand short-term volatility in markets as it is a longer-term model. We use smoothed assumptions over a six-month period with the ultimate aim of setting stable contributions for employers. The valuation approach and assumptions are not based on gilt yields and the discount rate is derived from the long-term future expected returns on each asset class with a deduction for uncertainty and risk (our prudence adjustment). Therefore, at this stage, the anticipated effect on the long-term funding position is not significant enough to revise our approach.

Nevertheless, due to the ongoing uncertainty around the shorter-term impact of these issues, we have considered these issues in setting the employer contribution rates to ensure that contributions in to the Fund remain appropriate. Most notably, high inflation will have a significant impact in the short term as higher levels of pensions in payment will need to be paid out of the Fund as a result of the anticipated increase of 10.1% in April 2023.

We will continue to monitor the Fund's funding position and raise any individual employer cases with the Fund that we consider need any special attention. The impact of these events will be fully considered as part of the 2025 valuation when we revisit employer contributions.

The next formal valuation is due to be carried out as at 31 March 2025 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation.

Rates and Adjustments Certificate

The contributions payable in respect of benefit accrual and any deficit contributions under each employer's recovery period have been set out in Appendix 5 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations and cover the period from 1 April 2023 to 31 March 2026. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, recovery of this deficit is targeted in line with the Fund's FSS and all employers are projected to be fully funded after a recovery period length of no more than 18 years from 1 April 2023.

This document has been agreed between the administering authority and the Fund Actuary. Contributions have been set which in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's FSS.

This report must be made available to members on request.

Barry McKay

M Paton

Barry McKay FFA
Partner
Barnett Waddingham LLP

Matthew Paton FFA
Senior Consulting Actuary
Barnett Waddingham LLP

Appendix 1 Summary of data and benefits

Membership data

The membership data has been provided to us by the administrators of the Fund. We have relied on information supplied by the administrator and the administering authority being accurate. The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund's accounts. The numbers in the tables below relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

Any missing or inconsistent data has been queried with the Fund and estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

Benefits

Full details of the benefits being valued are set out in the Regulations as amended and summarised on the LGPS website (https://www.lgpsmember.org/). We have made no allowance for discretionary benefits.

Membership summary

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison. Please note that the average ages at 31 March 2022 are weighted by salary for active members and by pension for deferred and pensioner/dependant members, the average ages at 2019 are weighted by liability.

Data used		Data at 31 March 2022			Data at 31 March 2019	
Active members	Number	Pensionable pay £m	Average age	Number	Pensionable pay £m	Average age
Males	12,186	302.5	47	12,974	295	53
Females	34,227	569.7	46	35,321	529	52
Total	46,413	872	46	48,295	823	52
Deferred members (including undecided)	Number	Pension £m	Average age	Number	Pension £m	Average age
Males	19,086	33.4	50	16,594	28	52
Females	54,711	59.5	50	46,883	48	52
Total	73,797	93	50	63,477	77	52
Pensioner and dependant members	Number	Pension £m	Average age	Number	Pension £m	Average age
Males	14,603	95.3	72	13,200	86	69
Females	27,584	98.4	71	23,325	82	68
Total	42,187	194	72	36,525	169	68

Projected retirements

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2022 to 31 March 2026 as required under the Regulations.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill-health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits Year to	Number of members	Retirement benefits £m's
31 March 2023	3,395	22
31 March 2024	3,527	25
31 March 2025	3,764	29
31 March 2026	3,043	25

Guaranteed Minimum Pension (GMP) equalisation and indexation

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

As with the previous valuation, we have assumed that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. We are comfortable that our approach is consistent with the consultation outcome.

Appendix 2 Summary of assumptions

A summary of the assumptions adopted for the valuation at 31 March 2022 and as at 31 March 2019 is set out below.

Assumptions		2022 valuation	2019 valuation
Financial assumptions (p.a.)			
CPI inflation		2.9%	2.6%
Salary increases		3.9%	3.6%
Discount rate		4.7%	4.8%
Pension increases on GMP		Funds will pay limited increases for members reaching SPA by 6 April 2016, and full increases for others	
Demographic assumptions			
Post-retirement mortality			
	Base table pensioners	115% (M) / 110% (F) of S3PA tables	110% (M) / 105% (F) of S3PA tables
	Base table dependants	105% (M) / 115% (F) of S3DA tables	110% (M) / 105% (F) of S3PA tables
	CMI Model	CMI 2021	CMI 2018
	Long-term rate of improvement (p.a.)	1.25%	1.25%
	Smoothing parameter	7.0	7.5
	Initial addition to improvement (p.a.)	0%	0.5%
	2020/21 weighting parameter	5%	n/a
Retirement assumption		Weighted average	Weighted average
Pre-retirement decrements		GAD 2016 scheme val: no salary scale, 50% multiplier to ill-health rates and 115% multiplier to pre-retirement mortality rates	GAD 2016 scheme val: no salary scale, 50% multiplier to ill-health rates and 100% multiplier to pre-retirement mortality rates
50:50 assumption		Member data	Member data
Commutation		50% of max	50% of max
Family statistics			
	% with qualifying dependant	75% (M) / 70% (F)	75% (M) / 70% (F)
	Age difference	3 years	3 years

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These sample rates are based on those set by the Government Actuary's Department (GAD) based on analysis of the Local Government Pension Scheme (LGPS) in England and Wales.

Allowance for ill-health early retirements

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.01%
40	0.04%	0.03%
45	0.09%	0.06%
50	0.18%	0.13%
55	0.36%	0.28%
60	0.74%	0.62%
65	1.51%	1.34%

Please note the above rates are the raw decrements as set by GAD. Our assumption is that there will be 50% of the number of ill-health retirements assumed by GAD.

The proportion of ill-health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.02%	0.01%
30	0.03%	0.01%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.12%
60	0.32%	0.19%
65	0.50%	0.29%

Please note the above rates are the raw decrements as set by GAD. We have applied a 115% multiplier to the rates assumed by GAD.

Allowance for withdrawals

This assumption is regarding active members who leave service to move to deferred member status. Active members are assumed to leave service at the following sample rates:

Age	Males	Females
25	9.21%	10.17%
30	7.25%	8.07%
35	5.70%	6.40%
40	4.48%	5.07%
45	3.53%	4.03%
50	2.78%	3.19%
55	2.18%	2.53%
60	1.72%	2.01%
65	1.35%	1.59%

Appendix 3 Regulatory uncertainties

There are currently a few important regulatory uncertainties surrounding the 2022 valuation as follows:

- Effect of the McCloud and Sargeant cases;
- Cost management reviews which could affect future and historic LGPS benefits;
- Change in timing of future actuarial valuations from a triennial cycle; and
- Climate change risks and opportunities.

Although it is unclear what impact these uncertainties will have on the future benefits of individual members, we have considered these issues in the assumptions used to set the contribution rates for employers.

McCloud

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023.

For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), we have assumed that the legislation will bring forward the changes as currently proposed, and we have valued the benefits in line with this. The data extracts received for valuation purposes did not include the full pay or service history we require to value the cost of the anticipated benefit changes. We therefore made estimates (for active members only) based on the information that is held in data extracts provided. Our estimates involve projecting members' CARE benefits against the equivalent final salary benefit to determine, for each active member, whether the underpin may bite and the liability value if it does. There still remains uncertainty over the long-term effects of the McCloud judgment but where data has been available, we have been able to estimate the impact of McCloud on individual employers and funding positions and contributions have been set accordingly.

Change in timing of future actuarial valuations from a triennial cycle

In 2019, the Ministry of Housing, Communities & Local Government (as it was then known, now known as DLUHC) issued a consultation which included moving from a triennial to quadrennial valuation cycle from 2024. The issue remains outstanding and we have produced this report on the basis of a triennial valuation cycle.

Cost management reviews

There remain uncertainties around the 2016 and 2020 cost management exercises. Although we understand that the Scheme Advisory Board (SAB) will not be recommending any Scheme changes, this is still to be announced. However, we anticipate the impact of any changes to be small and therefore we have not made an explicit allowance for these.

Further cost management reviews will be carried out and may lead to future benefit changes. However, as the aim of this monitoring is to keep the cost of benefits within an affordable range, we can be relatively comfortable that future reviews will not have a significant impact on the value we currently place on the liabilities, therefore we have not made an explicit allowance for these.

Climate change risks and opportunities

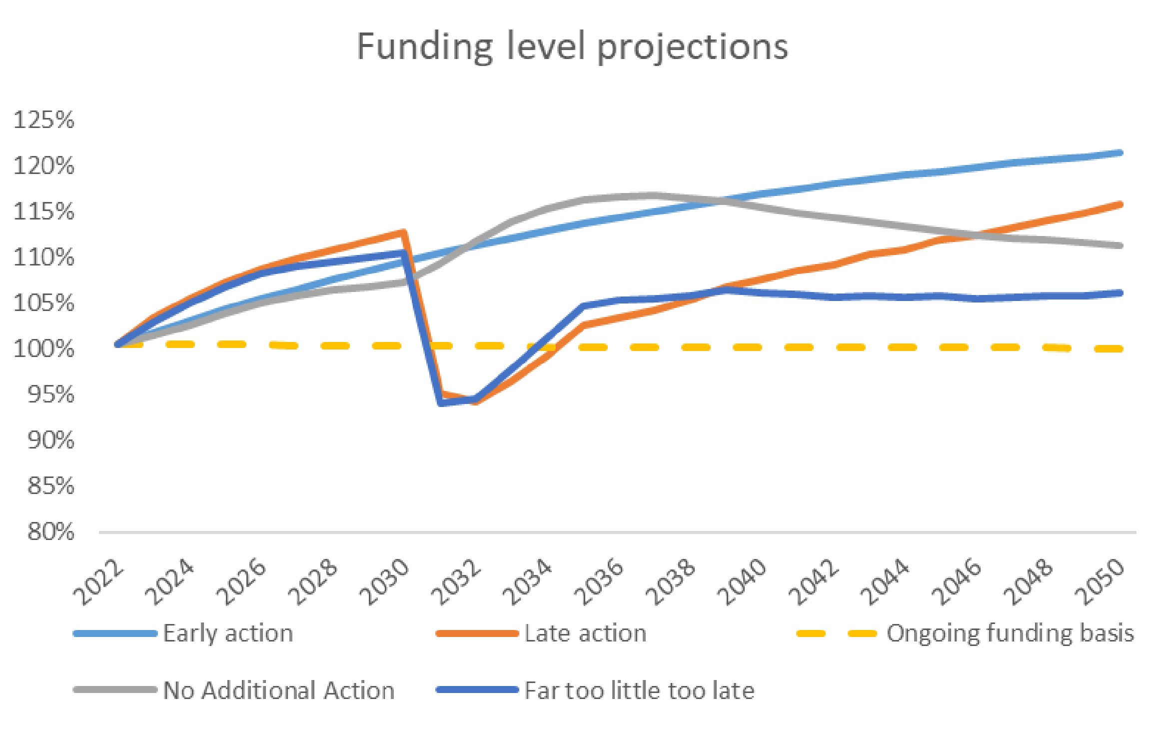
Climate risk is an important consideration for the 2022 valuation. As part of the 2022 valuation process we have used scenario analysis to identify the impact of shorter term climate risk (transition risk) and longer term climate risk (physical risk) on the Fund's potential funding outcomes. This analysis was developed for LGPS funds based on the Department for Work and Pensions regulations, as we await final regulations which apply directly to the LGPS. The analysis was discussed with GAD, who agreed a set of four key principles for how LGPS funds would undertake climate change scenario analysis as part of the 2022 valuation.

Our analysis considered the potential impact on the future investment return outlook (and therefore discount rate) and inflation (and therefore inflation-linked assumptions), for the purpose of projecting asset and liability values and primary rates. We have also considered additional elements such as the potential impact on life expectancy changes and employer covenant. The analysis supports the level of prudence in the funding strategy.

Under the key principles, it was agreed that each fund should select two scenarios to consider as a minimum including: "Paris-aligned" and higher temperature outcome, and compare these to the funding basis.

- "Paris-aligned" is an optimistic basis which assumes that good progress is made towards the ambitions made in the 2015 Paris Agreement.
- A higher temperature outcome assumes that no new climate policies are introduced beyond those already agreed, resulting in a growing concentration of greenhouse gas emissions and a larger increase in global temperatures.

Our analysis considers four scenarios which are detailed in our climate scenario analysis report. The impact on the funding position of each scenario is considered in the Projected funding level graph below.



Our "early action" scenario aims to represent a "Paris-aligned" scenario, and our "no additional action" scenario represents a higher temperature outcome, consistent with our key principles.

One of the other key principles agreed with GAD was for results to be considered over a period of at least 20 years. The funding level is projected over a period of 30 years as can be seen in the graph above.

Detail on the Fund's approach will also be included in the FSS.

COVID-19 crisis

The 2019 valuation report and Rates and Adjustments Certificate were finalised during the early stages of the COVID-19 crisis. Due to the timing of events, no adjustment was made to the 2019 results. There still remains uncertainty over the long-term effects of COVID-19 but where data has been available, we have been able to consider the impact of COVID-19 on individual funds through the longevity analysis and in setting the mortality assumptions for the Fund. On balance, we would expect the pandemic to lead to a modest reduction in future improvements in life expectancy.

Therefore, we are comfortable that contributions have been set appropriately to allow for COVID-19, based on the data available. More data will be available at the next formal valuation in 2025 where we will update our analysis. We will also continue to monitor the situation during the intervaluation period.

Appendix 4 Dashboard

GAD Dashboard

2022 Funding position - local funding basis		
Funding level (assets/liabilities)	%	100.1%
Funding level (change since previous valuation)	%	7.1%
Asset value used at the valuation	£m	6,498
Value of liabilities (including McCloud liability)	£m	6,489
Surplus (deficit)	£m	9
Discount rate – past service	% pa	4.7%
Discount rate – future service	% pa	4.7%
Assumed pension increases (CPI)	% pa	2.9%
Method of derivation of discount rate, plus any changes since previous valuation		In line with the Funding Strategy Statement
Assumed Life expectancies at age 65		
Life expectancy for current pensioners – men age 65	years	20.67
Life expectancy for current pensioners – women age 65	years	23.47
Life expectancy for future pensioners – men age 45	years	21.93
Life expectancy for future pensioners – women age 45	years	24.91
Past service funding position - SAB basis (for comparison purposes only)		
Market value of assets	£m	6,617
Value of liabilities	£m	6,353
Funding level on SAB basis (assets/liabilities)	%	104.2%
Funding level on SAB basis (change since last valuation)	%	4.3%

GAD Dashboard

Contribution rates payable		2019 Valuation	2022 Valuation
Primary contribution rate	% of pay	17.9%	19.0%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)	£m		
Secondary contribution rate - 1st year of rates and adjustment certificate	£m	31.86	21.95
Secondary contribution rate - 2nd year of rates and adjustment certificate	£m	33.02	18.37
Secondary contribution rate - 3rd year of rates and adjustment certificate	£m	34.21	14.49
Giving total expected contributions			
Total expected contributions - 1st year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	184.64	194.41
Total expected contributions - 2nd year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	191.37	197.52
Total expected contributions - 3rd year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	198.33	200.59
Assumed payroll (cash amounts in each year)			
Total assumed payroll - 1st year of rates and adjustment certificate (£m)	£m	853.51	905.95
Total assumed payroll - 2nd year of rates and adjustment certificate (£m)	£m	884.63	941.09
Total assumed payroll - 3rd year of rates and adjustment certificate (£m)	£m	916.88	977.59
3-year average total employer contribution rate	% of pay	21.6%	21.0%
Average employee contribution rate (% of pay)	% of pay	6.3%	6.4%
Employee contribution rate (£ figure based on assumed payroll)	£m pa	53.77	58.33

Deficit recovery and surplus spreading plan		2019 Valuation	2022 Valuation
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	2039	2041
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	2023	2026
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	n/a	n/a
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	Year	n/a	n/a
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0.0%	0.0%

GAD Dashboard

Additional information		
Percentage of total liabilities that are in respect of Tier 3 employers	%	10.6%
Included climate change analysis/comments in the 2022 valuation report	Yes	Yes
Value of McCloud impact on the local funding basis	£m	33.48

BARNETT WADDINGHAM
beyond the expected

Appendix 5 Rates and Adjustments Certificate

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2023 to 31 March 2026.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated 30 March 2023.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2023 to 31 March 2026 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2023. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the Fund is the weighted average (by payroll) of the individual employers' primary rates and is 19.0% p.a. of payroll.

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2023 to 31 March 2026 is set out in the table below.

Secondary contributions	2023/24	2024/25	2025/26
Total as a % of payroll	2.4%	2.0%	1.5%
Equivalent to total monetary amounts of	£21,968,277	£18,398,393	£14,483,654

These amounts reflect the individual employers' deficit recovery plans.

General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with the advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the administering authority and an individual employer.

Employer code		Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
			(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Tax-raising bodies									
Funding Pool		Newark & Sherwood District Council							
	3	Newark & Sherwood District Council	18.6%	£459k	£477k	£495k	18.6% plus £459k	18.6% plus £477k	18.6% plus £495k
	390	Active 4 Today Ltd	18.6%	-	-	-	18.6%	18.6%	18.6%
Tax-raising bodies									
Funding Pool		Broxtowe Borough Council							
	5	Broxtowe Borough Council	19.0%	-	-	-	19.0%	19.0%	19.0%
	423	Liberty Leisure	19.0%	-	-	-	19.0%	19.0%	19.0%
Individual Employers									
	1	Bassetlaw District Council	20.3%	£799k	£695k	£583k	20.3% plus £799k	20.3% plus £695k	20.3% plus £583k
	2	Mansfield District Council	20.2%	£1.70m	£1.57m	£1.42m	20.2% plus £1.70m	20.2% plus £1.57m	20.2% plus £1.42m
	4	Ashfield District Council	19.3%	£1.40m	£1.30m	£1.19m	19.3% plus £1.40m	19.3% plus £1.30m	19.3% plus £1.19m
	6	Gedling Borough Council	19.6%	£241k	£148k	£48k	19.6% plus £241k	19.6% plus £148k	19.6% plus £48k
	7	Rushcliffe Borough Council	18.5%	£840k	£720k	£600k	18.5% plus £840k	18.5% plus £720k	18.5% plus £600k

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
8	Nottingham City Council	18.5%	£6.81m	£5.38m	£3.81m	18.5% plus £6.81m	18.5% plus £5.38m	18.5% plus £3.81m
130	Nottinghamshire Combined Fire Authority	19.0%	£103k	£107k	£112k	19.0% plus £103k	19.0% plus £107k	19.0% plus £112k
314	Police & Crime Commissioners	18.2%	-	-	-	18.2%	18.2%	18.2%
315	Nottinghamshire County Council	19.8%	£3.88m	£2.05m	£0.06m	19.8% plus £3.88m	19.8% plus £2.05m	19.8% plus £0.06m
359	Nottingham City Council (EMC)	17.0%	-	-	-	17.0%	17.0%	17.0%
Higher and Further Education Bodies								
Funding Pool	West Nottinghamshire College							
99	West Nottinghamshire College	19.6%	-	-	-	19.6%	19.6%	19.6%
Individual Employers								
78	The Nottingham Trent University	17.2%	£684k	£711k	£738k	17.2% plus £684k	17.2% plus £711k	17.2% plus £738k
101	Bilborough College	18.5%	-	-	-	18.5%	18.5%	18.5%
138	Nottingham College	19.4%	-	-	-	19.4%	19.4%	19.4%
Academies								
Funding Pool	Fund Academies							
198	Samworth Church Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
200	Bulwell Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
202	Nottinham University Samworth Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
219	Nottingham Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
227	Barnby Road Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
229	George Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
230	Redhill Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
232	Greater Nottingham Education Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
233	Fernwood School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
235	Toot Hill School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
237	Manor Academy Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
239	South Nottinghamshire Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
240	Serlby Park Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
241	Carlton Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
242	Norbridge Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
245	Southwark Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
246	Arnold Hill Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
247	Huntingdon Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
248	Edna G Olds Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
249	St Anns Well Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
250	Nottingham Girls Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
253	Warren Primary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
257	Sycamore Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
260	Quarrydale Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
262	The Priory Catholic Voluntary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
263	Nethergate Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
264	North Leverton CE Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
265	Chetwynd Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
266	Ashfield School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
267	The Elizabethan Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
276	Outwood Academy Portland	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
277	Outwood Academy Valley	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
280	Rushcliffe Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
281	Kirkby College	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
287	Milford Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
288	Old Basford School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
289	Top Valley Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
290	Whitemoor Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
291	Meden School & Technology College	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
295	Mansfield Primary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
296	Foxwood School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
297	Stone Soup Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
306	The Newark Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
308	Kingston Park Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
309	Sutton Community Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
310	The Dukeries Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
312	Windmill LEAD Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
319	Ambleside Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
327	Firbeck Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
330	Fairfield Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
333	Skegby Junior Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
335	Blue Bell Hill Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
336	Glapton Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
337	St Peter's CE Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
338	Archbishop Cranmer CE Primary	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
342	Hogarth Primary & Nursery School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
346	Magnus C of E School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
347	Bishop Alexander L.E.A.D. Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
348	Portland School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
350	Birklands Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
351	Arnbrook Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
355	Glenbrook Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
356	Sunnyside Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%

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		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
358	LEAD Multi Academy Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
361	The Beech Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
362	Hall Park Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
364	Nottingham Free School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
365	Nottingham University Academy of Science and Technology	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
369	Sparken Hill Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
370	Greenwood Academies Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
371	St Mary Magdelene Church of England Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
372	Harworth Church of England Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
375	Radford Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
376	Jubilee Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
379	Farnborough Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
382	The Sir Donald Bailey Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
384	Oakwood Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
385	Riverside Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
386	Diocese of Southwell and Nottingham Multi-Academy Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
393	St Joseph's Catholic Primary Voluntary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
403	St John's Church of England Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
407	Selston High School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
413	Burntstump Seely C of E Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
414	St Peters Cross Keys C of E Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
415	Worksop Priory C of E Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
416	The Parkgate Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
417	The Forge Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
418	Equals Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
421	Redhill Academy Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
426	Flying High Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
428	Forrest View Junior School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
430	Ranskill Primary	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
431	King's Church of England Primary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
432	Transform Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
435	Scotholme Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
439	Sir John Sherbrooke Junior School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
443	Woodlands School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
444	Westbury School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
445	Unity Learning Centre	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
446	Denewood Learning Centre	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
447	Raleigh Learning Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
448	Kirkby Woodhouse Primary	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
465	Gunthorpe C of E Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
469	Westdale Junior School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
470	Robert Miles Infant School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
471	Garibaldi College	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
472	Colonel Frank Seely Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
473	St Peters Primary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
474	Carlton Infant Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
475	Carlton Junior Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
476	The West Park Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
478	Believe Academy Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
480	Two Counties Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
484	St Swithuns C of E Primary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
487	Archway Learning Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%

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		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
488	Diverse Academies Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
489	Robert Mellors Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
494	Python Hill Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
496	Djanogly Learning Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
497	Our Lady of Lourdes Catholic Multi Academy Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
499	Oak Tree Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
501	Minster Trust for Education	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
503	Ellis Guilford School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
504	The Suther School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
506	Langold Dyscarr Community School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
513	St Marys CE Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
514	Haggonfields Primary and Nursery School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
518	East Midlands Education Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
520	Wells Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
523	Rosecliffe Spencer Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
524	Winthorpe Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
526	Hucknall National C of E Primary Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
527	John Hunt Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
530	Harlow Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
535	White Hills Park Trust	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
536	Abbey Primary School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
540	St Augustine's Academy	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
541	Mount CofE Primary & Nursery School	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
558	Brunts Academy (GAT)	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%
559	Bramble Academy (GAT)	19.1%	2.7%	2.7%	2.7%	21.8%	21.8%	21.8%

Employer code		Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26
Individual Employers									
	181	Djanogly City Academy Nottingham	18.7%	-	-	-	18.7%	18.7%	18.7%
Housing Bodies									
Individual Employers									
	190	Nottingham City Homes	18.7%	-	-	-	18.7%	18.7%	18.7%
	194	Metropolitan Housing Trust	20.7%	1.8% plus £15,700	1.8% plus £16,300	1.8% plus £17,000	22.5% plus £15,700	22.5% plus £16,300	22.5% plus £17,000
Other Scheduled Bodies									
Funding Pool		Small Scheduled Bodies							
	10	Selston Parish Council	21.3%	£2,210	£2,300	£2,380	21.3% plus £2,210	21.3% plus £2,300	21.3% plus £2,380
	11	Ruddington Parish Council	21.3%	£2,890	£3,000	£3,120	21.3% plus £2,890	21.3% plus £3,000	21.3% plus £3,120
	12	Nuthall Parish Council	21.3%	£1,190	£1,240	£1,290	21.3% plus £1,190	21.3% plus £1,240	21.3% plus £1,290
	13	Balderton Parish Council	21.3%	£4,610	£4,790	£4,970	21.3% plus £4,610	21.3% plus £4,790	21.3% plus £4,970
	17	Cotgrave Town Council	21.3%	£2,540	£2,640	£2,740	21.3% plus £2,540	21.3% plus £2,640	21.3% plus £2,740
	18	Trent Valley Internal Drainage Board	21.3%	£8,920	£9,270	£9,630	21.3% plus £8,920	21.3% plus £9,270	21.3% plus £9,630
	34	Bramcote Crematorium Joint Committee	21.3%	£8,190	£8,510	£8,840	21.3% plus £8,190	21.3% plus £8,510	21.3% plus £8,840
	40	Harworth & Bircotes Parish Council	21.3%	£3,540	£3,680	£3,820	21.3% plus £3,540	21.3% plus £3,680	21.3% plus £3,820
	42	Greasley Parish Council	21.3%	£3,870	£4,020	£4,170	21.3% plus £3,870	21.3% plus £4,020	21.3% plus £4,170
	44	Bingham Town Council	21.3%	£2,690	£2,800	£2,910	21.3% plus £2,690	21.3% plus £2,800	21.3% plus £2,910
	47	Blidworth Parish Council	21.3%	£1,080	£1,120	£1,160	21.3% plus £1,080	21.3% plus £1,120	21.3% plus £1,160
	51	Newark Town Council	21.3%	£11,400	£11,800	£12,300	21.3% plus £11,400	21.3% plus £11,800	21.3% plus £12,300
	56	Calverton Parish Council	21.3%	£1,220	£1,260	£1,310	21.3% plus £1,220	21.3% plus £1,260	21.3% plus £1,310

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		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
68	Southwell Town Council	21.3%	£3,220	£3,350	£3,480	21.3% plus £3,220	21.3% plus £3,350	21.3% plus £3,480
75	Stapleford Town Council	21.3%	£1,690	£1,750	£1,820	21.3% plus £1,690	21.3% plus £1,750	21.3% plus £1,820
113	Radcliffe on Trent Parish Council	21.3%	£2,960	£3,080	£3,200	21.3% plus £2,960	21.3% plus £3,080	21.3% plus £3,200
115	Ravenshead Parish Council	21.3%	£810	£840	£870	21.3% plus £810	21.3% plus £840	21.3% plus £870
116	Trowell Parish Council	21.3%	£560	£590	£610	21.3% plus £560	21.3% plus £590	21.3% plus £610
117	Edwinstowe Parish Council	21.3%	£2,590	£2,690	£2,790	21.3% plus £2,590	21.3% plus £2,690	21.3% plus £2,790
132	Mansfield and District Crematorium Joint Committee	21.3%	£8,980	£9,330	£9,690	21.3% plus £8,980	21.3% plus £9,330	21.3% plus £9,690
137	Ollerton & Boughton Town Council	21.3%	£5,940	£6,170	£6,410	21.3% plus £5,940	21.3% plus £6,170	21.3% plus £6,410
139	Warsop Parish Council	21.3%	£950	£980	£1,020	21.3% plus £950	21.3% plus £980	21.3% plus £1,020
167	Eastwood Town Council	21.3%	£500	£520	£540	21.3% plus £500	21.3% plus £520	21.3% plus £540
176	Aslockton Parish Council	21.3%	-	-	-	21.3%	21.3%	21.3%
191	Rainworth Parish Council	21.3%	£630	£660	£680	21.3% plus £630	21.3% plus £660	21.3% plus £680
195	Langar Cum Barnstone Parish Council	21.3%	£310	£320	£330	21.3% plus £310	21.3% plus £320	21.3% plus £330
207	Fernwood Parish Council	21.3%	£1,470	£1,520	£1,580	21.3% plus £1,470	21.3% plus £1,520	21.3% plus £1,580
217	Cropwell Bishop Parish Council	21.3%	£640	£670	£690	21.3% plus £640	21.3% plus £670	21.3% plus £690
318	Burton Joyce Parish Council	21.3%	£2,890	£3,000	£3,110	21.3% plus £2,890	21.3% plus £3,000	21.3% plus £3,110
328	Newstead Parish Council	21.3%	-	-	-	21.3%	21.3%	21.3%
387	Kimberley Town Council	21.3%	£820	£860	£890	21.3% plus £820	21.3% plus £860	21.3% plus £890
420	Woodborough Parish Council	21.3%	£760	£790	£820	21.3% plus £760	21.3% plus £790	21.3% plus £820
422	Misterton Parish Council	21.3%	£960	£1,000	£1,040	21.3% plus £960	21.3% plus £1,000	21.3% plus £1,040

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		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
441	Tuxford Town Council	21.3%	£1,340	£1,390	£1,450	21.3% plus £1,340	21.3% plus £1,390	21.3% plus £1,450
459	Dunham & District Parish Council	21.3%	£140	£150	£160	21.3% plus £140	21.3% plus £150	21.3% plus £160
479	Rampton Parish Council	21.3%	£310	£320	£330	21.3% plus £310	21.3% plus £320	21.3% plus £330
519	Laneham Parish Council	21.3%	£180	£180	£190	21.3% plus £180	21.3% plus £180	21.3% plus £190
525	Beckingham cum Saundby Parish Council	21.3%	£480	£500	£520	21.3% plus £480	21.3% plus £500	21.3% plus £520
529	Worksop Charter Trustees	21.3%	£120	£130	£130	21.3% plus £120	21.3% plus £130	21.3% plus £130
Individual Employers								
73	Nottingham City Transport Ltd	41.2%	£442k	£459k	£477k	41.2% plus £442k	41.2% plus £459k	41.2% plus £477k
192	Scape System Build Ltd	17.0%	£75,600	£78,500	£81,600	17.0% plus £75,600	17.0% plus £78,500	17.0% plus £81,600
366	Nottingham Revenue and Benefits Limited	19.5%	-	-	-	19.5%	19.5%	19.5%
Community Admission Bodies								
Funding Pool	Grouped Admission Bodies							
20	Rural Community Action Nottinghamshire	21.5%	£980	£1,020	£1,060	21.5% plus £980	21.5% plus £1,020	21.5% plus £1,060
22	Nottinghamshire Deaf Society	21.5%	£370	£380	£400	21.5% plus £370	21.5% plus £380	21.5% plus £400
48	Nottingham Citizens Advice Bureau	21.5%	£1,860	£1,940	£2,010	21.5% plus £1,860	21.5% plus £1,940	21.5% plus £2,010
52	Nottingham Trent Students Union	21.5%	£2,940	£3,060	£3,170	21.5% plus £2,940	21.5% plus £3,060	21.5% plus £3,170
54	Skills & Education Group	21.5%	£4,580	£4,750	£4,940	21.5% plus £4,580	21.5% plus £4,750	21.5% plus £4,940
69	Mansfield Citizens Advice Bureau	21.5%	£320	£330	£350	21.5% plus £320	21.5% plus £330	21.5% plus £350
84	Groundwork Greater Nottingham	21.5%	£700	£730	£760	21.5% plus £700	21.5% plus £730	21.5% plus £760
87	Citizens Advice Broxtowe	21.5%	£380	£400	£410	21.5% plus £380	21.5% plus £400	21.5% plus £410

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
90	Meadows Advice Group	21.5%	£290	£300	£310	21.5% plus £290	21.5% plus £300	21.5% plus £310
103	Sherwood & Newark Citizens Advice Bureau	21.5%	£530	£560	£580	21.5% plus £530	21.5% plus £560	21.5% plus £580
104	Ashfield Citizens Advice Bureau	21.5%	£370	£390	£400	21.5% plus £370	21.5% plus £390	21.5% plus £400
107	Greenfields Centre Limited	21.5%	£550	£570	£590	21.5% plus £550	21.5% plus £570	21.5% plus £590
109	Clifton Advice Centre	21.5%	£490	£500	£520	21.5% plus £490	21.5% plus £500	21.5% plus £520
124	Pearson Centre for Young People	21.5%	£330	£350	£360	21.5% plus £330	21.5% plus £350	21.5% plus £360
142	Mansfield Road Baptist Housing	21.5%	£1,470	£1,530	£1,590	21.5% plus £1,470	21.5% plus £1,530	21.5% plus £1,590
145	Renewal Trust	21.5%	£620	£640	£670	21.5% plus £620	21.5% plus £640	21.5% plus £670
150	Nottingham Ice Centre Limited	21.5%	£1,700	£1,770	£1,840	21.5% plus £1,700	21.5% plus £1,770	21.5% plus £1,840
151	Newark Emmaus Trust Limited	21.5%	£1,730	£1,800	£1,870	21.5% plus £1,730	21.5% plus £1,800	21.5% plus £1,870
152	Experience Nottinghamshire Limited	21.5%	£610	£630	£650	21.5% plus £610	21.5% plus £630	21.5% plus £650
155	Nottinghamshire Association of Local Councils	21.5%	£320	£330	£340	21.5% plus £320	21.5% plus £330	21.5% plus £340
158	Institute of Cemetery & Crematorium	21.5%	£2,970	£3,080	£3,200	21.5% plus £2,970	21.5% plus £3,080	21.5% plus £3,200
161	Bassetlaw Citizens Advice Bureau	21.5%	£90	£100	£100	21.5% plus £90	21.5% plus £100	21.5% plus £100
169	Carers Federation Nottingham & Nottinghamshire Limited	21.5%	£3,340	£3,470	£3,600	21.5% plus £3,340	21.5% plus £3,470	21.5% plus £3,600
183	Child Migrants Trust	21.5%	£1,460	£1,520	£1,580	21.5% plus £1,460	21.5% plus £1,520	21.5% plus £1,580
189	Bestwood Partnership Forum	21.5%	£600	£630	£650	21.5% plus £600	21.5% plus £630	21.5% plus £650
Individual Employers								
76	Autism East Midlands	22.3%	£18,900	£19,600	£20,400	22.3% plus £18,900	22.3% plus £19,600	22.3% plus £20,400
174	Nottingham & Nottinghamshire Futures Limited	20.7%	-1.3%	-1.3%	-1.3%	19.4%	19.4%	19.4%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Transferee Admission Bodies								
Individual Employers								
171	Sports & Leisure Management Limited	22.0%	-12.0%	-12.0%	-12.0%	10.0%	10.0%	10.0%
175	UPP Residential Services Ltd	26.4%	-	-	-	26.4%	26.4%	26.4%
199	Gedling Homes	19.2%	-9.2%	-9.2%	-9.2%	10.0%	10.0%	10.0%
221	Barnsley Premier Leisure Ltd	15.3%	£11,900	£12,400	£12,900	15.3% plus £11,900	15.3% plus £12,400	15.3% plus £12,900
225	Enerveo Limited	19.5%	£3,200	£3,320	£3,450	19.5% plus £3,200	19.5% plus £3,320	19.5% plus £3,450
231	United Response	18.9%	-8.9%	-8.9%	-8.9%	10.0%	10.0%	10.0%
271	Thera East Midlands	21.8%	-4.7%	-4.7%	-4.7%	17.1%	17.1%	17.1%
272	Royal Society Mencap	20.8%	-2.1%	-2.1%	-2.1%	18.7%	18.7%	18.7%
274	Mellors Catering Services Limited (Southwark)	24.1%	-	-	-	24.1%	24.1%	24.1%
320	Tarmac Ltd	18.1%	-8.1%	-8.1%	-8.1%	10.0%	10.0%	10.0%
388	Change Grow Live	21.5%	-	-	-	21.5%	21.5%	21.5%
389	Framework Housing Association	20.7%	-1.7%	-1.7%	-1.7%	19.0%	19.0%	19.0%
400	Mellors Catering Service Ltd (Arnbrook)	23.3%	-	-	-	23.3%	23.3%	23.3%
402	Innovate Services Limited	28.9%	-10.5%	-10.5%	-10.5%	18.4%	18.4%	18.4%
406	East Midlands Crossroads - Caring for Carers	22.0%	-12.0%	-12.0%	-12.0%	10.0%	10.0%	10.0%
408	Inspire	22.3%	-2.9%	-2.9%	-2.9%	19.4%	19.4%	19.4%
409	Arc Property Services Partnership Ltd	19.6%	£5,630	£5,840	£6,070	19.6% plus £5,630	19.6% plus £5,840	19.6% plus £6,070
410	Via East Midlands	20.9%	-	-	-	20.9%	20.9%	20.9%
440	Parkwood Leisure Limited (Rufford Abbey Country Park)	25.1%	£15,500	£16,100	£16,700	25.1% plus £15,500	25.1% plus £16,100	25.1% plus £16,700
452	Fitzroy Support	24.0%	-	-	-	24.0%	24.0%	24.0%
453	Aspens Services Limited (The Becket School)	20.0%	0.8% plus £1,440	0.8% plus £1,500	0.8% plus £1,560	20.8% plus £1,440	20.8% plus £1,500	20.8% plus £1,560
454	Aspens Services (St Edmund Campion)	24.4%	£5,270	-	-	24.4% plus £5,270	24.4%	24.4%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
455	Aspens Catering Services (St Patrick's Catholic Primary)	25.8%	-2.6%	-2.6%	-2.6%	23.2%	23.2%	23.2%
482	Nottingham City Homes (Telecare services)	25.7%	-	-	-	25.7%	25.7%	25.7%
493	Royal Society for the Protection of Birds	25.4%	£1,360	£1,420	£1,470	25.4% plus £1,360	25.4% plus £1,420	25.4% plus £1,470
507	OCS Group UK Limited (BSF) - Inspired Spaces Nottingham (Projectco1) Limited	24.1%	£1,080	£1,120	£1,160	24.1% plus £1,080	24.1% plus £1,120	24.1% plus £1,160
508	OCS Group UK Limited (Farnborough) - Inspired Spaces Nottingham (Projectco2) Limited	28.7%	£2,320	£2,410	£2,510	28.7% plus £2,320	28.7% plus £2,410	28.7% plus £2,510
510	Churchill Contract Services Limited (George Spencer, Fairfield, Sunnyside and Chetwynd Primary)	23.2%	-	-	-	23.2%	23.2%	23.2%
515	Aspens Services Limited (Newark)	26.2%	£1,450	-	-	26.2% plus £1,450	26.2%	26.2%
517	Aspens Services Limited (Sneinton St Stephen's)	23.1%	-0.7%	-0.7%	-0.7%	22.4%	22.4%	22.4%
522	Cater Link Limited (Diverse)	21.7%	-	-	-	21.7%	21.7%	21.7%
531	Aspens Services Limited (Rosslyn Park)	26.0%	-	-	-	26.0%	26.0%	26.0%
532	Compass Contract Services (UK) Limited (ATT)	28.3%	-	-	-	28.3%	28.3%	28.3%
537	Churchill Contract Services Limited (Nova)	15.4%	-1.2%	-1.2%	-1.2%	14.2%	14.2%	14.2%
538	Mellors Catering Services Ltd	22.0%	-	-	-	22.0%	22.0%	22.0%
539	Accuro FM Limited	23.2%	-	-	-	23.2%	23.2%	23.2%
542	Cater Link Limited (National)	21.9%	-	-	-	21.9%	21.9%	21.9%
543	Aspens Services Limited (Nova)	23.7%	-	-	-	23.7%	23.7%	23.7%
544	Q3 Service Group Limited	27.9%	-11.4%	-11.4%	-11.4%	16.5%	16.5%	16.5%
545	Aspens Services Limited (OLOL)	20.6%	-0.5%	-0.5%	-0.5%	20.1%	20.1%	20.1%
548	Nottinghamshire Sexual Violence Support Services Limited	23.4%	2.1%	2.1%	2.1%	25.5%	25.5%	25.5%

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

27 April 2023

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

REVISION OF FUND STRATEGY DOCUMENTS

Purpose of the Report

1. To propose revised versions of the Administration Strategy, Breaches Strategy, Climate Strategy, Communications Strategy and Plan, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents.

Information

2. Under governing regulations, the Fund is required to 'prepare, maintain and publish' a number of strategy statements. These statements must then be kept under review and, if necessary, revised. Other strategies are produced by the Fund as best practice to confirm and clarify operations and to enable clear communication with employers and members in the scheme.

3. A further review will be required following the publication of the Pension Regulators new code of practice which is expected in the coming months.

4. The Administration Strategy is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. This strategy has been reviewed and no significant changes were required. The updated statement is attached as Appendix A.

5. The Breaches Strategy was created in 2020. This strategy has been reviewed and no significant changes were required. The updated statement is attached as Appendix B.

6. The Climate Strategy was created in March 2021. The strategy has been updated in the current year to to refresh the wording for consistency across the Central Pool and include the findings from the latest section of the IPCC report. The updated statement is attached as Appendix C.

7. The Communication Strategy provides an overview of how the Fund will communicate with its customers (members and employers) and stakeholders. An effective communication strategy is vital for the Fund to meet its objective of providing a high quality and consistent service. This strategy has been reviewed and no significant changes were required. The strategy is attached as Appendix D together with an updated Communications Plan as Appendix E.

8. According to Regulation 58 of the Local Government Pension Scheme Regulations 2013, an administering authority must publish a Funding Strategy Statement (FSS). This requires

revision following the results of each triennial actuarial valuation. This statement is based on a version prepared by the Fund Actuary. The key changes relate to some wording changes for clarification, changes to make explicit some implicit responsibilities, updating for the results of the Triennial Valuation and an explicit section recognising the impact of Climate Risk on funding. The strategy is attached as Appendix F together with its Contribution Review and DDA and DSA appendices which need no changes, but is subject to consultation with employers.

9. The Local Government Pension Scheme (Administration) Regulations 2013 require publication of a governance compliance statement. This statement has been reviewed and updated to reflect the changes in the membership of the committee. The updated statement is attached as Appendix G.

10. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Investment Regulations") govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review and if necessary revise its investment strategy at least every 3 years.

11. The main update relates to the changes to asset allocation and the wording of the Fund's Responsible Investment beliefs which were discussed at the January Working Party and approved at the March committee meeting. The Aims and Purpose of the Fund section has been amended to make it consistent with the Funding Strategy Statement and references to the most recent triennial valuation reflect the results of the March 2022 valuation. Paragraph 40 about illiquid investments has been reworded to improve clarity. The updated Investment Strategy Statement is attached as Appendix H.

12. It is considered best practice for the Fund to have a Risk Management Strategy and Risk Register and to review these on a regular basis. The documents last went to Committee in 2021. No new risks have been added to the risk register, but the risk of resourcing issues has increased slightly reflecting recruitment challenges and key man risks, and the risk of failing to adhere to relevant legislation and guidance has also increased to reflect the increasing requirements of pension schemes. The inherent risk of managing cashflow will gradually increase as the Fund matures, and this has been recognised in the risk register, and the impact of inflation is recognised for its impact on liabilities and employers. The documents have been revised to reflect recent and planned work. The updated Risk Strategy and Risk Register are attached as Appendices I and J.

Other Options Considered

13. It is a requirement that strategy statements are reviewed, so no other options were considered.

Reason/s for Recommendation/s

14. The revised documents reflect the current governance of the Pension Fund and agreed amendments.

Statutory and Policy Implications

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

RECOMMENDATION/S

1) That the revised Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents be approved by the Nottinghamshire Pension Fund Committee.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/04/2023)

16. Nottinghamshire Pension Fund Committee is the appropriate body to consider the content of this report.

Financial Comments (TMR 11/04/2023)

17. 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.

- None

Electoral Division(s) and Member(s) Affected

- All

Local Government Pension Scheme

Nottinghamshire Local Government Pension Fund

Joint Administration Strategy

and

Service Level Agreement

Amended: March 2023

NOTTINGHAMSHIRE PENSION FUND

administered by

Nottinghamshire County Council

Contents

1.0 Introduction

An administration strategy as allowed for by the Local Government Pension Scheme, is seen as one of the tools which can help in delivering a high-quality administration service to the scheme member and other interested parties. Delivery of a high-quality administration service is not the responsibility of one person or organisation but is the joint working of a number of different parties.

The following is the Pension Administration Strategy of the Nottinghamshire Fund, administered by Nottinghamshire County Council (the administering authority).

The aim of this strategy statement is to set out the quality and performance standards expected of:

1. Nottinghamshire County Council in its role of administering authority and scheme employer
2. All other scheme employers within the Nottinghamshire Pension Fund.

It seeks to promote good working relationships, improve efficiency, and enforce quality amongst the scheme employers and the administering authority.

From 1 April 2015 the Pensions Regulator (TPR) took responsibility for setting the standards of administration and governance requirements on all administrative aspects of the Local Government Pension Scheme (LGPS).

In addition, the Nottinghamshire Local Pension Board has now been established to provide an independent scrutiny role which will assist the Nottinghamshire Pension Fund to achieve regulatory compliance, effective and efficient administration, and governance of the pension fund.

2.0 Background

The LGPS represents a significant benefit to scheme members. Much of the success in promoting the scheme to members and ensuring a high-quality service depends upon the relationship between the administering authority and scheme employers in the day-to-day administration of the scheme.

The administering authority also reminds or alerts employers to the value of the LGPS, thereby helping with recruitment, retention, and motivation of employees.

The fund comprises of over 281 scheme employers with active members, and approximately 149,515 (in March 2022) scheme members in relation to the Local Government Pension Scheme (LGPS).

The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between the administering authority and scheme employers.

3.0 Strategic aims

The aim of this strategy is to continue progress towards a seamless, automated pension service, employing appropriate technologies and best practice which both significantly improve the quality of information overall and the speed with which it is processed to provide better information for scheme employers and stakeholders and a more efficient service to members. It outlines, in conjunction with the Pension Administration Service Level Agreement as attached, the quality and required performance standards of all funds, scheme employers and admission bodies within the fund.

This strategy is designed to move towards the highest standards of administration through the most efficient and cost-effective practices, thereby ensuring a consistent approach to pension administration across all scheme employers in partnership with the fund so that all scheme members ultimately receive the highest standard of service in the most efficient and effective way possible.

4.0 Regulatory framework

The development and implementation of an Administration Strategy is part of the regulatory framework of the Local Government Pension Scheme Regulations 2013. These provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

Regulation 59 (1) enables an LGPS administering authority to prepare a document ("the Pension Administration Strategy") which contains the following:

- procedures for liaison and communication with their relevant employing authorities
- the establishment of levels of performance which the administering authority and the relevant employing authorities are expected to achieve in carrying out their functions under the LGPS by:
    - the setting of performance targets
    - the making of agreements about levels of performance and associated matters
    - such other means as the administering authority considers appropriate
- procedures which aim to secure that the administering authority and the relevant employers comply with the statutory requirements in respect of those functions and with any agreement about levels of performance
- procedures for improving the communication of information by the administering authority and the relevant employing authorities
- the circumstances in which the administering authority may consider giving written notice to a relevant employing authority on account of that employer's unsatisfactory performance in carrying out its functions under these regulations when measured against levels of performance
- such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, Regulation 59(6) of the administration regulations also requires that where a Pension Administration Strategy is produced, a copy is issued to each of the relevant employing authorities as well as to the Secretary of State. Similarly, when the strategy is revised at any future time the administering authority (following a material change to any policies contained within the strategy) must notify all of its relevant employing authorities and also the Secretary of State.

It is a requirement that, in preparing or revising any Pension Administration Strategy, the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate.

In addition, Regulation 70 of the Administration Regulations allows an administering authority to recover additional costs from a scheme employer where, in its opinion, the costs are directly related to the poor performance of that scheme employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that the additional costs should be recovered and, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement and the Service Level Agreement, sets out the requirements of regulation 59(1). They form the basis of the day-to-day relationship between the Nottinghamshire Pension Fund and scheme employers. They also set out the circumstances under Regulation 70 where additional costs are incurred as a result of the poor performance of a scheme employer, together with the steps that would be followed before any such action were taken.

5.0 Nottinghamshire Local Pension Board

The Nottinghamshire Local Pension Board was appointed in April 2015 to assist Nottinghamshire County Council, as administering authority, in securing compliance with legislation and any requirements imposed by the Pensions Regulator. The Board also assists in ensuring effective and efficient governance and administration of the scheme are achieved.

6.0 Key objectives

The key objectives of this strategy are to ensure that:

- the Nottinghamshire Pension Fund and Scheme employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Pensions Administration Service Level Agreement attached to this document)
- the Nottinghamshire Pension Fund operates in accordance with LGPS Regulations and is aligned with the Pensions Regulator’s requirements by demonstrating compliance and scheme governance

- communication processes are in place to enable both the fund and scheme employers to engage with each other proactively and responsively through the new website and the Employer Support and Compliance Team
- accurate records are maintained for the purpose of calculating pensions entitlements and scheme employer liabilities, ensuring all information and data is communicated accurately, on a timely basis and in a secure and compliant manner
- the fund and scheme employers have appropriate skills, and that training is in place to deliver a quality service and advise scheme employers on the changing pensions agenda.
- standards are set and monitored for the delivery of specified activities in accordance with LGPS Regulations standards as set out in the Pension Administration Service Level Agreement attached to this document.

7.0 Establishing levels of performance.

Performance standards

The LGPS prescribes those certain decisions are taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Nottinghamshire Pension Fund should agree levels of performance between itself and the scheme employers. These are set out in the Service Level Agreement which is appended to this strategy statement.

8.0 Quality

Legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including:

- Pension Act 1995 and associated disclosure legislation
- Freedom of information Act 2000
- Age Discrimination Act 2006
- Data Protection Act 1998
- Equality Act 2010
- Finance Act 2004and
- Health and Safety legislation.
- General Data Protection Regulations (GDPR) 2018

Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the following sections.

9.0 General Data Protection Regulations (GDPR)

On 25 May 2018 the EU's General Data Protection Regulation (GDPR) comes into force containing new standard of protection of individual's personal data in the European Economic Area. The change will impact on the way pensions scheme can lawfully collect, use, retain and share information. GDPR applies to organisations that handle the personal data of EU residents and will replace the UK's Data Protection Act 1998 (DPA)

10.0 Administration standards

Both the administering authority and scheme employers will ensure that all tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the information provided on the LGPS website
- work is to be completed in the required format, using the appropriate forms contained on the LGPS Website
- information to be legible, accurate and in the required format
- communications to be easy to read and understand
- information provided to be checked for accuracy
- information to be authorised by an agreed signatory in line with the scheme employers audit requirements
- actions are carried out, or information is provided, within the timescales set out in this strategy and Service Level Agreement document.

11.0 Performance standards

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme sets out a number of requirements for the administering authority and scheme employers to provide information to each other, regarding scheme members and prospective scheme members, their dependents, and/ or other regulatory bodies. Within the Service Level Agreement performance standards have been set which cover all aspects of the administration of the scheme, and where appropriate go beyond the overriding legislative requirements.

For the avoidance of doubt "accuracy" in this strategy is defined as when the administering authority has received a fully completed form with no gaps in mandatory areas and with no information which is either contradictory within the document or which requires clarification.

The timeliness relates to a date of event being either the date the member started or left the Nottinghamshire Pension Fund or any other material change that affects a scheme member's pension record.

12.0 Procedures for compliance

Compliance is the responsibility of the administering authority and scheme employers. The Nottinghamshire Pension Fund, Employer Support and Compliance Team will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this administration strategy. The Pensions Administration Team will also work with employers to ensure that overall quality and timeliness is continually improved. Various methods will be employed, in order to ensure such compliance and service improvement, these will include:

- audit
- performance monitoring

In addition, where there is a failure of statutory compliance the Pensions Manager is required to update and inform the Pensions Regulator.

13.0 Liaison and communication

13.1 Authorised contact for employers

Each employer will nominate a contact to administer the five main areas of employer responsibilities within the LGPS as follows:

- a strategic contact for valuation, scheme consultation and, discretionary statements
- an internal disputes resolution procedure lead officer for stage 1
- an administration contact for day-to-day administration of the Nottinghamshire Pension Fund, undertaking the completing of forms and responding to day-to-day queries
- a year end activity lead officer.
- a finance contact for completion and submission of the monthly postings and co-ordination of exception reports.

All nominated officers will have access to the employer’s area of the Nottinghamshire Pension Fund website and as services change access to the employer’s portal of the pension fund administration system once implemented (projected date April 2017).

It is the responsibility of the scheme employer to ensure that the nominated officers are trained appropriately in their responsibilities.

13.2 Liaison and communication with employers

Nottinghamshire Pension Fund will provide the following contact information for employers and their members:

- a contact point for regulatory advice, guidance, and administration queries
- an Employer Support and Compliance Team for advice and guidance with monthly returns process

- a helpline for members at certain points in the year e.g., helpline for ABS queries
- an e-mail address (generic)
- pension fund access 8:00am to 5:00pm Monday to Thursday and 4:30pm Friday (face to face, telephone, and e-mail for both – scheme members and employers)
- website availability with employers and members area
- employer and member information and forms available on the website
- annual year end briefing for year-end activities
- Pension Fund Annual General Meeting.

14.0 Improving employer performance

The Employer Support and Compliance Team will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the opportunity for necessary training and appropriate advice.

Where persistent and ongoing failure has been identified and no improvement is demonstrated by an employer, the following sets out the steps that will be taken to address the situation in the first instance:

- the Pensions Team will contact and/ or meet with the employer to discuss the area(s) of concern and how they can be addressed
- where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, the Pensions Team will issue a formal written notice to the employer setting out area(s) of poor performance that has been identified and, the steps taken to resolve it. The letter will provide notice that the additional costs are now to be reclaimed.
- Nottinghamshire Pension Fund will clearly set out the calculations of any loss or additional costs, taking account of time and resources in resolving the specific area of poor performance
- Nottinghamshire Pension Fund will make a claim against the scheme employer, setting out the reasons for doing so, in accordance with the regulations.

15.0 Circumstances where the Administering Authority may levy costs associated with the Employing Authority's poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs, they must give written notice stating:

- the reasons in their opinion why the scheme employer's poor performance has contributed to the additional cost
- the amount of the additional cost incurred
- the basis on how the additional cost was calculated and
- the provisions of the Pension Administration Strategy relevant to the decision to give notice.

16.0 Circumstances where costs might be recovered

Any additional costs to the Nottinghamshire Pension Fund in the administration of the LGPS that are incurred as a direct result of poor performance will be recovered from the scheme employer. The circumstances where such additional costs will be recovered from the scheme employer:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets
- failure to deduct and pay over correct employee and employer contributions to the Nottinghamshire Pension fund within stated timescales
- instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman, or other regulatory body.

17.0 Calculation of costs incurred

For a persistent failure to resolve an isolated case satisfactorily the Fund will recharge costs from the point in time at which a formal letter is issued to the scheme employer until the case is resolved, at a rate of £37 for each hour an officer spends trying to resolve the matter.

For persistent and ongoing failure to meet targets, following the intervention to assist the employer concerned, the Fund will recharge the additional costs due to the employer's poor performance at the rate of £37 for each hour, see appendix B the schedule of charges which identifies the main employer activities where a charge maybe made for poor performance.

Where the under performance of the scheme employer results in fines and/or additional costs being levied against the Fund, the Fund will recharge the full costs it has incurred to the relevant employer.

18.0 Disputes

The Nottinghamshire Pension Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the pension fund's website. Scheme employers are, however, required to nominate an adjudicator to deal with disputes at stage 1 of the process. Scheme employers are asked to supply the details of their stage 1 adjudicators together with details of their stage 1 Adjudicators as identified in their Discretionary Policy Statements. They should advise the fund immediately of changes made in this regard.

19.0 Consultation

This document and associated SLA has been consulted upon with Nottinghamshire Pension Fund Employers.

20.0 Review process

The Nottinghamshire Pension Fund will review the Administration Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every two years.

Appendix A: Service Level Agreement

Administering Authority duties and responsibilities

The Nottinghamshire Pension Fund Administration Team will ensure the following functions are carried out:

- provide a helpdesk facility for enquiries, available during normal office hours providing a single point of access for information relating to the LGPS. Along with a helpline at certain times of the year e.g., Annual Benefit Statement time
- create a member record for all new starters admitted to the LGPS, based on the information provided by the scheme employer
- collect and reconcile employer and employee contributions
- maintain and update member's records for any changes received by the administration team
- at each actuarial valuation the fund will provide the required data in respect of each member and provide statistical information over the valuation period to the fund actuary so that he can determine the assets and liabilities for each employer
- communicate the results of the actuarial valuation to the fund to each employer
- provide every active, deferred and pension credit member with a benefit statement each year
- provide estimate of retirement benefits on request by the employer
- calculate and pay retirement benefits, deferred benefits, and death in service benefits in accordance with LGPS rules, member's options, and statutory limits on request by the employer
- comply with HMRC legislation.

Discretionary powers

The Nottinghamshire Pension Fund will ensure the appropriate Administration Authority policies are formulated, reviewed, and publicised in accordance with scheme regulations.

Internal Disputes Resolution Procedure (IDRP)

The fund will nominate an adjudicator to deal with appeals at stage one where the appeal is against a decision the Pension Fund has made or is responsible for making.

Fund performance levels

A description of the performance activity and performance action and level of performance is identified in the table below:

Action	Timescale
Publish and review the administration strategy	Within one month of any agreed changes with employers, Pensions Committee, and the Pensions Board
Website	Continual process of updating the members and employers' information
Issue and keep up to date all current forms for completion by either scheme members, prospective scheme members or scheme employers	30 working days of any changes
Issue and update administering authority's discretions within the scheme	Within 30 working days of policy being agreed by the Pensions Committee and the Pensions Board
Notify scheme employers and scheme members of changes to the scheme rules	Within 30 working days of the change(s) coming into effect. Subject to receipt of statutory guidance
Notify scheme employer of issues relating to scheme employer's poor performance	Within 30 working days of performance issue becoming apparent
Notify scheme employer of the decision to recover additional costs associated with the scheme employer's poor performance	Within 10 working days of scheme employer failure to improve performance, as agreed
Issue annual benefit statements to active members as of 31 March each year	By the following 31 August subject to receipt of full and correct information from employers
Issue annual benefit statements to deferred benefit members as of 31 March each year	By the following 31 August. Subject to full and correct information from employers
Issue pension saving statements to active members who breach the Annual Allowance threshold as of 5 April and to members who request such	By the following 6 October
Provide a helpline and telephone service to support members enquiries and questions	Ongoing and additional specific helpline at certain times of the year

Fund administration task	Timescale
Make available formal valuation results (including individual employer details)	10 working days from receipt of final certified results from fund actuary
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the fund	Referral to the fund actuary within one month from receipt of all required data from the scheme employer
Arrange for the setting up of separate admission agreement, where required (including the allocation of assets and notification to the Secretary of State)	Within three months of agreement to set up such funds
All new admitted bodies to be required to undertake a risk assessment and to put in place a bond or alternative security to protect other scheme employers participating in the pension fund	To be completed before the body can be admitted to the Fund
All admitted bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the pension fund	Annually, or such other period as may be agreed with the administering authority

Scheme administration task	Timeline
New Starters – make all administration decisions in relation to a new scheme member	Within two months from receipt of all necessary information.
General enquiries - provide a response	10 days from receipt of all necessary information.
Provide transfer in quote to scheme member	Two months from receipt of all the necessary information
Confirm receipt of transfer in payment and update pension record	One month from receipt of all necessary information. Scheme member responsibility to chase the transfer.
Arrange for the transfer of scheme member additional voluntary contributions into in-house arrangement	Two months from receipt of all necessary information.
Provide requested estimates of benefits to employees/ employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy, or business efficiency	Two months from receipt of all necessary information Subject to the demands of the service, prioritisation, and statutory requirement to provide information'
Notify leavers of deferred benefit entitlements	Within two months of receipt of all necessary information.
Details of transfers out quotation	Within two months of receipt of all necessary information
Payment of transfers out	One Month from receipt of all necessary information
Notify retiring employees of options following request from member (as per retirement pack)	One month of receipt of all necessary information
Payment of retirement lump sum and pension	Lump sum paid within 30 days of retirement subject to receipt of necessary information. Pension to be paid in the next available pay run. Into the nominated bank account
Death notifications – issue initial information, requesting certificates	Within 10 working days following notification of death
Notification of survivor benefits	10 working days following receipt of all necessary information
Undertake Life Certificates checks with the DWP Operate the Tell us Once service	Periodic

Scheme employer duties and responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including additional contributions.

The Nottinghamshire Pension Fund is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer at the discretion of the Administering Authority.

In the event of the Nottinghamshire Pension Fund being fined by the Pensions Regulator, this fine will be passed onto the relevant employer where that employer's actions or inaction caused the fine.

Discretionary powers

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees and must provide a copy to the Administering Authority.

Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

Payments and charges

Payments by employing authorities

Employing authorities will make all payments required under the LGPS regulations, and any related legislation, promptly to Nottinghamshire Pension Fund and/or its Additional Voluntary Contribution (AVC) providers (Prudential/Scottish Widows) as appropriate.

Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly posting's submission, the latest date contributions can be paid is the 17th day of the month following the month in which the deductions were made.

AVC deductions

Employers will pay AVCs to the relevant provider by the 17th of the following month of them being deducted.

Payment method

Contributions (but not AVCs) should be paid to Nottinghamshire Pension Fund by BACS payment to Nottinghamshire Pension Fund bank account.

Early retirement and augmentation costs

Employers are required to pay the full early retirement costs within one month of request.

Interest on late payment

In accordance with the LGPS regulations, the Nottinghamshire Pension Fund reserves the right to charge interest on any amount overdue from an employer by more than one month depending on circumstances.

Employer contributions

Employer's contribution rates are not fixed, and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

Actuarial valuation

An actuarial valuation of the fund is undertaken every three years by the fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and deficit payment if appropriate for each employer for the subsequent three years.

Administration charge

The cost of running the Nottinghamshire Pension Fund is charged directly to the fund, the actuary takes these costs into account in assessing employer's contribution rates.

Employer activities

Communication requirements – task	Timescale
Provide and publish policies in relation to all areas where the employing authority may exercise discretion within the scheme. A copy of the policy to be provided to the administrating authority	Within 30 working days of policy being formally agreed by the employer. To be reviewed annually
Provide details of employer and employee contributions	17th of the month following deduction
Respond to enquiries from administering authority	Within 10 working days
Provide year end information for the purposes of annual benefit statements, annual allowance, and lifetime allowance calculations	By 30 April following the year end in the required format (following the implementation of the employer portal information may be provided through the portal by April 2017)
Provide year end information in a valuation year	By 30 April following the year end
Distribute information provided by the Admin Authority to scheme members/potential scheme members which is provided either direct from Pensions Office or where notified through the website	Within 20 days of receipt or notification
Provide new scheme members with scheme information and new joiner forms	At appointment of employee or change in contractual conditions
Inform the Pension Fund of all cases where prospective new employer or admitted body may join the fund	Notify the Pension Fund at least three months before the date of transfer
Payment of additional fund payments in relation to early payment of benefits	Within 30 working days of receipt of invoice from the pension fund/ within timescales specified in each case

Employer responsibilities-task	Timescale
New starters must be notified to the Pensions Office.	10 working days of the scheme member joining.
Arrange for the correct deduction of employee contributions from scheme members pensionable pay on becoming a scheme member	Immediately upon commencing scheme membership either through auto enrolment opting in or change in circumstances.
Reassessment of employee contribution rate in line with employer's policy	Immediately following change of circumstances.
Ensure correct deduction of pension contributions during any period of child related leave, trade union dispute or other forms of leave of absence from duty	Immediately, following receipt of election from scheme member to make the necessary pension contributions.
Commence/amend/cease deductions of additional pension contributions	Commence/ amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member.
Employers are responsible for assessing and reassessing the contribution band that is allocated to an employee	The employer must inform the employee of the band have been allocated on joining the scheme and when they have been reallocated to a different band
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs upon receipt of notification of provider. Pay over contributions to the AVC provider(s) by the 17th of the month following the month of election.
Refund any employee contributions when employees opt out of the pension scheme before three months	Month following month of opt out.
Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member.
Send a completed end of year contribution return to enable the production of annual benefit statements, annual allowance, and lifetime allowance calculations	By 30th April each year (this process will change pending the implementation of an electronic employers' portal)
Provide the administering authority with all material (personal and contract) changes in employee's details	Within 10 days of the change
Provide scheme leavers details to administering authority	Within 10 days of leaving

Employer responsibilities-task	Timescale
Provide retirement notification and pay details. Following the issue of retirement pack to retiring member.	No later than 10 days prior to the date of retirement. In order that all information is in place to allow the processing of retirement benefits.
Provide member estimate details	At the point of request from the member
To have access to an independent medical practitioner qualified in Occupational health medicine, in order to consider all ill health retirement applications as an employer	Within one month of commencing participation in the scheme, and having arrangements in place on an ongoing basis
Appoint a nominated person for stage 1 of the pension dispute process and provide full details to the administering authority	Within 10 working days following the resignation of the current/ new employer to the fund “appointed person”

Measuring performance

Both employer and administering authority performance will be measured and reported to the Pensions Committee and the Pensions Board at regular intervals.

Unsatisfactory performance

Where an employer materially fails to operate in accordance with standards described in this service level agreement, which leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that this extra cost be met by the employer.

Appendix B – Schedule of Charges

Employer Activities	Reason for Charge	Basis of Charge
Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employee, if the total overpaid is more than £50.		Actual amount overpaid (could include Lump Sum and Pension) + admin charge based on the following: £37.00 Total per hour spent. This may also include the cost of other recovery actions (court and legal fees)
Contributions to be paid anytime but latest date by 17th month. (Weekends and bank holidays on the last working day before 17th).	Due by 17th month-late receipt of funds, plus cost of additional time spent chasing payment	Number of day's late interest charged at base rate plus 1%.
Monthly scheme employer contribution return provided at the latest by 17th, errors on the return i.e., employer/employee rate deducted incorrectly, exception reporting errors to be resolved within 2 months	Due by 17th month, any additional work caused by late receipt of information, incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in an admin charged at £37.00 per hour + VAT.
Change in member details to be notified as per the administration strategy for example: - a. New Starters b. Leavers c. Material changes in pension records		Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT
Early leaver's information to be notified as per the administration strategy.		Failure to provide correct information on the appropriate pension admin form, resulting in significant work will result in an admin charge at £37.00 per hour + VAT
Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + Vat
Death in Service Payment	Due within 7 working days of the notification –	Failure to provide appropriate information, resulting in

Employer Activities	Reason for Charge	Basis of Charge
	additional work caused by late receipt of information from employer	significant work will result in an admin charge at £37.00 per hour + VAT
AVC deducted from pay to be paid anytime but latest date by 17th of the month.	Additional investigative work caused through lack of compliance by employer.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT
Re-issue of invoices	Charge based on number of requests	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT
Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + VAT is made.
Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order	The charge is £607 incl VAT. Total payment to be received prior to work being completed.
Miscellaneous items: • Benefit recalculation. • Members file search and record prints. • Supplementary information requests.	Where information is requested by members that is in addition to routine	£37.00 per hour + VAT.

Nottinghamshire County Council

Nottinghamshire Local Government Pension Fund

Policy for Reporting Breaches of the Law

Background

Nottinghamshire Pension Fund ("the Fund") has prepared this document in setting out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator's Code of Practice no 14: Governance and administration of public service pension schemes ("the Code of Practice").

This policy sets out the responsibility of the Pension Committee, officers of Nottinghamshire County Council ("the Council"), and the Nottinghamshire Pension Fund local pension board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund. This policy does not cover the responsibility of other "reporters" (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other "reporters".

This policy will be reviewed and approved by the Pension Committee at least annually. The Pension Committee and Pension Board will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The section 151 and the Monitoring Officer will be responsible for the management and execution of this breaches policy, and will ensure that training on breaches of the law and this policy is conducted for all relevant officers and Pension Committee members, as well as members of the local pension board at induction and on an ongoing basis.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a material breach is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund are expected, indeed required, to take a pro- active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Council, as the scheme manager for the Nottinghamshire Pension Fund, will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

Where a breach has occurred, it should be identified and logged as either an area of non-compliance under the LGPS Regulation, a breach under Pension Law as defined within section 13 of the 2004 Pension Act or the Pension Regulator's Code of Practice 14.

The Pension Committee, officers and the local pension board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council, officers or local pension board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."* In the context of the Local Government Pension Scheme ("LGPS") it can encompass many aspects of the management and administration of the scheme, including, for example, failure:

- to do anything required under the LGPS Regulations.
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice.
- to maintain accurate records.
- to act on any fraudulent act or omission that is identified.
- of an employer to pay over member and employer contributions on time.
- to pay member benefits either accurately or in a timely manner.
- to issue annual benefit statements on time.

What is non-compliance under the LGPS Regulations?

Non-compliance with the LGPS regulations can cover many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS Regulations
- to comply with policies and procedures (e.g. the Funds Statement of investment principles, funding strategy, discretionary policies, etc.);

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Pension Committee members and officers of the Council, as the Scheme Manager.
- Members of the local pension board.
- Scheme employers.
- Professional advisers (including the Fund actuary, benefit consultant, investment

advisers, legal advisers); and

- Third party providers (where so employed).

This policy applies only to Pension Committee members and officers of the Council, and members of the local pension board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other "reporters".

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the

Pensions Regulator. The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law.
- and if so, is the breach likely to be of material significance to the Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behavior.

Where such failings or fraudulent behavior are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Regulator?

The Code of Practice requires that a breach should be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. In any event, where a breach is considered to be of material significance it must be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Regulator, marked as "urgent" in order to draw the Regulator's attention to it

Assessing "reasonable cause"

It is important that the Council and the local pension board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by officers and Pension Committee members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary, benefit consultant or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Pension Committee, officers and local pension board will in all cases consider the following:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law.
- effect – does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example, ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a "traffic light" system of categorizing an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator but should be recorded in the Council's breaches log.

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council must report all such breaches to the Regulator in all cases.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Council will use the Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Regulator immediately.

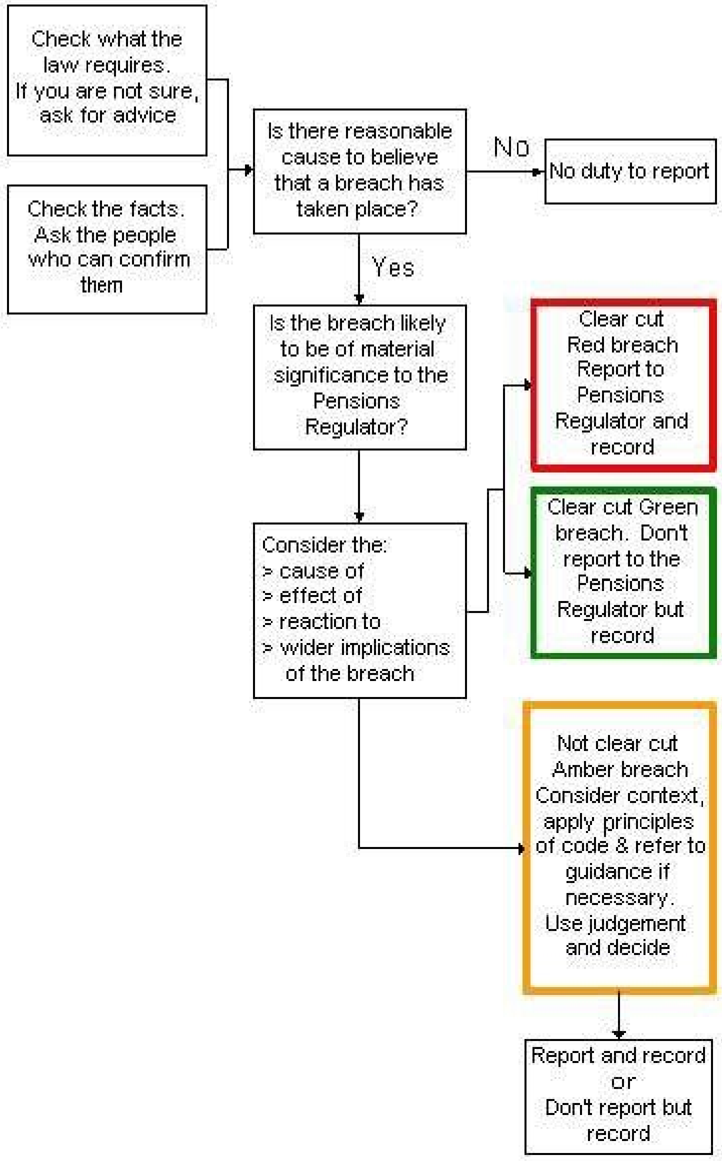
In order to determine whether failure to pay over employee contributions is materially significant or not the Council will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behavior or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager, in consultation with the section 151 and the Monitoring Officer must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



Process for reporting breaches

All relevant officers and Pension Committee members of the Council, as well as all members of the local pension board have a responsibility to:

- identify and assess the severity of any breach or likely breach.
- report all breaches or likely breaches to the section 151 officer and the Monitoring Officer.
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary.
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Committee, local pension board and where necessary the Regulator.

Responsibilities of the responsible officer

The Council's section 151 officer and the Monitoring Officer will be responsible for the management and execution of this breaches policy, and for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Council's breaches log.
- investigate the circumstances of all reported breaches and likely breaches.
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur.
- report to the Pension Committee and local pension board:

  - all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and

  - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The section 151 officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include the Head of Legal Services, the Pension Committee and local pension board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Regulator. Where uncertainty exists as to the materiality of any identified breach the Pension Committee, officers or local pension board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

The section 151 officer and the Monitoring Officer will advise the Chair of the Pension Committee of potential or retrospective breaches of policy. These will also be reported to the Pension Board.

How should a breach be reported to the Regulator?

All materially significant breaches must be reported to the Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

The Council will report all material breaches to the Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the section 151 officer as soon as they are identified. The section 151 officer and the Monitoring Officer will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified.
- name of the scheme.
- name of the employer (where appropriate);
- any relevant dates.
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance.
- whether the breach is considered to be red, amber, or green.
- a description of the actions taken to rectify the breach.
- a brief description of any longer-term implications and actions required to prevent similar types of breaches recurring in the future.

The section 151 officer and the Monitoring Officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator. Any documentation supporting the breach will also be retained.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblower on the part of an employee of the Council, Pension Committee members, officers or a member of the local pension board.

The duty to report does not override any other duties a "reporter" may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists, in exercising this breaches policy the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override 'legal privilege', so certain oral and written communications between the Council or local pension board and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.

Training

The section 151 officer and the Monitoring Officer will ensure that all relevant officers and elected members, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

Appendix A

Example scenarios

Failure to enter employee into the scheme Scenario

It is discovered that a scheme employer has not entered an eligible employee into the LGPS on joining

Steps that might be taken

On the face of it a breach will have occurred, as the scheme employer has failed to do something, they are required to do under the rule of the LGPS. Before deciding to report to the Pensions Regulator it is necessary to consider why this has happened and the steps that are being taken to either rectify the situation and/or ensure it is not repeated. This will include:

- Assessing whether failure relates to a specific employee or is it something more widespread
- Remedying this particular situation immediately
- Understanding if there have been personnel changes at the employer; has this resulted in teething problems during any hand-over?
- If necessary, the Fund could provide training to the employer on its responsibilities to ensure there is no repeated failure

Materiality

When considering if the delay/failure is likely to be of “material significance” you could consider.

- Has the member been denied access to the scheme completely?
- Has the employer failed to respond to the Fund’s enquiries?
- Has the member not been given the opportunity to backdate entry to the scheme and pay arrears?
- Has the employer failed to put in place an immediate plan to remedy any further failures?
- Are more members affected, or is this a one-off?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

Late payment over of contributions Scenario

You have a scheme employer that is late in paying over employee and employer contributions

Steps that might be taken

The reasons for the delayed payment could many, so while a breach has clearly occurred it is important to understand the reasons behind the delay. To do this:

- Contact the employer to assess the reason for the delay
- Investigate what went wrong
- Ensure steps are put in place so as to avoid a repeat in future months
- Record the outcome of your investigation
- Make sure processes are assessed to ensure they pick up any potential fraud

Materiality

While the reason for the delay in paying over contributions might be entirely innocent, it is also possible something more sinister is at play and could be "materially significant". Consider.

- Is the employer unwilling or unable to pay? e.g. due to insolvency
- Is any dishonesty involved on the part of the employer? e.g. using non-payment to ease cash-flow
- Is the employer seeking to avoid paying contributions?
- Does the employer have inadequate processes in place to recover contributions?
- Have contributions been outstanding for over 90 days since being identified?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Late Submission of year-end data Scenario

A scheme employer is late in submitting year-end pay and contribution return in respect of active scheme members

Steps that might be taken

On the face of it this is a breach, but the employer may not necessarily appreciate the significance. Things you might consider doing include:

- Contacting the employer to assess the reason for the non-submission
- Investigating with the employer what went wrong
- Putting in place steps to ensure no repeat
- Recording your investigations

Materiality

Is the delay/failure likely to be of "material significance"? Consider.

- Is the employer unwilling or unable to provide the required data? e.g. are its systems adequate
- Has the employer failed to respondApril 23 to the Fund's enquiries?

- Will the delay impact the issue of annual benefit statements?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Late issue of annual benefit statements Scenario

The Fund is late/fails to issue annual benefit statements to active and/or deferred scheme members within the statutory time limits.

Steps that might be taken

Failure to issue annual benefit statements or delaying their issue is a clear breach. Before reporting to the Pensions Regulator:

- Assess whether failure relates to a specific employer or wider issues
- If there have been system or scheme rule changes, determine whether teething problems have contributed to the delay/failure
- Put in place steps to ensure statements are issued within a reasonable timescale
- Put in place steps to ensure no repeat
- Record your investigations

Materiality

Is the delay/failure likely to be of "material significance"? Consider.

- Is the breach resulting from employer failure to provide year-end data?
- Has the employer failed to respond to the Fund's enquiries?
- Has there been a failure on the part of the Fund to have a proper plan in place for the ABS project?
- Has the Fund failed to put in place an immediate plan to remedy any delay/failure?
- Will the delay impact on the member's actual benefits?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Late notification of leaver/retirement details Scenario

A scheme employer fails to provide the Fund with the necessary leaver/retirement notifications

Steps that might be taken

On the face of it a breach will have occurred, as the scheme employer has failed to do something, they are required to do under the LGPS Regulations. Before deciding to report to the Pensions Regulator it is necessary to consider why this has happened and the steps that are being taken to either rectify the situation and/or ensure it is not repeated.

- Assess whether failure relates to a specific employee or is it something more widespread
- Remedy this particular situation immediately
- If there have been personnel changes at the employer, has this resulted in teething problems during any hand-over
- If necessary, the Fund could provide training to the employer on its responsibilities to ensure there is no repeated failure

Materiality

Is the delay/failure likely to be of "material significance"? Consider.

- Has the employer failed to respond to the Fund's enquiries?
- Has the failure delayed the assessment and notification/payment of retirement benefits?
- Has the scheme member been denied access to investment opportunities due to the failure?
- Has the failure led to financial hardship for the member?
- Has the Fund failed to put in place an immediate plan to remedy any delay/failure?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Failure to declare potential conflict Scenario

A Pension Committee or Pension Board member fails to declare a potential conflict of interest in relation to an issue for discussion or decision, which has later come to light

Steps that might be taken

It is a requirement to declare conflicts of interest, so a breach will have occurred. Before deciding whether to report to the Pensions Regulator:

- Determine why the conflict of interest was not reported at the outset
- Consider what impact it had on the eventual discussions or decision
- Draw attention of all Committee and Board members to the Council's conflicts of interest policy
- Consider revisiting the discussion or decision, excluding the individual concerned
- Remove the individual from the Pension Committee or Pension Board if considered their omission was of such significance as to lead to a loss of confidence in the public office

Materiality

Is the non-disclosure likely to be of "material significance"? Consider.

- Has the individual used the situation to their advantage?

- Has the individual had their judgement swayed by the apparent conflict of interest?
- Would the removal of the individual from the discussions/decision have altered the eventual outcome?
- Would the non-disclosure in this situation lead to a loss of confidence in the public office?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Nottinghamshire County Council Pension Fund Climate Strategy

1. Introduction

As the world faces the escalating impacts of climate change, urgent action is required to limit the worst effects of global warming. The recently released Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) has made it clear that we need to act now to limit global warming to 1.5 degrees Celsius. In order to achieve this, greenhouse gas emissions must peak no later than 2025 and be reduced by almost 50% from 2010 levels by 2030, and reach net zero around mid-century.

The Fund supports the finance industry's role in transitioning to a low-carbon economy through our climate strategy. We seek sustainable markets that create long-term value and returns. Climate change is a risk that can't be fully diversified, and how companies and policymakers respond to it will likely affect profits and returns. The Fund takes a holistic approach to managing this risk through portfolio construction, engagement, and policy advocacy for a low-carbon economy.

2. Governance of Climate Change Risk

The Pension Fund Committee is responsible for approving the Fund's policies and procedures including the Fund's Climate Strategy. Responsibility for the implementation of the Strategy is held by the Service Director for Finance, Infrastructure and Improvement, the Group Manager Financial Services, and the Senior Accountant Pensions and Treasury Management. The Pension Fund Committee will review the strategy on an annual basis. This will be scheduled to coincide with the annual update of carbon risk metrics. Committee members receive training on climate change annually to help them discharge their responsibilities.

As a primarily externally managed Fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers, with oversight from the Fund Officers. Where appropriate, LGPS Central assists the Fund in assessing and managing climate-related risks.

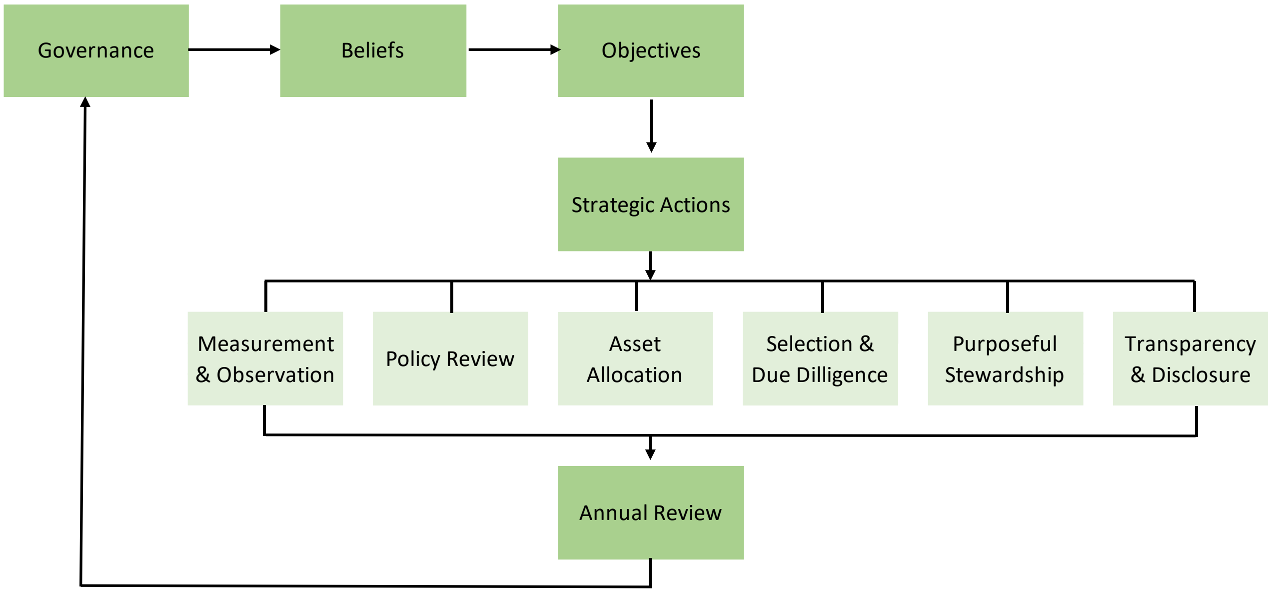


Figure 1: Depiction of the Climate Strategy

3. Evidence-based beliefs related to climate change

1. As a result of anthropogenic activities, the world is warming at an unsustainable rate. Already the world is approximately 1.1°C warmer than pre-industrial levels. Unabated, such change would be devasting for our way of life.

2. There is overwhelming evidence that climate change is impacting the environment. This will have long-term consequences for our financial system. We hold that the economic damages of climate change will outweigh the costs of precautionary mitigation.

3. Climate change is a financially material risk for the Fund. It has the potential to impact our members, employers and all our holdings across asset classes. Due consideration of climate risk falls within the scope of the Fund's fiduciary duty.

4. Climate change has the potential to impact the funding level of the Fund through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy.

5. The Fund strongly supports the Paris Agreement on climate change.

6. A transition to a low-carbon economy is essential. This requires greenhouse gas emissions to decline to net-zero by 2050. This will happen not only by focussing on the suppliers of energy but the demand for energy must also undergo a major transformation.

7. All companies should align their business activities with the Paris Agreement on climate change. It is possible for a high-emitting company to undergo this transformation and thrive in the transition to a low-carbon future.

8. Investors have an important role to play in the transition to a low-carbon economy. We would be less likely to realise a Paris-aligned energy transition were investors to cease influencing company behaviours.

9. A global co-ordinated response is needed to limit the rise in temperatures. No individual investor is influential enough to act alone. Governments, policy-makers, consumers, companies and investors all have a role to play. Acting in collaboration will increase the likelihood of an orderly transition to a low-carbon economy.

10. Climate-aware decisions are most effectively made with accurate, relevant, complete, and comparable data.

4. Climate-Related Objectives

Climate Risk Assessment:

Conduct thorough assessments of climate risks and opportunities for the Fund's investments, including both transition risks (such as policy and regulatory changes) and physical risks (such as extreme weather events).

Climate-Aware Portfolio Management:

Ensure that the Fund's investment portfolio, including existing assets and future acquisitions, is resilient to climate change impacts by considering material climate-related risks and opportunities in the Fund's investment decision-making process. This includes climate change integration in the selection and due diligence of assets, as well as continuous monitoring of assets to ensure that they remain aligned with the Fund's climate objectives.

Engagement with Companies:

Engage with companies in the Fund's portfolio to encourage them to reduce their greenhouse gas emissions and improve their climate resilience.

Carbon Footprinting:

Measure and disclose the carbon footprint of the Fund's investments to better understand the Fund's exposure to climate risks and opportunities.

Stewardship:

Use the Fund's shareholder influence to advocate for more sustainable business practices and policies, such as setting emissions reduction targets, reporting on climate risks, and integrating climate considerations into corporate governance.

Policy Advocacy:

Advocate for public policies that support the transition to a low-carbon economy, such as carbon pricing, renewable energy incentives, and energy efficiency standards.

Education and Communication:

Educate stakeholders on the importance of addressing climate change and the Fund's efforts to manage climate risks and opportunities, while being transparent about the Fund's approach to climate change.

5. Strategic Actions

5.1 Measurement & Observation

The Fund will make regular measurements and observations on the climate-related risks and opportunities relating to our Fund. This includes:

- An annual carbon risk metrics assessment of the Fund's listed equities and fixed income assets.
- A triennial economic assessment of the Fund's asset allocation against plausible climate-related scenarios
- Monitoring the likelihood of different climate scenarios, drawing on the Fund's suppliers and advisers
- Identification of the greatest climate-related risks to the Fund.

The Fund aims to use the best available tools and techniques to analyse climate-related risks and opportunities the Fund is exposed to. It is recognised that certain methodologies are in the early stages of development, including measuring Fund alignment with the Paris Agreement. As such, efforts to develop credible methodologies will be supported.

5.2 Asset Allocation

Where permitted by a credible evidence base, climate change factors will be integrated into reviews of our asset allocation, subject to the requirements of the Investment Strategy Statement and Funding Strategy Statement. This includes exploring potential investments in sustainable private equity, green bonds and low-carbon passive equities. The Fund will also consider additional allocations to Global Sustainable Equities and Infrastructure.

That Members use the Climate Strategy as a means to consider divestment from fossil fuels.

5.3 Selection and Due Diligence

In the selection and due diligence of new funds material climate-related risks and opportunities will be considered, alongside the manager's approach to managing climate risks.

The Fund's expectations on climate risk management will be specified in investment mandates, investment management agreements and other relevant documentation.

5.4 Purposeful Stewardship

The Fund will monitor engagement with its investee companies and portfolio managers through its Climate Stewardship Plan (Appendix 1). The Fund will report progress against its Climate Stewardship Plan on an annual basis. (It should be noted that although the Climate Stewardship Plan is new, some of the activity within it already takes place as part of the ongoing risk management of the Pension Fund.)

Appointed investment managers will be regularly monitored to ensure climate-related risk is fully integrated into the investment process. The Fund will make use of the IIGCC's "addressing climate risks and opportunities in the investment process" as an aid. In addition, the Fund will:

- Discuss with equity managers the influence of climate factors on their sector positioning
- Discuss with real asset managers their physical risk resilience and GRESB (Global Real Estate Sustainability Benchmark) participation
- Engage corporate bond managers on their approach to assessing climate risk within their portfolios in the absence of reported GHG emissions data

Through LGPS Central, the Fund will join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies.

The Fund will make will use of voting rights and will co-file or support climate-related shareholder resolutions where appropriate.

5.5 Transparency & Disclosure

The Fund will prepare and disclose a Taskforce for Climate-related Financial Disclosures (TCFD) report annually, which will include carbon risk metrics.

The Fund will report progress on the annual Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.

A summary of voting and engagement activities will be published in the Annual Report, along with a summary of the Fund's Climate Risk Report in a manner consistent with the TCFD Recommendations.

Appendix 1: Climate Stewardship Plan

The Climate Stewardship Plan identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan is based on the findings of the Fund's Climate Risk Report.

Part 1: Company Engagement

The Fund will continue to monitor engagements with a focussed list of investee companies across materials, energy and mining sectors that face a high level of climate risk and are of particular significance to the Fund's portfolio. All of these companies are captured by the Climate Action 100+ (CA100+) engagement project[1], in which our pooling company LGPS Central is an active participant.

In leveraging this investor partnership the Fund is able to engage and monitor progress for the focus list companies against the CA100+ Net Zero Benchmark Framework. All companies have been asked to set a a 2050 net zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long term. Each company is assessed against eight key Framework indicators and the results are made publicly available by CA100+. Company response and engagement progress will feed in to voting decisions undertaken by the Fund. LGPS Central will provide an annual update on engagements on the investee companies listed in the Fund's Climate Stewardship Plan. The Fund will continue to engage investee companies on all elements of the CA100+ Framework but with particular emphasis on:

Company	Sector	Issue/Objective
BHP	Materials	• For BHP to suspend memberships from any association that is not aligned with their own climate change goals • For BHP to establish clear short-, medium- and long-term GHG reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory
BP	Energy	• Achievement of the high-level objectives of the CA100+ initiative • To duly account for climate risks in financial reporting
CRH	Materials	• Improved disclosure around its membership and involvement in trade associations engaged in climate issues • More robust reporting of Scope 1, 2 and 3 emissions

[1] Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

		• Increased development of activities focusing on low-carbon cement solutions
ExxonMobil	Energy	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework
Glencore	Materials	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark
Rio Tinto	Diversified Mining	• Achievement of the high-level objectives of the CA100+ initiative
Shell	Energy	• To set and publish targets that are aligned with the goal of the Paris Agreement • To fully reflect its net-zero ambition in its operational plans • and budgets • To set a transparent strategy for achieving net-zero emissions by 2050
Total	Energy	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework
Anglo-American	Materials	• Achievement of the high-level objectives of the CA100+ initiative

As a result of the Fund's third Climate Risk Report NextEra Energy, Reliance Industries, Cemex and Southern Company were added to the focussed list.

The Fund will continue to monitor identified investment managers to ensure climate-related risk is fully integrated into their investment process. The Fund will engage its managers on the following issues:

Asset Class	Topic
Equities	• The influence of climate factors on sector positioning • Stewardship activities with companies identified in Climate Risk Report
Fixed Income	• Approach to assessing climate risk in the absence of reported GHG emissions data • Engagement with the most intensive carbon issuers • Extent of investment in green bonds
Real Assets	• Physical risk resilience • GRESB participation

Communications Strategy

Nottinghamshire County Council Pension Fund

March 2023

Published by: Nottinghamshire Pension Fund

County Hall

West Bridgford

Nottingham NG2 7QP

Table of Contents

1. Introduction

This is the communication strategy of the Nottinghamshire Pension Fund, administered by Nottinghamshire County Council (the Administering Authority).

This statement provides an overview of how the fund will communicate with its customers (members and employers) and stakeholders. An effective communication strategy is vital for the fund to meet its objective of providing a high quality and consistent service.

Scheme communications are a critical activity; they are the external face of the fund and provide a key link with its customers and stakeholders. The fund has 292 active employers with contributing members and a total membership of over 145,373 scheme members, these members are split into the following categories and with the following numbers of members in each category at January 2020.

Types Of Pension Fund membership	Totals
Active members	44,299
Deferred	62,501
Pensioners	42,715
Total	149,515

The Fund continuously looks at ways to enhance its communications, and this policy statement will be reviewed regularly.

2. Regulatory Framework

This strategy has been produced in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. This regulation states that:

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with-

a) members;
b) representatives of members;
c) prospective members; and
d) Scheme employers

(2) The statement must set out its policy on-

a) the provision of information and publicity about the scheme to members, representatives of members and scheme employers;
b) the format, frequency and method of distributing such information or publicity; and
c) the promotion of the scheme to prospective members and their employers.

The strategy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph (2).

3. Minimum Standards

Under the Occupational Pension Schemes (Disclosure of Information Regulation) 1996, administrators of the Local Government Pension Scheme (LGPS) are required to provide the following:

- A copy of the scheme regulations and any overriding legislation, on request, - either through providing a personal copy, a copy for inspection or details of how to obtain a copy; members, employers, prospective members, their spouses, beneficiaries and recognised trade unions are entitled to this information.
- Basic information about the scheme must be given automatically to every prospective member before starting, or, if this is not practical, within two months of joining. This information must be provided on request – unless issued within the previous 12 months – to current members, prospective members, spouses, beneficiaries and recognised trade unions within two months of receipt of a written request.
- Details of any material changes to the LGPS notified to all members and beneficiaries (except excluded persons, that is, deferred pensioners whose present address is unknown) where possible before the change takes effect. Otherwise the change must be notified not later than three months after it has taken effect.
- An annual benefit statement to all active, deferred and pension credit members.

4. Key Objectives

The Nottinghamshire Pension Fund recognise that communicating with scheme stakeholders and customers is a critical activity for the fund and has established communication practices.

The fund has identified the following key objectives of its communication strategy:

- Provide clear, and timely communication to its customers and stakeholders.
- Recognise the requirement for different methods of communication for different customers and stakeholders.
- Seek continuous improvement in the way the fund communicates.
- Inform customers and stake holders to enable them to make the decisions regarding pension matters.
- Inform customers and stakeholders about the management and administration of the fund.
- Consult major stakeholders about the management and administration of the fund.
- Promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to employers.
- Support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the scheme.
- Treat information security with importance and in line with the current data protection legislation ALONG WITH THE REQUIREMENTS OF THE Pension Regulator.

5. Stakeholders of the Fund

The Strategy outlines the scope of communications and sets out the mechanisms which are to be used to meet those communication needs. The Pensions Office will use the most appropriate communication medium for the audiences receiving information. This may involve using more than one method of communication.

There are several key stakeholder groups with whom the Pensions Office needs to communicate. These are:

a) Active Scheme members
b) Prospective Scheme members
c) Deferred Scheme members
d) Pensioners and dependants
e) Scheme Employers
f) Pension Fund Staff
g) The Pensions Committee and the Pensions Board
h) External bodies

6. Active Scheme members

The Pensions Office have a website containing extensive details of the scheme and the Pension Fund and from where scheme leaflets, forms and guides may be downloaded. There are links on the website to other organisations which are relevant to scheme members, such as contacts for Employers, AVC Providers and bodies that may provide independent help for members.

Communications with pensioners are being continually developed using the website to communicate on pertinent issues, the most current issues relate to such subjects as Finances, Pension Regulator initiatives on Pension Scams, and news relating to AVC Provision by the Fund providers. The Pensions Office also liaises with the Fund's Scheme Employers to ensure that member's information is kept up to date.

The Pensions Office send benefit statements to all active members on an annual basis, subject to the members Scheme Employer providing timely year end information to the Pensions Administration Team. The statements are sent as soon as the year end data is reconciled but before the 31 August which is the statutory deadline.

A dedicated telephone help line has been established and is widely publicised in the Scheme literature.

There are other miscellaneous actions taken for scheme members, such as dealing with specific customer complaints and commendations, and using appropriate process in the tracking and contacting of deferred beneficiaries.

7. Prospective Scheme members

As part of the Government's aim to encourage the public to save for the future, the Pensions Office targets prospective members through scheme employers. This is done by ensuring that all new appointees receive the scheme booklet and are referred to the Fund's website for further information.

There are several factsheets on the website that provide more detail on topics such as increasing benefits and making nominations. These factsheets can be sent out to individual members and are also available to download from the website.

The Pension Fund has two Additional Voluntary Contribution (AVC) providers (Prudential and Scottish Widows) who provide a choice on AVC benefits.

8. Deferred members

A yearly summary of each member's details held including a current valuation of their deferred pension benefits is issued by 31 August each year and sent by post to their home address. This also acts as a prompt to notify the fund of any change of circumstances including current nominations. Undelivered statements which are returned to the fund allow us to trace missing members before their benefits are due for payment.

Deferred members can contact the fund helpline to discuss any issues or specific points regarding membership. The Pensions Office offer information on all aspects of scheme membership and benefits for all active, deferred and pensioner members.

9. Pensioners and Dependants

Pay advice communications are issued in paper copy form to pensioners 4 times a year March to June by the Pension Fund Payroll provider, which is the County Council Payroll Services, this coincides with the annual pension increase and the annual HMRC tax notification changes. Throughout the rest of the year, a pay advice is only sent if the net pension changes by more than £5. Returned pay advice alerts the Fund to a change in circumstances, allowing the fund to trace missing members. Each member also receives a P60 by post by the end of May each year. However, the Payroll provider is now transitioning Pay advice communication to electronic format giving pensioners the opportunity to receive their pay advice online. All new pensioners are being given the option, and communication is being issued to encourage existing pensioners to transition to electronic payslips.

There is a dedicated section on the fund's website that is available for pensioner members. This provides detailed and informative links allowing members to be kept up to date with the latest news and changes. There is also a quick link which allows pensioners to contact the fund using an electronic form.

Pensioners can also send correspondence including changes details, such as address or bank details to both the fund and the pension Payroll by e-mail and post.

10. Scheme Employers

The Pensions Office aims to work in partnership with Scheme Employers to assist them in the application of the Scheme. The Pension Fund attends regular quarterly meetings with District Councils and arranges meetings with other group Employers when required to pass across information and identify and resolve cases. An Administration Strategy is in place with Scheme Employers which includes a Service Level Agreement which outlines the requirements of employers and the Pensions Administration Team.

A password protected section on the fund's website is available for our employers, this provides detailed and informative links allowing employers to be kept up to date with latest news and changes. Electronic copies of all relevant forms, scheme literature, policies and reports are also available to download, along with training documents and tools, plus links to other organisations e.g. Local Government Employers.

Administration forms are available with guidance notes to notify the fund of key events affecting pension benefits.

Annual meetings are arranged inviting employers to enable the fund to update employers on the requirements of the year end activities. There is also a plan of action within the Employer Support and Compliance Team to update scheme employers on their employer responsibilities.

We currently utilise the website to inform our Scheme Employers of their administration responsibilities. This is available on the employer's part of the website.

The Pensions Office uses the 'CIVICA UPM' database to hold member records. Future developments include achieving greater web compatibility and the transmission of data electronically. Following the success of a pilot project on the development of an Employer Portal, the employer Portal is now being rolled out to scheme employers. This development will allow employers to have access through the internet to the pension records of their employees, and will enable employer to undertake a number of tasks, plus provide data to the Pension Fund electronically.

11. Pension Fund Staff

The Pensions Office currently ensures that all new staff receive induction and training, so that they can undertake their duties and responsibilities effectively. The Pensions Office has Team Meetings and Management Team Meetings to discuss issues ranging from planning to communications.

The Pensions website site is also a resource centre for the Administration team as it has links to the National website, and all employer /member documents are available on the site.

12. The Pension Fund Committee and the Pensions Board

The Pensions website contains relevant information for Committee Members and Scheme Employers with regards to information about their respective roles. The development of knowledge and training is also provided by the Fund's Investment & Administration Officers and this is also supplemented by attendance at relevant external training sessions, conferences, and seminars. In addition to the Pensions Committee, following the Public Service Pensions Act 2013 a local Pensions Board has been set up to support the governance and administration of the Nottinghamshire

Pension Fund which helps to ensure effective and efficient governance and administration of the Local Government Pension Scheme. The respective Committee and Pensions Board Members are provided with information and reports on all relevant pension matters as required.

13. External Bodies

The fund communicates with additional external bodies these include:

The Department for Levelling Up, Housing and Communities (DLUHC) who are the owners of the LGPS and are responsible for drafting and laying the LGPS regulations before parliament.

The scheme also communicates with the Department for Work and Pensions (DWP) and communicates in relation to the contracting out details of scheme members and combined pension benefit forecasts.

The Nottinghamshire Pension Fund ensures it pays all benefits in compliance with both the lifetime allowance and annual allowance

The fund is also represented at the East Midlands Pension Officers Group, which meets quarterly to discuss all aspects of the LGPS knowledge sharing and collaborative working are key features of this group's discussion.

The Pension Administration Manager also attends the Pension Managers Group within the Central Pool and supports the Pension Board Chair at various Pension Board Chairs Meetings.

The Pensions Office is a member of the Pensions Administration Benchmarking Club which is run by the Chartered Institute of Public Finance and Accountancy (CIPFA). We provide information on membership numbers and administration costs and subsequently benchmark our costs and service with all members and specified members of the Club.

The Local Government Pension Scheme Advisory Board is a body set up under section 7 of the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 110-113. The purpose of the Board is to be both reactive and proactive. It seeks to encourage best practice, increase transparency and coordinate technical and standards issues across the Local Government Pension Scheme.

The Local Government Association also supports the LGPS through representing employers' interests to Central Government and other bodies on local government pensions policy. There is a dedicated who represent local authorities' interests to Government and provide the secretariat service for the Local Government Pension Committee. They also offer training events in relation to the LGPS, along with Governance arrangements, including the establishment of scheme advisory boards. Finally the LGA Team produce bulletins for pensions' practitioners.

HM Revenue and Customs

The Government Actuaries Department works on behalf of the Government to provide actuarial skills that help decision makers take account of risk and uncertainty. Their mission is to improve the stewardship of Public Sector Finances by supporting effective decision making and robust financial reporting through actuarial analysis, modelling and advice.

14. The General Public

Because the LGPS benefits are underwritten by employers, the good management of the LGPS is relevant to the local population. The primary method of communication with the general public is through the Fund's website. The Fund publishes information about the LGPS and how the scheme is governed.

The Fund's strategies are published on the website including the Fund's approach to the financial risks arising from climate change and responsible investment. An annual TCFD report is provided. The Fund publishes details of its investments and its voting record on a quarterly basis.

Reports to Pension Fund Committee are published on the County Council website. In response to enquiries from the public, the quarterly investment report now includes details of the Fund's investment in Oil & Gas companies, and in sustainable and renewable energy investments.

15. Unscheduled Communication

There will be times throughout the year when the Pension fund will be required to communicate information to fund stakeholders which is unscheduled and ad hoc. This could include changes to LGPS regulations, or other pension information which may have an impact on employers or members of the scheme.

16. Other Relevant Documentation

In addition to the communication documents produced by the Fund explaining the benefits of the LGPS, for Scheme members and employers the Fund publishes several key documents relating to the administration and governance of the Fund. These are as follows: -

a. Funding Strategy Statement

LGPS Regulations require that all Administering Authorities publish a Funding Strategy Statement (FSS). The Fund's FSS sets out our commitment to meeting our liabilities while at the same time maintaining stable employer rates.

b. Governance Compliance Statement

LGPS Regulations require all Administering Authorities to publish a Governance Policy Statement. The fund's compliance statement sets out how it delegates its responsibilities including duties and terms of reference and stakeholder representation.

C. Administration Strategy

LGPS Regulations require the Administering Authority to have a Administration Strategy which details responsibility standards, levels of performance and policies required to deliver statutory requirements for the LGPS and comply with requirements of the Pension Regulator.

17. Equality

Our communications are tailored to the individual needs of our stakeholders. We will make every effort to provide communications to our stakeholders in their preferred language or format on request.

18. Freedom of Information

This communication strategy identifies the classes of information that each Fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act to request any information held by the Fund which is not already made available. Requests should be made in writing to the Pension Administration Manager at the address at the end of this document.

A fee may be charged, and the Fund reserves the right to refuse if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

Contact us:

Tel: 0115 9772727 Option 3

Or Email: lgpensions@nottscc.gov.uk

Or visit our website: http://www.nottinghamshire.gov.uk/npf

Or write to us at:

Nottinghamshire Pension Fund

Nottinghamshire County Council

County Hall

Wet Bridgford

Nottingham

NG2 7QP

Table Showing the Pension Fund Methods of Communication and Key messages			
Target Group	**Method of Communication**	**Frequency**	**Key Message**
Scheme Members **Prospective Scheme members** **Scheme Employers** **Administration Staff** **Other bodies** **General Public**	**Pension Fund Website (new and Updated site)** • **Latest News page** • **Annual Fund Report** • **LGPS guides** • **Fact sheets** • **Pension administration forms** • **Links to National Websites and LGPS information** • **Fund investments** • **Fund voting record**	Continuous development of information to Pension Fund Members	Keep members up to date with scheme details, and changes to legislation. Pension Scams Communications
Scheme Members	• **Annual Allowance By letter to home address**	Annual by 6 October Each Year	Notification of Pensions Input for those members who exceed the standard Annual Allowance
Active and Deferred Pension Fund Members	**Benefit Statements** **Calculations and costings (e.g. Pension Estimates)**	1 Per Year by 31 August	Illustration of pension Benefits. Keep in touch Pension Scam information sent out with benefit statements.
Scheme Pensioners	**Pension Payslips** **Annual Pensioners leaflet**	4 payslips issued : 31 March 30 April 31 May 30 June For New Pensioners Electronic payslips are being made available.	Inform members of their pension benefit paid into their bank account each month. Pension Increase Notifications Pension Scam information
Scheme Pensioners	**Pension P60**	31 May (statutory deadline)	Statutory requirement
Scheme Members benefits (AVC Providers)	**Prudential** • **Statements**	**Prudential** • Calculations and Information on members benefits	

Table Showing the Pension Fund Methods of Communication and Key messages			
Target Group	**Method of Communication**	**Frequency**	**Key Message**
	• **Information on Website** **Scottish Widows** • **E mail communications**	• Pension Portal • Secure E Mail **Scottish Widows** • Secure E mail • Pension Portal • Written Communication	Administering members AVC's
Pension Board Meetings	**Agenda** **Meetings** **Reports** **Presentations**	4 meetings a Year	Information on the Fund Administration
Committee Meetings	**Agenda** **Meetings** **Reports** **Presentations**	6 per year	Reports presented on the Administration of the Pension Fund for decisions by committee.
Pension Fund Annual General Meetings	**Agenda** **Reports** **Presentations**	1 Per Year	To update the Employers and members of the fund on the performance of investments and the administration of the fund.
Scheme Employers	**Ad hoc e-mail alerts** **Year- end briefings** **Meetings with employers when requested.** **Meetings to introduce the McCloud project**	1 set of briefings undertaken each year prior to starting year end activity. liaison meetings arranged with larger employers Meetings being arrange with employers to undertake the McCloud project over the coming year..	Making employers aware of their responsibilities regarding the LGPS. Update on fund developments Involvement in Pension Scam Communications
HMRC	**HMRC Website** **HMRC Portal** **Completion of statutory Forms**	Continuous	Providing statutory information
The Pensions Regulator	**Pensions Regulator Portal**	Required to provide the scheme return on an annual basis.	Providing information as required.

Table Showing the Pension Fund Methods of Communication and Key messages			
Target Group	**Method of Communication**	**Frequency**	**Key Message**
	• **E mails** • **Consultations** • **New code of Practice.** • **Scheme Return** • **Annual questionnaire**	Response to consultations as required Complete the Annual Questionnaire	
LGA	**E mail Notifications** **LGA Website** **Meetings**	Monthly Bulletins Attend Pension Manager Meetings	Updating the Pension Team
External Auditor	**Annual Audit**	Audit Meetings	Undertake the External Audit
East Midlands Pension Managers Meeting	**Agenda** **Meetings** **Reports** **Presentations**	4 Meetings a year	Meet to discuss developments and proposed within the LGPS regulations.
Governance Conference	**Conference**	Annual Conference	Inform members and Trustees of the main topics of development within the LGPS
Fund Staff	**Team Meetings** **Ad hoc Meetings** **Consultation** **Training & Development** **Website Information**	Regular activity	Ensure staff are kept up to date with important information regarding the Service, the employing authority and the world of pensions Feedback on developments
Pension Systems Development (System Provider)	**Attend System User Group Meetings**	4 per year	Pensions Team to keep up to date with system developments.
Pensions Team	**Account Meeting with CIVICA Account Manager**	12 Per Year	Monitor the performance of the Pensions Administration System.

Nottinghamshire County Council Pension Fund Funding Strategy Statement

Introduction

This is the Funding Strategy Statement (FSS) for the Nottinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and describes Nottinghamshire County Council's strategy, in its capacity as Administering Authority, for the funding of the Nottinghamshire County Council Pension Fund ("the Fund").

This statement has regard to the guidance set out in the document "Preparing and Maintaining a Funding Strategy Statement" published by CIPFA in February 2016. The statement also has regard to the Investment Strategy Statement published by the Administering Authority.

The Statement describes a single strategy for the Fund as a whole. The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- Achieve and maintain Fund solvency and long-term cost efficiency at reasonable cost to taxpayers, scheduled, resolution and admitted bodies, and enable contribution rates to be kept as nearly constant as possible where practical; and
- Seek returns on investment within reasonable risk parameters

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits provided under the Regulations

- Meet the costs associated in administering the Fund
- Receive contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the long-term solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures/approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the fund and the long-term cost efficiency of the scheme so far as relating to the pension fund. The review also looks at compliance and consistency of the actuarial valuations.

Key Parties

The key parties involved in the funding process and their responsibilities are as follows.

The Administering Authority

The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:

- Operate the Fund in accordance with the LGPS Regulations
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations
- Invest the Fund's assets, while ensuring cash is available to meet liabilities as and when they fall due
- Pay the benefits due to Scheme members as stipulated in the Regulations
- Take measures to safeguard the Fund against the consequences of employer default
- Manage the actuarial valuation process in conjunction with the Fund Actuary, and enable the Local Pensions Board to review the valuation process as they see fit
- Prepare and maintain this FSS and the Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
- Monitor all aspects of the Fund's performance and funding

- Effectively manage any potential conflicts of interest arising from its dual role as both Administering Authority and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme Employers

In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:

- Collect employee contributions and pay these together with their own employer contributions certified by the Fund Actuary to the Administering Authority within the statutory timescales, including any exit payments on ceasing participation in the Fund
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
- Notify the Administering Authority of significant changes in the employer's structure or membership;

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC)

Fund Actuary

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

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

Funding Strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

Surplus (Deficit)	£9m
Funding level	100%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 19.0% of payroll p.a.

Funding Method

The key objective in determining employer's contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit

- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions, is expected to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the **Error! Reference source not found.** section.

Valuation Assumptions and Funding Model

The value of accrued or past service benefits (allowing for future salary and pension increases) are referred to as the past service liabilities, or simply the liabilities.

Using the valuation assumptions set out below, an estimate is made of the future cash flows which will be made to and from the Fund throughout the future lifetime of existing members. These projected cashflows are then discounted using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows and therefore an estimate of the value of the liabilities, the fund actuary needs to make assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, life expectancy and retirements.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic assumptions which are essentially estimates of the likelihood of benefits and contributions being paid
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value. The base market statistics used for the financial assumptions are smoothed around the valuation date so that the market conditions used

are the average of the daily observations over the three months before and the three months after the valuation date.

A summary of the key assumptions is included in the following table and can be found in the actuarial valuation report as at 31 March 2022. Further details regarding the derivation of these assumptions can be found in the Fund Actuary's initial results and assumptions advice to the Fund dated 25 October 2022

Assumption	Derivation	Value at 31 March 2022
Future Price Inflation (RPI)	Smoothed 20 year point on the Bank of England implied Retail Price Index inflation curve as at 31 March 2019 less 0.7% per annum to reflect the shape of the yield curve and inflation risk premium	3.2% p.a.
Future Price Inflation (CPI)	RPI less 0.35% per annum to reflect the differences in the indices	2.9% p.a.
Salary increases	Assumed to be in line with CPI plus 1.0% p.a.	3.9% p.a.
Discount rate	Based on the long-term investment strategy of the Fund, with deductions for expenses and prudence	4.7% p.a.
Post-retirement mortality	S3PA tables with a multiplier of 115% for males and 110% for females, projected into the future with the 2021 CMI Model with a long-term rate of improvement of 1.25% p.a. a smoothing parameter of 7 and a weighting of 5% on 2020 and 2021	n/a

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future Investment Returns/Discount Rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values. The discount rate that is adopted will depend on the funding target adopted for each employer.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64. The Fund Actuary may incorporate such an adjustment after consultation with the Administering Authority.

The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

Asset Valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgements

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;

- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);

- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);

- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and

- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgment can be found below in the Regulatory risks section.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Deficit Recovery/Surplus Amortisation Periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different from the value of accrued liabilities, depending on how the actual experience of the Fund differs from the actuarial assumptions. Accordingly, the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation reveals a deficit in respect to a particular employer then the levels of required employer contributions will include an adjustment to fund the deficit over a specified period. Each employer's recovery period is considered individually, unless they are part of a pool (see Pooling of Individual Employers). Past service deficit contributions are generally paid as monetary amounts but may be paid as a percentage of payroll, subject to the Administering Authority agreeing this approach. The maximum deficit recovery period is 18 years.

Where an employer's funding position has improved in the inter-valuation period, but the employer is still in deficit, the employer may be required to maintain the previous total contribution level so that the expected deficit recovery period reduces.

Incremental phasing-in (stepping) of contribution increases may be considered for some employer types where proposed increases are large, with target rates to be achieved in no more than 3 years. Where stepping is agreed to, employers are instructed that the difference between the employer contributions with stepping and the employer contributions without stepping will need to be repaid later in the recovery period.

Employers in surplus on their funding method will generally pay the future service rate although the surplus may be released back to the employer through an adjustment to their contribution rate. The Fund Actuary will consider each employer separately when deciding whether surplus amortisation is appropriate.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of the employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Pooling of Individual Employers

The general policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Currently, other than Scheme employers that are already legally connected, there are the following pools:

- Small Scheduled Bodies pool
- Grouped Admission Bodies pool
- Fund Academies pool

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice will be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice will be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate

Contribution payments

Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are payable in 12 equal monthly instalments throughout the relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority. The administering authority has agreed to allow a discount to employers who pay their deficit contributions up front, as long as the payment is received by the end of April in a particular Scheme year (i.e. the discount for the 2023/24 contributions would only apply if the lump sum payment was made by 30 April 2023). Employers must discuss with and gain agreement from the administering authority before making up front payments at the discounted rate.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative guarantee in a form satisfactory to the administering authority.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date, subject to a cap of 100%. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

Any deficit is transferred to the Academy pool and the new academy will become part of the Academy pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academy pool at the 2022 valuation.

Town and Parish councils

Funding at start

On joining the Fund, the new employer will become responsible for all the pensions risk associated with the benefits accrued by transferring members and all future benefits to be accrued. The employer is allocated a share of Fund assets equal to the value of the benefits transferred, The new employer will become part of the Small Scheduled bodies pool and therefore assets will be re-allocated based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new employer joins the Fund will be in line with the contribution rate certified for the Small Scheduled bodies pool at the 2022 valuation. Where an existing employer in the pool no longer has any active members, a contribution rate will continue to be certified such that the employer may re-join at a later date.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy which can be accessed here. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

Cessation Valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It is agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer will transfer within the Fund to another participating employer; or
- the employer's exit is deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Further details are given below.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document here. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate and adopt different assumptions from those used at the previous funding valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

The cessation valuation of the liabilities attempts to ensure there are sufficient assets to meet all the liabilities over time. In the event that the assets of a ceased employer are insufficient to meet all the employer's residual liabilities then these liabilities will fall to the ceding employer who originally awarded the contract.

Exit credits

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers.. These regulations enable administering authorities to determine at their absolute discretion the amount of any exit credit payment due having regard to the following relevant considerations:-

- The extent to which the employer's assets are in excess of its liabilities
- The proportion of the excess of assets which has arisen because of the value of employer's contributions
- Any representations made by the exiting employer and its letting authority/guarantor
- Any other relevant factors.

Nottinghamshire County Council Pension Fund's approach aims to protect the interests of the members and employers as a whole and will apply the following approach to the payment of exit credits.

The extent to which the employer's assets are in excess of its liabilities

The Fund's Actuary will calculate the assets and liabilities relevant to the exiting employer. The approach will depend on the specific details surrounding the employer's cessation scenario. Further details of the most likely approach is given in the section "Cessation Valuations"

The proportion of the excess of assets which has arisen because of the value of employer's contributions

Exit credits will only be paid to employers who can demonstrate that they have been exposed to underfunding risk during their participation. The level of risk that an employer has borne will be taken into account. For example, if an employer participated in the Fund on a pass-through arrangement then no exit payment would have been requested if a deficit existed, and therefore it is not appropriate to pay an exit credit if there is a surplus.

On the other hand, if an employer commenced fully funded and was liable for any deficits arising as a result of adverse experience (for example, investment returns less than anticipated) then this employer has borne risk and so an exit debt or credit would be payable on exit.

Any exit payment will be limited to the total contributions paid over the period of participation into the Fund.

Any representations made by the exiting employer and its letting authority/guarantor and any other relevant factors.

Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and will seek legal advice where appropriate.

The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. If the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Consolidation of Multi Academy Trusts (MATs)

Where an academy is transferring into or out of the Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

The Fund's preference would be for any transfer to include all members, including deferred and pensioner members. Should a situation arise where an academy is transferring out of the Fund and only active members are transferring, the Fund would seek to retain a level of assets to be at least sufficient to fully fund any deferred and pensioner members left behind, as measured by the Fund's ongoing funding basis at the transfer date.

Where the academy is transferring into the Fund, where appropriate, the academy will become part of the Fund's Academy pool. However, the Fund would not accept a transfer in which would lead to a deterioration in its overall funding level, and in particular as a minimum receive a transfer amount that was no less than the equivalent individual CETVs for the transferring members, based on Government Actuary factors in force at the transfer date. The agreed basis of transfer could take into account the funding basis of the Fund and a top up payment could be made to ensure the Fund would not be significantly worse off or be subject to an unacceptable level of risk.

Links to Investment Policy

The investment strategy and the funding strategy are linked by the strategic asset allocation of the Fund, which has been set following advice from the Fund's investment advisor and with regard, amongst other considerations, the maturity profile of the Fund.

The actuarial valuation involves a projection of future cashflows from the Fund and these cashflows are discounted to the current time, using the discount rate, to obtain a single figure for the value of the past service liabilities. This figure is the amount of money, which if invested now, would be sufficient to make those payments in future provided that the assumptions made during the valuation were borne out in practice (in particular, if the future investment return was equal to the discount rate used).

The discount rate is based on the expected long-term future investment return, using the long-term strategic allocation set out in the Investment Strategy Statement, with a deduction for expenses and for prudence. This ensures consistency between the funding strategy and investment strategy.

Risks and Counter Measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial Risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the valuation of the liabilities by 2%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

However, the Nottinghamshire County Council Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from officers and independent advisers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary may provide funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic Risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes as part of the 2022 funding valuation.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements and ill-health retirements. However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios. The principles behind the analysis were agreed with the Government Actuary's Department (GAD).

The results of this analysis demonstrated that the funding strategy agreed as part of the 2022 valuation was sufficiently robust in the context of climate scenario analysis and any potential contribution impacts.

The Fund will continue to assess this risk on a regular basis.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the **Error! Reference source not found.** section below.

Regulatory Risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. Regulations also place certain limitations on how the assets can be invested. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgment but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Cost control mechanism

As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- 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 a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are relatively few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

Employer Risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership
- An individual employer deciding to close the Scheme to new employees
- An employer ceasing to exist without having fully funded their pension liabilities.

The Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Monitoring and Review

This FSS is reviewed formally, in consultation with the key parties as appropriate, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix A

Nottinghamshire County Council Pension Fund

Contribution review policy

April 2023

Contents

Introduction

This document sets out Nottinghamshire County Council Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Nottinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, Nottinghamshire County Council, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rate and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority following advice from the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance, but the timeline below provides a rough guide of the administering authority's general expectation.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the administering authority

Where the review is initiated by the administering authority (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the first stage after the administering authority has conducted its analysis is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 28 days from the later of the date of receipt of the evidence provided by the administering authority and the date of receipt of the results of the formal contribution review to respond to the administering authority on the proposal. Should no challenge be accepted within this period then the administering authority will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge the administering authority's proposal, then the administering authority will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 4 months of the initial proposal, then the administering authority may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

The administering authority will aim to provide an initial response to the Scheme employer within 28 days from the date of receipt. This will depend on the quality of the documents provided and any need from the administering authority to request further information from the Scheme employer. The administering authority will subsequently provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution

- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the administering authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority may monitor the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority may commission an employer risk review report from the Fund Actuary on a regular basis. Through this analysis, the administering authority can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the administering authority.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 12 months preceding the next Rates and Adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new Rates and Adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next Rates and Adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:

    - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
    - The most recent annual report and accounts for the Scheme employer
    - The most recent management accounts
    - Financial forecasts for a minimum of three years
    - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

Assessing the appropriateness of a review

The following general considerations will be taken into account by the administering authority, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the administering authority will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The administering authority will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the administering authority, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the administering authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point. In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy

	Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the administering authority and the Fund Actuary.

Appeals process

1. Any appeal will follow the existing Internal Dispute Resolution Process.

Appendix B

Nottinghamshire County Council Pension Fund

Deferred debt and debt spreading agreement policies

April 2023

Contents

Introduction

This document sets out the Nottinghamshire County Council Pension Fund's policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

Nottinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64B enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 28 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 28 days as per the Fund's Pension Administration Strategy.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;

- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up-to-date with any increases. The administering authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from the employer, please refer to the Fund's internal dispute resolution procedures document.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within 28 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;

- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;

- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement.

The administering authority will monitor a DDA in the following ways:

Changing funding position

The administering authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review, then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrols new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required;

this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 28 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or

- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 28 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Nottinghamshire County Council

Pension Fund
Governance Compliance Statement

April 2023

1. Introduction

1.1 This is the governance compliance statement of the Nottinghamshire pension fund which is part of the Local Government Pension Scheme and administered by Nottinghamshire County Council (the council). The statement has been prepared as required by the Local Government Pension Scheme (Administration) Regulations 2013.

2. Governance Arrangements

2.1 Under the terms of the council's constitution, the functions of the council as administering authority of the pension fund are delegated to the Nottinghamshire Pension Fund Committee. This is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA).

2.2 The Nottinghamshire Pension Fund Committee meets about eight times a year and its members act in a quasi-trustee capacity. Under the constitution, it is responsible for Administering the Nottinghamshire Pension Fund, including investments and management of pension funds.

2.3 The Committee also has responsibility for investment performance management of the Fund Managers. It may appoint a working party to consider future policy and development.

2.4 The Committee has the further responsibility for matters relating to the administration of the Pension Fund.

2.5 The number of voting members of the Nottinghamshire Pension Fund Committee is determined by the Council at its annual meeting.

2.6 The Committee have responsibility for the Fund's Responsible Investment approach, including climate risk management.

3. Functions and Responsibilities

3.1 The Nottinghamshire Pension Fund Committee separately approves the Pension Fund's Funding Strategy Statement, Investment Strategy Statement, Risk Management Strategy, Administration Strategy

Statement, Communications Strategy Statement, Approach to Responsible Investment and Climate Strategy.

3.2 The Funding Strategy Statement sets out the aims and purpose of the Pension Fund and the responsibilities of the administering authority as regards funding the scheme. Funding is the making of advance provision to meet the cost of accruing benefit promises and the long term objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities. These responsibilities are delegated to the Nottinghamshire Pension Fund Committee.

3.3 The Investment Strategy Statement sets out more detailed responsibilities relating to the overall investment strategy of the funds including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also covers the fund’s policy on Member training and expenses and states the fund’s approach to socially responsible investment and corporate governance issues. These responsibilities are delegated to the Nottinghamshire Pension Fund Committee.

3.4 Financial Regulations specify that the Service Director (Finance, Infrastructure & Improvement) is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

3.5 The ‘Approach to Responsible Investment’ sets out the Fund’s responsible investment beliefs and its policy on engagement and the exercise of voting rights. Responsibility for the ‘Approach to Responsible Investment’ is delegated to the Nottinghamshire Pension Fund Committee.

3.6 The Climate Strategy describes the way climate-related risks are managed by the Fund and covers four main elements:

- Governance of climate risk
- Climate-related beliefs
- Objectives
- Strategic actions

3.7 Responsibility for the Climate Strategy is delegated to the Nottinghamshire Pension Fund Committee, who review the document on an regular basis

3.8 The Risk Management Strategy aims to reduce or eliminate risks which may jeopardise the achievement of the Fund’s key objectives. It includes a risk register that identifies and prioritises the main risks to the operation of the fund. Responsibility for the Risk Management Strategy is delegated to the Nottinghamshire Pension Fund Committee.

3.9 The Communications Strategy Statement details the overall strategy for involving stakeholders in the pension funds. The stakeholders identified are:

- trustees
- current and prospective scheme members
- scheme employers
- administration staff
- other bodies.

Responsibility for the communications strategy is delegated to the Nottinghamshire Pension Fund Committee.

4. Representation

4.1 The Nottinghamshire Pension Fund Committee has 11 voting members all of whom are current county councillors. The political make-up of the committee is in line with the current council and the chair is normally appointed by Council. These members have full voting rights.

4.2 In addition the Committee also has 10 members consisting of the following representatives:

- Nottingham City Council (3)
- Nottinghamshire Local Authorities' Association (2)
- Scheduled and admitted bodies (1)
- Trade unions (2)
- Pensioner representatives (2)

4.3 Meetings of the Committee are also attended by officers of the County Council and an independent adviser. This ensures the Committee has access to "proper advice" as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Proper advice is defined as the advice of a person who is reasonably believed to be qualified by their ability in and practical experience of financial matters. This includes any such person who is an officer of the administering authority.

5. Stakeholder Engagement

5.1 An annual meeting of the Pension Fund is held each year to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the Pension Fund.

5.2 A number of other initiatives to involve stakeholders are currently in place including:

- Annual year end employer's meetings
- meetings between employers and actuaries as and when required
- Nottinghamshire Finance Officers meetings

- the annual report for the pension fund
- dedicated pension fund website.

6. Review and Compliance with Best Practice

6.1 This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Pension Fund.

6.2 The regulations required a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. The guidance contains best practice principles and so are shown below with the assessment of compliance.

Ref.	Principles	Compliance and Comments
A	**Structure**	
a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully compliant**
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Fully compliant**
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not applicable**
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not applicable**
B	**Representation**	
a.	That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Fully compliant**
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Fully compliant**
C	**Selection and role of lay members**	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Fully compliant** All members of the Nottinghamshire Pension Fund Committee are aware of their responsibilities for the oversight of the Fund.
D	**Voting**	
a.	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Fully compliant – a full review of voting has been undertaken and will be presented to Committee**

E	**Training/facility time/expenses**	
a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Fully compliant** Members are encouraged to receive suitable training to help them discharge their responsibilities including attending training courses, conferences and meetings. Travel and subsistence arrangements are those which prevail for the County Council.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Fully compliant**
F	**Meetings (frequency/quorum)**	
a.	That an administering authority's main committee or committees meet at least quarterly.	**Fully compliant** The Nottinghamshire Pension Fund Committee meets about 8 times a year.
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Not applicable**
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	**Not applicable**
G	**Access**	
a.	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Fully compliant**
H	**Scope**	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	**Fully compliant**
I	**Publicity**	
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Fully compliant** The governance compliance statement is published on the pension fund website and is included with the relevant committee report (available on the County Council website).

INVESTMENT STRATEGY STATEMENT

Introduction

1. The County Council is an administering authority of the Local Government Pension Scheme (the "Scheme") as specified by the Local Government Pension Scheme Regulations 2013 ("the LGPS Regulations"). It is required by Regulation 53 of the LGPS Regulations to maintain a pension fund for the Scheme.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Investment Regulations") govern the management of the Pension Fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review, and if necessary revise, its investment strategy at least every three years.

3. The investment strategy statement must include:
   a) A requirement to invest fund money in a wide variety of investments.
   b) The authority's assessment of the suitability of particular investments and types of investments.
   c) The authority's approach to risk, including the ways in which risks are to be assessed and managed.
   d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services.
   e) The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
   f) The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

Aims, Purpose and Principles

4. The aims of the Fund are to:
   - Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
   - Achieve and maintain Fund solvency and long-term cost efficiency at reasonable cost to taxpayers, scheduled, resolution and admitted bodies, and enable contribution rates to be kept as nearly constant as possible where practical; and
   - Seek returns on investment within reasonable risk parameters.

5. The purpose of the Fund is to:
   - Pay pensions, lump sums and other benefits provided under the LGPS Regulations.
   - Meet the costs associated in administering the Fund.

- Receive contributions, transfer values and investment income.

6. The following principles underpin the Fund's investment activity:
    - The Fund will aim to be sufficient to meet all its obligations on a continuing basis.
    - The Fund will be invested in a diversified range of assets.
    - Proper advice on diversification and the suitability of types of investment will be obtained and considered
    - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

Key Parties

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

The Administering Authority

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

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

LGPS Central

10. LGPS Central ("the Pool") is the asset pool which Nottinghamshire Pension Fund jointly owns with seven other LGPS funds in order to meet the government's criteria for investment reform issued in November 2015. The Pool has obtained FCA authorisation and manages collective investment vehicles on behalf of the participating funds.

Committee Members

11. The Committee Members recognise their full responsibility for the oversight of the Fund and operate to a Code of Conduct. They shall:
    - Determine the overall asset allocation and investment strategy of the Fund.
    - Determine the type of investment management to be used and, until funds are transferred to the Pool, appoint and dismiss the main fund managers.
    - Receive regular reports on performance from the main fund managers and question them regularly on their performance.
    - Receive independent reports on the performance of fund managers on a regular basis.
    - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.
    - Approve and monitor the Fund's approach to responsible investment and the financial risks of climate change.

Chief Finance Officer

12. Under the Council's constitution, the Service Director (Finance, Infrastructure & Improvement) is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Services) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Day to day implementation of investment arrangements is delegated to the Senior Accountant (Pensions & Treasury Management).

13. Authorised signatories for execution of pension fund investments (including signing on behalf of Pension Fund investments) are:
    - Service Director (Finance, Infrastructure & Improvement)
    - Group Manager (Financial Services)
    - Senior Accountant (Pensions & Treasury Management)
    - Investments Officer

14. Representatives of the Service Director (Finance, Infrastructure & Improvement) provide advice to Committee members and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

15. The Fund has an Independent Adviser who attends meetings of the Nottinghamshire Pension Fund Committee and Pensions Working Party as required. This is considered best practice in accordance with the requirements for "proper advice" in the governing regulations. The Independent Adviser is appointed by the Administrating Authority following appropriate consultation with the Committee.

16. The independent adviser is engaged to provide advice on:
    - The objectives and policies of the Fund.
    - Investment strategy and asset allocation.
    - The Fund's approach to responsible investment.
    - Choice of benchmarks.
    - Investment management methods and structures.
    - Choice of managers and external specialists.
    - Activity and performance of investment managers including the Pool 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.
    - Amendment and review of statutory policy documents.

Asset Allocation

17. It is widely recognised that asset allocation is the most important factor in driving long term investment returns. The balance between different asset classes depends largely on the expected risk/return profile for each asset class and the target return for the Fund. It is also recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers.

18. Employers contributions are determined as part of the regular actuarial valuation of the Fund. Historically these have taken place every three years and the last valuation took

place as at March 2022. The actuarial valuation involves a projection of future cash flows to and from the Fund. Its main purpose is to determine the level of employers' contributions that should ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. This is the main funding objective as set out in the Funding Strategy Statement.

19. The Fund Actuary estimates the future cash flows which will be paid from the Fund for the benefits relating to service up to the valuation date. They then discount these projected cash flows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.

20. The discount rate is based on the expected long term future investment returns from various asset classes. Based on the March 2022 valuation, these are as follows:

Asset class	**Expected return (p.a.)**
Equities	6.9%
Gilts	2.0%
Other bonds	3.4%
Property & infrastructure	6.4%
Cash	1.6%
Inflation linked fund	7.2%
Discount rate	**4.7%**
Fund Target Return	**5.7%**

21. At the March 2022 valuation, the Fund was assessed to have a minimal surplus and a funding level of 100%. Deficit recovery contributions have been certified for the majority of employers but any returns in excess of the discount rate will help to recover the Fund to a fully funded position. The Fund therefore sets its asset allocation to target an annual return rate of 5.7%.

22. The agreed asset allocation ranges for the Fund are shown below, along with the Fund's long term strategic target allocations.

Outcome	**Asset class**	**Allocation ranges**	**Strategic benchmark**	
Growth	Listed and Private Equity	50% to 70%	65% FTSE World ex UK. 35% FT Allshare	60%
Inflation protection (income)	Property, Infrastructure,* Index Linked Gilts and Diversified Growth fund	15% to 35%	CPI	28%
Income only	Fixed income	5% to 15%	FTSE UK All Stock	10%
Liquidity	Cash, short term bonds	0% to 10%	SONIA	2%

*The target allocation to infrastructure is 9.8%.

23. This asset allocation is aimed at achieving appropriate returns to meet the Fund Target Return within acceptable risk parameters. The Fund's actual allocation may vary from this according to market circumstances, relative performance and cash flow requirements. The

ranges will be kept under regular review and, if it appears likely that these limits might be breached because of market movements, reference will be made to a meeting of the Pensions Working Party for advice.

24. The asset allocation currently favours "growth" assets, primarily equities, as they are expected to deliver higher returns to help the Fund achieve the Fund Target Return. The Fund also invests in "income" assets to deliver secure and predictable income over the long term. These may include infrastructure, property and fixed income. Inflation is a long-term risk factor and the Fund explicitly seeks investments in this category which will help to mitigate that. Finally, the Fund allocates to liquid assets such as cash and short-term bonds in order to ensure cash is always available to pay benefits at any time. This allows the Fund to continue to implement a long-term investment strategy.

25. The asset allocation is regularly reviewed to consider whether it is appropriate to change the mix of assets. This was last done in January 2023.

Investment Strategy

Requirement to invest fund money in a wide variety of investments

26. In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.

Types of investments

27. Subject to the LGPS regulations on allowable investments the Fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies, private equity and debt markets, infrastructure and property. Investment may be made either in-house, indirectly (via funds) in physical assets or using derivatives, or through external managers including the Pool. The fund may use external managers to carry out stock lending while ensuring suitable controls/risk parameters are put in place to prevent losses. Where an asset class/strategy is not expected to help in delivering the risk adjusted investment return required it will not be held.

Approach to investment

28. The Fund bases its approach to investment on the investment beliefs set out in Appendix A. As the Pool takes over implementation of the investments, some of them will become less relevant to the Nottinghamshire Pension Fund Committee's decisions but they should be seen as the fundamental core of how the Fund's assets are invested.

Approach to risk, including the ways in which risks are to be assessed and managed

29. The risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to meet the Fund Target Return set out in paragraph 20, currently 5.7%.

30. The risks the Fund is exposed to include investment (including the financial risks of climate change), operational, governance, currency, demographic and funding risks. These risks

are identified, measured, monitored and then managed. Plans are put in place to mitigate these risks so far as that is possible. Details are given in Appendix B.

Approach to pooling investments

31. The Fund entered the Pool with the understanding that it will deliver lower investment costs, greater investment capability, improved ability to act as a responsible investor and access to more uncorrelated asset classes. As a better resourced and FCA authorised and regulated investment manager, LGPS Central Ltd is expected to provide improved governance, transparency and reporting giving the Pension Fund assurance that its investment strategy is being carried out effectively.

32. It is expected that most of the Fund's assets will be transferred to the Pool over a period of time. The Pool is setting up sub-funds which the Fund and other partners expect to invest in. It is likely that this process will take place over a number of years, with the timing being dependent on market conditions and operational circumstances. Where there are financial or other barriers to transfers, assets may remain in the Fund's ownership.

33. Governance of the Pool is primarily through the Shareholders Forum, governed by a Shareholders Agreement and operating under company law, which has formal decision making powers. Nottinghamshire Pension Fund has equal voting rights alongside the other participating funds and unanimous decisions are required on key strategic matters. These are specified in the Shareholders Agreement and Articles of Association, and include the appointment and dismissal of the company's senior executives, approval of the company's strategic plan and any significant financial transactions, such as major acquisitions, lending or borrowing.

34. The degree of control to be exercised by the Shareholders through their reserved powers is greater than is generally the case, in order to satisfy the Teckal exemption criteria and allow the company to undertake services on behalf of the investor funds without a formal procurement process.

35. The Joint Committee, established by an Inter-Authority Agreement, is the forum for dealing with common investor issues and for collective monitoring of the performance of the pool against the agreed objectives of the Pool. However, it has no formal decision-making powers and recommendations require the approval of individual authorities, in accordance with their local constitutional arrangements.

36. The government has made clear their expectation that pooled entities should be regulated by the Financial Conduct Authority (FCA) to ensure appropriate safeguards over the management of client monies. As such LGPS Central Ltd will be subject to ongoing oversight by the FCA and those holding key management positions, including the company directors, need to be approved persons, able to demonstrate appropriate knowledge, expertise and track record in investment management. The Directors of LGPS Central Ltd will also be personally liable for their actions and decisions.

37. Comprehensive programme governance arrangements are in place to ensure that costs and savings are managed in accordance with the agreed business case. The Section 151 Officers, or their nominated representatives, of each of the participating funds sit on the Practitioners Advisory Forum and regular meetings are held with the Chair and Vice-Chair of the Pension Fund Committee to ensure effective member oversight of progress and delivery. The Nottinghamshire Pension Fund Committee and the Local Pension Board are also being updated regularly on key developments and decisions.

Assessment of the suitability of investments

38. The policy of the Fund will be to treat the equity allocation (both listed and private) as a block aimed at maximising the financial returns to the funds (and thus minimising employers' contributions) consistent with an acceptable level of risk. Other investments, such as property, fixed income, infrastructure or cash are aimed at mitigating risks which the Fund are exposed to, such as inflation, cashflow shortage, interest rate changes etc.

39. The Fund has a target allocation towards infrastructure, currently 9.8%, which is intended to deliver secure long term income and some level of inflation protection. These assets may be either equity-like or bond-like in their nature and either listed or unlisted. The Committee monitors this weighting on a quarterly basis.

40. The Fund allocates a maximum of 20% to a range of illiquid assets including unlisted infrastructure, private equity and private credit where there may be no exit until the end of a fund's life. The Fund expects these to provide superior returns or risk mitigation in order to compensate for the lack of liquidity. Allocation to these assets are based on committed amounts and, owing to the nature of these vehicles, the actual net investment level may be lower, perhaps significantly so. This limit excludes the allocation to Real Estate.

41. Cash will be managed and invested on the Fund's behalf by the County Council in line with the Pension Fund's treasury management policy. The policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield. If losses occur the Fund will bear its share of those losses.

42. Pension Fund cash is separately identified in a named account and specific investment decisions will be made on any surplus cash identified, based on the estimated cash flow requirements of the Fund. Part of the cash balance is allocated to individual investment managers and may be called by them for investment at short notice, so the majority of cash will be placed on call or on short-term fixed deposits. Unallocated balances may be placed directly with the Fund's custodian.

Policy on social, environmental and corporate governance considerations

43. Social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments by both the Pension Fund and underlying managers on the Fund's behalf. Non-financial factors may be considered to the extent that they are not significantly detrimental to the investment return and the Committee is satisfied that members share their concerns.

44. It is recognised that Environmental, Social, and Governance ("ESG") factors including current and future impacts of climate change are important to long term investment performance and the ability to achieve long term sustainable returns. The Nottinghamshire Pension Fund Committee considers the Fund's approach to ESG in three key areas:
    a. Selection – considering the financial impact of ESG factors on its investments.
    b. Stewardship – acting as responsible and active owners, through considered voting of shares and engaging with investee company management as part of the investment process. The Committee supports the Stewardship Code.
    c. Transparency & Disclosure – commitment to reporting the outcomes of the Fund's stewardship activities and publishing an annual TCFD (Taskforce for Climate related Financial Disclosure) report.

45. In combination these three matters are often referred to as "Responsible Investment" or "RI" and this is the preferred terminology of the Fund. Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Committee bases its decisions in this area on its RI Investment Beliefs, which are set out within Appendix A.

46. The Fund has developed a Climate Strategy which was approved by the Committee in December 2020. The Climate Strategy describes the way climate-related risks are managed by the Fund and covers four main elements: governance of climate risk, climate-related beliefs, objectives and strategic actions. The Committee will review the Climate Strategy on a regular basis.

47. The Pool has a fully developed set of RI policies, which are in line with the Committee's own investment beliefs. This includes a *Responsible Investment & Engagement Framework*, a *Statement of Compliance with the UK Stewardship Code*, and *Voting Principles*. The Fund, through the Pool's Practitioners Advisory Forum, contributes to the development of these policies. LGPS Central Ltd is responsible for ensuring that underlying managers in the Pool meet with the requirements of this policy. LGPS Central Ltd will also engage directly with investee companies to promote sustainable business practices that reward long-term investors. Voting rights will be instructed according to the Pool's agreed *Voting Principles*. LGPS Central Ltd will be required to report on its RI policy to the Committee on a regular basis in order to demonstrate the implementation of the agreed RI policies.

48. The Fund has articulated an investment belief on the relevance of climate change for financial markets (see Appendix A). In line with this belief, the Fund will actively look for investments which can be expected to benefit as a result of the long-term impacts of climate change.

Policy on the exercise of the rights (including voting rights) attaching to investments

49. Membership of the Local Authority Pension Fund Forum (LAPFF) helps Nottinghamshire Pension Fund to engage with companies to understand issues and to promote best practice. LAPFF was set up in 1990 and is a voluntary association of the majority of Local Authority pension funds based in the UK with combined assets of over £350bn. It exists to protect the long term investment interest of local authority pension funds, and to maximise their influence as shareholders by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

50. The Committee believes that voting is an integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through its partnership with LGPS Central Ltd, Hermes EOS and via its investment managers. Hermes EOS is a major independent corporate governance and shareholder advisory consultancy procured by LGPS Central Ltd. Hermes EOS exercises all the Fund's voting rights in line with the shared proxy voting guidelines.

51. The Pool is a Tier 1 signatory to the Stewardship Code.

52. Hermes EOS reports quarterly on its voting activity, and these reports are available to Committee Members and the membership through the website. The availability of this information is stated in the Annual Report.

Other Issues

53. The Fund's assets are held in custody by a combination of an independent custodian, investment managers and in-house. The performance of fund managers will be measured against individual benchmarks and the overall fund, including cash returns, against the Fund Target Return. Performance will be measured by an independent agency. The statement of accounts will be audited by the County Council's external auditors.

54. The investment management arrangements of the Fund can be found in the latest annual report (available on the Fund's website, www.nottspf.org.uk). The Fund also publishes details of its holdings on the website on a quarterly basis.

55. This Investment Strategy Statement will be kept under review and will be revised following any material changes in policy.

APPENDIX A - Statement of Investment Beliefs

Statement of Investment Beliefs

56. The Fund's investment beliefs outline key aspects of how it sets and manages its exposures to investment risk. They are as follows:

<u>Financial market beliefs</u>

- Return is related to risk but taking calculated risks does not guarantee returns. The actual outcome may be higher or lower than that expected.
- The Fund has a long-term investment horizon and is able to invest in volatile and/or illiquid investment classes in order to generate higher returns.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

<u>Investment strategy/process beliefs</u>

- Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy. Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.
- Strategic asset allocation is a key determinant of risk and return, typically more important than manager or stock selection.
- Equities are expected to generate superior long-term returns relative to Government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time, but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
- Operational, counterparty and reputational risk need assessment and management, in addition to investment risk.
- Managing fees and costs matter, especially in low-return environments. Fee arrangements with our fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.
- The Fund will prefer to invest through its pool, LGPS Central, where they are able to offer a vehicle which offers similar or better risk-adjusted return to what is available elsewhere

<u>Organisational beliefs</u>

- Clear investment objectives are essential.

- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- The Nottinghamshire Pension Fund Committee's fiduciary duty is to the members of the Pension Fund and their employers. While they are not trustees, they have trustee-like responsibilities.

<u>Responsible investment beliefs</u>

- Responsible investment is supportive of risk-adjusted returns particularly over the long term, across all asset classes. As a long-term investor, the Fund should seek to invest in assets with sustainable business models across all asset classes.
- Responsible investment should be integrated into the investment processes of the Fund, the Pool, and underlying investment managers.
- A strategy of engagement rather than exclusion is more compatible with fiduciary duty and is more supportive of responsible investment because the opportunity to influence companies through stewardship is waived in a divestment approach. This notwithstanding, our active managers may choose to sell holdings in individual companies whose business models they do not believe to be sustainable.
- Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is clear evidence showing that decision-making and performance are improved when company boards and investment teams are composed of diverse individuals.
- There is risk but also financial opportunity in holding and influencing companies which have weak governance of financially material ESG issues but the potential to improve. Opportunities can be captured so long as decisions are based on sufficient evidence and they are aligned with the Fund's objectives and strategy. The Fund welcomes the global environmental, social and economic benefits that such an approach can deliver.
- Financial markets are likely to be materially impacted by climate change and by the response of climate policymakers. Responsible investors should proactively manage this risk factor through integrated analysis and stewardship activities, using partnerships of like-minded investors where feasible.

Appendix B - Risk Management

57. The Fund has adopted a Risk Management Strategy to:
    a) Identify key risks to the achievement of the Funds objectives.
    b) Assess the risks for likelihood and impact.
    c) Identify mitigating controls.
    d) Allocate responsibility for the mitigating controls.

58. Officers are responsible for maintaining a risk register detailing the risk features in a)-d) above, for reviewing and updating it on a regular basis, and reporting the outcome of the review to the Nottinghamshire Pension Fund Committee.

59. The Risk Register is a key part of the strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

60. A key part of managing the investment risk is by ensuring that the Fund is invested through an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets. As the Pool takes over implementation of the assets, Nottinghamshire Pension Fund Committee's role will increasingly be to hold them to account.

61. The correlation between UK and overseas markets has increased significantly over recent time, reflecting the increasing globalisation of the market. The Fund will take into account exchange rate risks when deciding the balance between holding of UK and overseas equities. As a long term investor, the Fund does not undertake currency hedging itself. Individual managers may hedge currency risks but only with prior approval from the Fund.

62. In addition, the following advisory guidelines will apply. These guidelines will be reviewed from time to time and if changes are made these will be incorporated into a revised Investment Strategy Statement, and amendments will be published.
    - Not more than 20% of the Fund to be invested in unlisted securities (this excludes real estate).
    - No direct underwriting without prior approval.
    - No direct involvement in derivatives (including currency options) without prior approval.

RISK MANAGEMENT STRATEGY

Introduction

1. This is the Risk Management Strategy for the Nottinghamshire County Council Pension Fund. Risk Management is a key element in the Fund's overall framework of internal control and its approach to sound governance. However, it is not an end in itself, but a means of minimising the costs and disruption to the Fund caused by undesirable or unexpected events. The aim is to eliminate or reduce the frequency of risk events occurring (where possible and practicable) and minimise the severity of the consequences if they do occur.

2. Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its purpose and objectives. Risk management is the process by which:
    - risks are systematically identified
    - the potential consequences are evaluated
    - the element of risk is reduced where reasonably practicable
    - actions are taken to control the likelihood of the risk arising and reducing the impact if it does

Purpose and Objectives of the Fund

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

4. The funding objectives are to:
    - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
    - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

5. The following principles underpin the Fund's investment activity:
    - The Fund will aim to maintain sufficient assets to meet all its obligations on a continuing basis.
    - The Fund will be invested in a diversified range of assets.
    - Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
    - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

Key Parties

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

The Administering Authority

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

Committee members

8. The members of the Committee are not trustees (as the LGPS is a statutory scheme) but do have fiduciary duties towards the scheme members and employers. The main responsibilities of the Committee are to:
    - Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
    - Determine the type of investment management to be used and appoint and dismiss fund managers
    - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
    - Receive independent reports on the performance of fund managers on a regular basis
    - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

Scheme Employers

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

Fund Actuary

10. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
    - Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
    - Advise on other actuarial matters affecting the financial position of the Fund.

Chief Finance Officer

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

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

Service Director Customers, Governance and Employees

13. The Service Director Customers, Governance and Employees is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Support Centre. This function covers:
    - Pensions administration and employers support
    - Pensions administration systems
    - Communications
    - Technical/performance support

14. Representatives of the Service Director Customers, Governance and Employees provide advice to the Committee on pension administration matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

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

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

Risk Management Strategy

17. The risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of the investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to achieve its long term funding objectives described in paragraph 4.

18. The Pension Fund's Risk Management Strategy is to:
    a) identify key risks to the achievement of the Fund's aims
    b) assess the risks for likelihood and impact
    c) identify mitigating controls
    d) allocate responsibility for the mitigating controls
    e) maintain a risk register detailing the risk features in a)-d) above
    f) review and update the risk register on an annual basis
    g) report the outcome of the review to the Nottinghamshire Pension Fund Committee.

19. The Risk Register is a key part of the Risk Management Strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

20. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, the Nottinghamshire Pension Fund Committee will be asked to:-
    - agree the Risk Management Strategy
    - approve the Risk Register and agreed actions
    - receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process.

21. By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, at a strategic level, to the effective management of Pension Fund risks. The Risk Management Strategy and Risk Register will be kept under review and will be revised following any material changes in policy.

Objectives

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

Risk Assessment

2. Identified risks are assessed separately and for each the following is determined:
   - the likelihood of the risk materialising
   - the severity of the impact/potential consequences if it does occur.

3. Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value.

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

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

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

Risk Rating Matrix

Relative Impact		(1) Rare	(2) Unlikely	(3) Possible	(4) Likely	(5) Almost Certain
Catastrophic	(5)	**M**	**H**	**VH**	**VH**	**VH**
Significant	(4)	**M**	**H**	**VH**	**VH**	**VH**
Moderate	(3)	**M**	**M**	**H**	**H**	**H**
Minor	(2)	**L**	**L**	**M**	**M**	**M**
Insignificant	(1)	**L**	**L**	**L**	**L**	**L**

Relative Likelihood

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

    Red = Very High Priority
    Take urgent action to mitigate the risk.
    Orange = High Priority
    Take action to mitigate the risk.
    Yellow = Medium Priority
    Check current controls and consider if others are required.
    Green = Low Priority
    No immediate action other than to set a review date to re-consider your assessment.

NOTTINGHAMSHIRE PENSION FUND
RISK REGISTER - SUMMARY

Key to risk rating change since previous version of Risk Register: ⬆ Increase ⬇ Decrease ⬌ No Change ★ New

Risk Description	Inherent Risk			Current Risk		
	Rating		Change	Rating		Change
Risk Gov4 Inadequate resources are available to manage the pension fund.	20	VERY HIGH	⬌	20	VERY HIGH	⬆
Risk Gov5 Failure to adhere to relevant legislation and guidance.	20	VERY HIGH	⬆	12	HIGH	⬆
Risk Adm1 Standing data & permanent records are not accurate.	16	VERY HIGH	⬌	9	HIGH	⬌
Risk Inv3 Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	⬌	9	HIGH	⬌
Risk Inv4 Significant variations from assumptions used in the actuarial valuation	12	HIGH	⬌	9	HIGH	⬌
Risk Inv6 LGPS Central incurs net costs or decreases investment returns	12	HIGH	⬌	9	HIGH	⬌
Risk Adm2 Inadequate controls to safeguard pension fund records	15	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer Risk) Potential data quality issues.	15	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk).	15	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Inv1 Inappropriate investment strategy is adopted.	12	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Inv5b Custody arrangements	12	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Inv7 Financial risk of climate change	12	HIGH	⬌	8	MEDIUM	⬌
Risk Inv2 Fund cash is insufficient to meet its current obligations.	12	HIGH	⬆	6	MEDIUM	⬌
Risk Gov1 Pension Fund governance arrangements are not effective	9	HIGH	⬌	6	MEDIUM	⬌

Risk Gov2 Pension Fund objectives are not defined and agreed.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Gov3 An effective performance management framework is not in place.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5a Fund manager mandates	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5d Financial Administration	9	HIGH	⬌	6	MEDIUM	⬌
Risk Adm3 Failure to communicate adequately with all relevant stakeholders.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5c Accounting arrangements	6	MEDIUM	⬌	4	LOW	⬌
Risk Inv5e Stewardship	6	MEDIUM	⬌	4	LOW	⬌

<table>
<tr><th colspan="6">Governance</th></tr>
<tr><td colspan="6">Risk description: Gov1 - Pension Fund governance arrangements are not effective</td></tr>
<tr><td></td><td>Likelihood:</td><td>Impact:</td><td colspan="3">Risk Rating:</td></tr>
<tr><td>Inherent Risk:</td><td>3</td><td>3</td><td>9</td><td>HIGH</td><td>⬌</td></tr>
<tr><td>Current Risk:</td><td>2</td><td>3</td><td>6</td><td>MEDIUM</td><td>⬌</td></tr>
<tr><td rowspan="8">Current Controls:</td><td colspan="5">• The Council’s constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee.</td></tr>
<tr><td colspan="5">• Under the LGPS Regulations the Administering Authority has established a Pension Board</td></tr>
<tr><td colspan="5">• The terms of reference of the Nottinghamshire Pension Fund Committee are agreed.
• The terms of reference of the Nottinghamshire Pension Board are agreed.</td></tr>
<tr><td colspan="5">• The Fund publishes a Governance Compliance Statement which details the governance arrangements of the Fund and assesses compliance with best practice. This is kept regularly under review.</td></tr>
<tr><td colspan="5">• A training policy is in place which requires Members to receive continuing training and encourages all new Members to attend the Local Government Pension Scheme Fundamentals training course.
• Nottinghamshire Pension Board Members are also required to undertake training</td></tr>
<tr><td colspan="5">• Officers of the Council attend meetings of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board.</td></tr>
<tr><td colspan="5">• The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each Nottinghamshire Pension Fund Committee meeting.</td></tr>
<tr><td colspan="5">• The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Nottinghamshire Pension Board</td></tr>
<tr><td>Action Required:</td><td colspan="5">• Continue to monitor via existing processes.
• Confirmation of Pension Board meetings
• Pension Board Vacancies to be filled</td></tr>
<tr><td>Responsibility:</td><td colspan="2">Group Manager (Financial Services)
Group Manager (BSC)
Group Manager (Legal Services)
Pension Manager
Senior Accountant - Pensions & TM</td><td>Timescale:</td><td colspan="2">On-going</td></tr>
</table>

Governance					
Risk description: Gov2 - Pension Fund objectives are not defined and agreed					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	↔
Current Risk:	2	3	**6**	**MEDIUM**	↔
Current Controls:	• Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are approved by the Nottinghamshire Pension Fund Committee and reviewed on a regular basis.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services)		**Timescale:**	On-going	

Governance					
Risk description: Gov3 - An effective performance management framework is not in place.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	↔
Current Risk:	2	3	**6**	**MEDIUM**	↔
Current Controls:	• Investment performance is reported quarterly to the Nottinghamshire Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers.				
	• Poor investment performance is considered by the Nottinghamshire Pension Fund Committee. The Nottinghamshire Pension Fund Committee's actions are monitored by the Nottinghamshire Pension Board				
	• A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements.				
	• Performance of the administration function is managed through an Administration Strategy				
	• Performance of the Administration function is managed through a set of performance indicators and reported to Pension Committee and Pension Board				
Action Required:	• Continue to review the performance monitoring framework for Fund Administration.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Governance					
Risk description: Gov4 - Inadequate resources are available to manage the pension fund.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	5	4	**20**	**VERY HIGH**	↔
Current Risk:	5	4	**20**	**VERY HIGH**	↑
Current Controls:	• The pension fund investments are managed by the Pensions & Treasury Management team.				
	• Pension administration is managed by the Pension Team Manager within the BSC				
	• Operating costs are recharged to the pension fund in accordance with regulations.				
	• Staffing levels and structures are kept under regular review. • Additional resources have been requested to meet new requirements across the LGPS. It is challenging to recruit to both the current and additional roles. • Pension Costs and resources monitored against the CIPFA Benchmarking club				
Action Required:	• Continue to monitor resource requirements via existing processes. • Consider the impact of increased demands on Pensions Administration arising from additional contacts from Members due to the current economic position.				
Responsibility:	Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Governance					
Risk description: Gov5 - Failure to adhere to relevant legislation and guidance.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	5	4	**20**	**VERY HIGH**	↑
Current Risk:	4	3	**12**	**HIGH**	↑
Current Controls:	• An established process exists to inform members and officers of statutory requirements and any changes to these. The Good Governance Action plan has been submitted to DLUHC. The Pension Fund will be required to implement the recommendations.				
	• Sufficient resources are required to implement LGPS changes while continuing to administer the scheme.				
	• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.				
	• Any breaches in statutory regulations must be reported to the Pension Regulator.				

Action Required:	• Consider recommendations of Good Governance report and create action plan • Review resources against statutory requirements • Continue to monitor requirements via appropriate sources to ensure adherence to legislation and guidance.		
Responsibility:	Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions & TM Pension Manager	**Timescale:**	On-going

Investments					
Risk description: Inv1 - Inappropriate investment strategy is adopted.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	4	**12**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• The investment strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the Nottinghamshire Pension Fund Committee.				
	• In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.				
	• The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation.				
	• Investment performance is monitored against the Fund's strategic benchmark.				
	• A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party.				
	• An Independent Adviser provides specialist guidance to the Nottinghamshire Pension Fund Committee on the investment strategy.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going		

Investments					
Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬆
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls	• Fund cash flow is monitored daily and a summary fund account is reported to the Nottinghamshire Pension Fund Committee each quarter				

	• Annual accounts are produced for the pension fund and these show the movements in net cash inflow		
	• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.		
	• The Fund’s Investment and Funding Strategies are regularly reviewed		
Action Required:	• Consider the impact of the triennial valuation on contributions and net cash flow. Take any required action. • Continue to monitor via existing processes.		
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going

Investments					
Risk description: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Fund assets are kept under review as part of the Fund’s performance management framework.				
	• Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations.				
	• The Fund’s Investment and Funding Strategies are regularly reviewed.				
	• An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy.				
	• Strength of covenant of new employers carefully assessed				
	• Risks relating to existing employers are reviewed periodically				
Action Required:	• Continue to monitor via existing processes. • Consider the impact on employers of current inflationary pressures and the ongoing National Economic position.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Investments					
Risk description: Inv4 - Significant variations from assumptions used in the actuarial valuation occur					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌

Current Controls:	• Actuarial assumptions are reviewed by officers and discussed with the actuaries		
	• Sensitivity analysis is undertaken on assumptions to measure impact		
	• Valuation are undertaken every 3 years		
	• Monitoring of cash flow position.		
	• Contributions made by employers vary according to their member profile.		
Action Required:	• Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis.		
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going

Investments					
Risk description: Inv5 - Inadequate controls to safeguard pension fund assets.					
Inv5a - Investment managers					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. The main managers attend Nottinghamshire Pension Fund Committee on a regular basis.				
	• Investment objectives are set, and portfolios must be managed in accordance with these				
	• AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for main managers.				
	• Internal decisions have a robust framework in place which is tested by internal audit				
	• Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5b - Custody arrangements					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	4	**12**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Complete and authorised agreements are in place with the external custodian.				

	• AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian.				
	• Regular reconciliations carried out to check external custodian records.				
	• Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5c - Accounting arrangements					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	2	**6**	**MEDIUM**	⬌
Current Risk:	2	2	**4**	**LOW**	⬌
Current Controls:	• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.				
	• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.				
	• Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers.				
	• Internal Audits are carried out regularly.				
	• External Audit review the Pension Fund's accounts annually.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5d - Financial Administration					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• The Pension Fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.				
	• Daily cash settlements are made with the external custodian to maximise returns on cash.				
	• Investment transactions are properly authorised, executed and monitored.				
	• Contributions due to the fund are governed by Scheme rules which are overseen by Pensions Administration. Contributions checked at the beginning of the year and the end of the year and reconciled and balanced at the year-end.				

	• Pension Fund cash is invested according to the Treasury Management Strategy which is approved annually by Pension Fund Committee.				
	• The Pension Fund maintains a bank account which is operated within regulatory guidelines.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5e – Stewardship					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	2	**6**	**MEDIUM**	⬌
Current Risk:	2	2	**4**	**LOW**	⬌
Current Controls:	• The Pension Fund aims to be a long term responsible investor.				
	• Effective management of financially material social, environmental and corporate governance (ESG) risks should support the requirement to protect investment returns over the long term. ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments by both the Pension Fund and underlying managers on the Fund's behalf				
	• The Fund has a Climate Stewardship Plan which is implemented and reported on with the support of LGPS Central				
	• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement.				
	• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Nottinghamshire Pension Fund Committee each quarter and published on the Fund website.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv6 - LGPS Central incurs net costs or decreases investment returns					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF				
	• Costs and performance will be monitored				
Action Required:	• Continue to attend meetings relevant meetings • Continue to monitor via existing processes.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Inv7 – Climate change affects the financial returns of the Fund.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	4	2	**8**	**MEDIUM**	⬌
Current Controls:	• The financial impact of climate change on the fund can be mitigated. Businesses and individuals will have to change their behaviour and consumption to reduce their carbon footprint and this presents both opportunities and threats as investors.				
	• We engage with management of the companies we own through LGPS Central, LAPFF and Hermes EOS to influence them to consider climate change and their sustainability.				
	• Climate change risks are already considered as part of the purchasing and holding decision				
	• Climate risk analysis undertaken on an annual basis with the assistance of LGPS Central.				
	• The Fund has a Climate Risk strategy and a Climate Stewardship plan				
Action Required:	• The current impacts of climate change are affecting particular industries and regions and the Pension Fund will look to reduce exposure to these. • Continued move towards our long term asset allocation.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Administration					
Risk description: Adm1 - Standing data and permanent records are not accurate.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Business processes are in place to identify changes to standing data.				
	• Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input.				
	• Documentation is maintained in line with agreed policies. • The Administration Strategy supports the monitoring of employer compliance.				
	• A change of details form is sent out to members alongside their annual statement.				
	• Data matching exercises (National Fraud Initiative) help to identify discrepancies.				

	• Mortality Screening i is being reviewed along with looking to procure a new screening partner.
	• The Data Improvement Plan is being implemented as reported to committee.
	• The GMP Reconciliation Project is progressing to conclusion
	• Employer annual returns are reviewed and monitored any. Breaches are reported to committee as appropriate.
Action Required:	• Continue to monitor via existing processes. • Improve monitoring of returns from major fund employers • Implementation of Data Improvement plan • Progress GMP rectification • Progress McCloud project

Responsibility:	Group Manager (BSC) Pension Manager	**Timescale:**	On-going

Administration					
Risk description: Adm2 - Inadequate controls to safeguard pension fund records.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• ICT Disaster Recovery Plan and Security Plan are agreed and in place				
	• The Administration Authority has an Operational Security and Risk Team, a Security Architect providing strategic direction, an Information Governance Team headed by the Data Protection Officer and an Information Governance Board, chaired by the SIRO, providing oversight. The network has been certified as PSN Code of Connection compliant for the last decade and comprises internal and perimeter firewalls, anti-virus software, intrusion detection and response platforms, secure baseline operating system builds, annual penetration tests, multi-factor authenticated remote access and offline backups, aligning with National Cyber Security Centre best practice at all points.				
	• New back up arrangements are in place				
	• Software is regularly updated to meet LGPS requirements.				
	• Audit trails and reconciliations are in place. • GDPR awareness training and documentation is in place				
	• Pension Administration Documentation is maintained in line with agreed policies.				
	• Physical records are held securely in the Pension Office. • Pensions and other related administration staff undertake data management training as required.				

Action Required:	• Continue to monitor via existing processes.		
Responsibility:	Group Manager (BSC) Pension Manager	**Timescale:**	On-going

<table>
<tr><th colspan="7">Administration</th></tr>
<tr><td colspan="7">Risk description: Adm3 - Failure to communicate adequately with all relevant stakeholders.</td></tr>
<tr><td></td><td>Likelihood:</td><td>Impact:</td><td colspan="4">Risk Rating:</td></tr>
<tr><td>Inherent Risk:</td><td>3</td><td>3</td><td>9</td><td colspan="2">HIGH</td><td>⬌</td></tr>
<tr><td>Current Risk:</td><td>2</td><td>3</td><td>6</td><td colspan="2">MEDIUM</td><td>⬌</td></tr>
<tr><td rowspan="7">Current Controls:</td><td colspan="6">• A communications strategy is in place and is regularly reviewed.</td></tr>
<tr><td colspan="6">• The Fund website is being refreshed and has been relaunched
• Member information guides are reviewed.</td></tr>
<tr><td colspan="6">• The Fund has an annual meeting aimed at all participating employers.</td></tr>
<tr><td colspan="6">• The Nottinghamshire Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.</td></tr>
<tr><td colspan="6">• Meetings are held regularly with employers within the Fund.
• District and City Council employers and other ad hoc employer meetings take place as required
• A briefing for employers takes place in February or March each year in preparation for year end</td></tr>
<tr><td colspan="6">• Benefit Illustrations are sent annually to contributing and deferred Fund members.</td></tr>
<tr><td colspan="6">• Annual report, prepared in accordance with statutory guidelines, is published on the website.</td></tr>
<tr><td>Action Required:</td><td colspan="6">• Continue to monitor via existing processes.</td></tr>
<tr><td>Responsibility:</td><td colspan="2">Group Manager (BSC)
Pension Manager</td><td>Timescale:</td><td colspan="3">On-going</td></tr>
</table>

<table>
<tr><th colspan="6">Administration</th></tr>
<tr><td colspan="6">Risk description: Adm4 - Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk)
Potential data quality issues.</td></tr>
<tr><td></td><td>Likelihood:</td><td>Impact:</td><td colspan="3">Risk Rating:</td></tr>
<tr><td>Inherent Risk:</td><td>3</td><td>5</td><td>15</td><td>VERY HIGH</td><td>⬌</td></tr>
<tr><td>Current Risk:</td><td>2</td><td>3</td><td>6</td><td>MEDIUM</td><td>⬌</td></tr>
<tr><td rowspan="3">Current Controls:</td><td colspan="5">• Clear communication of requirements to scheme employers.</td></tr>
<tr><td colspan="5">• Employer data is being reviewed as part of the data improvement plan.</td></tr>
<tr><td colspan="5">• Planned roll out of the employer portal to improve the transfer of data to the Pension Fund.</td></tr>
</table>

	• Actuary makes prudent assumptions at valuation.
Action Required:	• Continue to monitor via existing processes.

Responsibility:	Group Manager (BSC) Pension Manager	**Timescale:**	On-going

Administration					
Risk description: Adm5 - Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Information Governance oversee policies and procedures				
	• Data breach procedure in place				
	• Assurance obtained from third party providers and contractors on compliance with relevant legislation.				
	• Identified Data Protection Officer				
	• Appropriate access levels in the Pension Administration system.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC) Pension Manager		**Timescale:**	On-going	

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

27 April 2023

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE STEWARDSHIP PLAN UPDATE AND ENGAGEMENT REPORT

Purpose of the Report

1. To provide an updated Climate Stewardship Plan for 23/24 and to report on engagement undertaken as part of the 21/22 Climate Stewardship Plan.

Information

2. The Climate Stewardship Plan was adopted by Nottinghamshire Pension Fund in April 2021 following the first Climate Risk Report. This Plan has been updated following the most recent Climate Risk Report to reflect the findings of that report and refresh the wording for the current situation. The 23/24 Climate Stewardship Plan is attached as Appendix A to this report.

3. The Climate Stewardship Plan identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD), and relates to the third pillar – Risk Management.

4. The Climate Stewardship Plan focusses on engagements with a number of specific companies and on the monitoring of the investment process of the principal investment managers identified through the Climate Risk analysis.

5. The Engagement Update report in Appendix B provides details of LGPS Central's engagement rationale, objectives and strategy for the companies identified.

6. The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually. During the annual refresh of the Carbon Risk Metrics, the focus list of investee companies and Fund Managers will be reviewed and amended if required.

7. The Climate Stewardship Plan focuses specificially on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

Other work

8. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

9. The Pension Fund is not required to publish Climate Stewardship Plan. However the fund committed to publish one as part of the Climate Action Plan.

Reason/s for Recommendation/s

10. The Climate Stewardship Plan is part of the Fund's approach to addressing the risks and opportunities related to climate change.

Statutory and Policy Implications

11. 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

12. There are no direct financial implications arising as a result of publishing this report.

RECOMMENDATION/S

1) That members consider whether there are any actions they require in relation to the 22/23 Climate Stewardship Plan and the engagement undertaken as part of the 21/22 Climate StewardshipPlan.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/04/2023)

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

Financial Comments (TMR 31/03/2023)

14. The financial implications are set out in paragraph 12.

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

Nottinghamshire County Council Pension Fund Climate Stewardship Plan

1. Introduction

This report is the annual update to the Fund's Climate Stewardship Plan first published in March 2021. The Climate Stewardship Plan identifies specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD), and relates to the third pillar – Risk Management.

The Climate Stewardship Plan focuses specificially on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

2. Scope

The Fund's Climate Risk Report included a bottom-up Carbon Risk Metrics analysis of its equity portfolios. The Carbon Risk Metrics utilised included; portfolio carbon footprint (weighted average carbon intensity), exposure to fossil fuel reserves, weight in clean technology, and carbon risk management (via the Transition Pathway Initiative). The companies recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics
- Weight of the company in the Fund
- Ability to leverage investor partnerships

The fund managers recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis
- Size (by AUM) of the portfolio
- Whether the mandate is expected to be long-term

3. Climate Stewardship Plan

The Fund will continue to monitor engagements with a focussed list of investee companies across materials, energy and mining sectors that face a high level of climate risk and are of particular significance to the Fund's portfolio. All of these companies are captured by the Climate Action 100+ (CA100+) engagement project[1], in which our pooling company LGPS Central is an active participant.

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[1] Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

In leveraging this investor partnership the Fund is able to engage and monitor progress for the focus list companies against the CA100+ Net Zero Benchmark Framework. All companies have been asked to set a a 2050 net zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long term. Each company is assessed against eight key Framework indicators and the results are made publicly available by CA100+. Company response and engagement progress will feed in to voting decisions undertaken by the Fund. LGPS Central will provide an annual update on engagements on the investee companies listed in the Fund's Climate Stewardship Plan. The Fund will continue to engage investee companies on all elements of the CA100+ Framework but with particular emphasis on:

Company	Sector	Issue/Objective
BHP	Materials	• For BHP to suspend memberships from any association that is not aligned with their own climate change goals • For BHP to establish clear short-, medium- and long-term GHG reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory
BP	Energy	• Achievement of the high-level objectives of the CA100+ initiative • To duly account for climate risks in financial reporting
CRH	Materials	• Improved disclosure around its membership and involvement in trade associations engaged in climate issues • More robust reporting of Scope 1, 2 and 3 emissions • Increased development of activities focusing on low-carbon cement solutions
ExxonMobil	Energy	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework
Glencore	Materials	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark
Rio Tinto	Diversified Mining	• Achievement of the high-level objectives of the CA100+ initiative
Shell	Energy	• To set and publish targets that are aligned with the goal of the Paris Agreement • To fully reflect its net-zero ambition in its operational plans • and budgets • To set a transparent strategy for achieving net-zero emissions by 2050
Total	Energy	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework
Anglo-American	Materials	• Achievement of the high-level objectives of the CA100+ initiative.

As a result of the Fund's third Climate Risk Report NextEra Energy, Reliance Industries, Cemex and Southern Company were added to the focussed list.

The Fund will continue to monitor identified investment managers to ensure climate-related risk is fully integrated into their investment process. The Fund will engage its managers on the following issues:

Asset Class	Topic
Equities	• The influence of climate factors on sector positioning • Stewardship activities with companies identified in Climate Risk Report
Fixed Income	• Approach to assessing climate risk in the absence of reported GHG emissions data • Engagement with the most intensive carbon issuers • Extent of investment in green bonds
Real Assets	• Physical risk resilience • GRESB participation

4. Timeline

The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually through its public facing Climate Risk Report, with this being the first update. During the annual refresh of the Carbon Risk Metrics, the focus list of investee companies and Fund Managers will be reviewed and amended if required.

PREPARED BY LGPS CENTRAL LIMITED

Nottinghamshire Pension Fund

Climate Stewardship Plan 2022 Engagement Update

MARCH 2023

Climate Stewardship Plan Scope

Based on the findings of its previous Climate Risk Reports the Fund has developed a Climate Stewardship Plan (CSP). The CSP identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund.

The CSP identifies a focus list of nine companies for prioritised engagement, with one addition from previous year's focus list. Reflecting the externally managed nature of NPF, the Fund's portfolio managers and suppliers are engaging with these companies on behalf of the Fund.

We have reviewed ongoing engagements with these companies and provide below a progress update on the outcomes of the engagement. The Climate Action 100+ Net Zero Benchmark and Transition Pathway Initiative are used as key tools to monitor progress within the Fund's CSP.

TRANSITION PATHWAY INITIATIVE

The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets. There are six management quality levels a company can be assigned to:

- **Level 0** – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- **Level 1** – Acknowledging Climate Change as a Business Issue
- **Level 2** – Building Capacity
- **Level 3** – Integrated into Operational Decision-making
- **Level 4** – Strategic Assessment
- **Level 4*** – Satisfies all management quality criteria

Companies expected future emissions intensity pathways – labelled carbon performance – is assessed against international targets and national pledges made as part of the 2015 Paris Agreement. Alignment is tested on different timeframes, including 2030 and 2050. There are eight carbon performance trajectories:

- No or unsuitable disclosure
- Not aligned
- International pledges
- National pledges
- Paris pledges
- 2 Degrees
- Below 2 Degrees
- 1.5 Degrees

CLIMATE ACTION 100+ NET ZERO BENCHMARK

The CA100+ Net Zero benchmark is designed to assess the performance of the world's 166 largest corporate greenhouse gas emitters against ten key indicators. These indicators are all measures of success for business alignment with a net zero emissions future and with the goals of the Paris Agreement. The ten indicators are:

1) Net Zero GHG Emissions by 2050 (or sooner) ambition
2) Long-term (2036-2050) GHG reduction target(s)
3) Medium-term (2026-2035) GHG reduction target(s)
4) Short-term (up to 2025) GHG reduction target(s)
5) Decarbonisation Strategy (Target Delivery)
6) Capital Alignment
7) Climate Policy Engagement
8) Climate Governance
9) Just Transition
10) TCFD Disclosure

The first assessments for each CA100+ company against the ten indicators were published on 22nd March 2021 and the latest refresh was done in October 2022. These assessments offer comparative assessments of individual focus company performance against the goals of the initiative.

TABLE 1 COMPANIES INCLUDED IN THE CLIMATE STEWARDSHIP PLAN

COMPANY	SECTOR	INVESTMENT PORTFOLIO	CA100+ NET ZERO BENCHMARK	TPI MANAGEMENT QUALITY	TPI CARBON PERFORMANCE		
					SHORT TERM 2025	MEDIUM TERM 2035	LONG TERM 2050
Anglo American	Materials	• LGIM UK Equity Index • Schroders UK Direct Holdings • LGPS Central EMEAMMF: UBS		4*	1.5 DEGREES	1.5 DEGREES	NATIONAL PLEDGES
BHP	Materials	• LGIM Asia-Pacific Ex-Japan Developed Equity Index • Schroders Institutional Pacific • Schroders UK Direct Holdings • LGPS Central Global Ex-UK Fund • LGPS Central GEAMMF: Schroders		4	1.5 DEGREES	1.5 DEGREES	1.5 DEGREES
BP	Energy	• Schroders UK Direct Holdings • LGIM UK Equity Index		4*	NOT ALIGNED	NATIONAL PLEDGES	1.5 DEGREES
CRH	Materials	• LGIM UK Equity Index • LGPS Central GEAMMF: Union		4	BELOW 2 DEGREES	1.5 DEGREES	1.5 DEGREES
ExxonMobil	Energy	• LGIM North America Equity Index • LGPS Central Global Ex-UK Fund		4	NOT ALIGNED	NOT ALIGNED	NOT ALIGNED

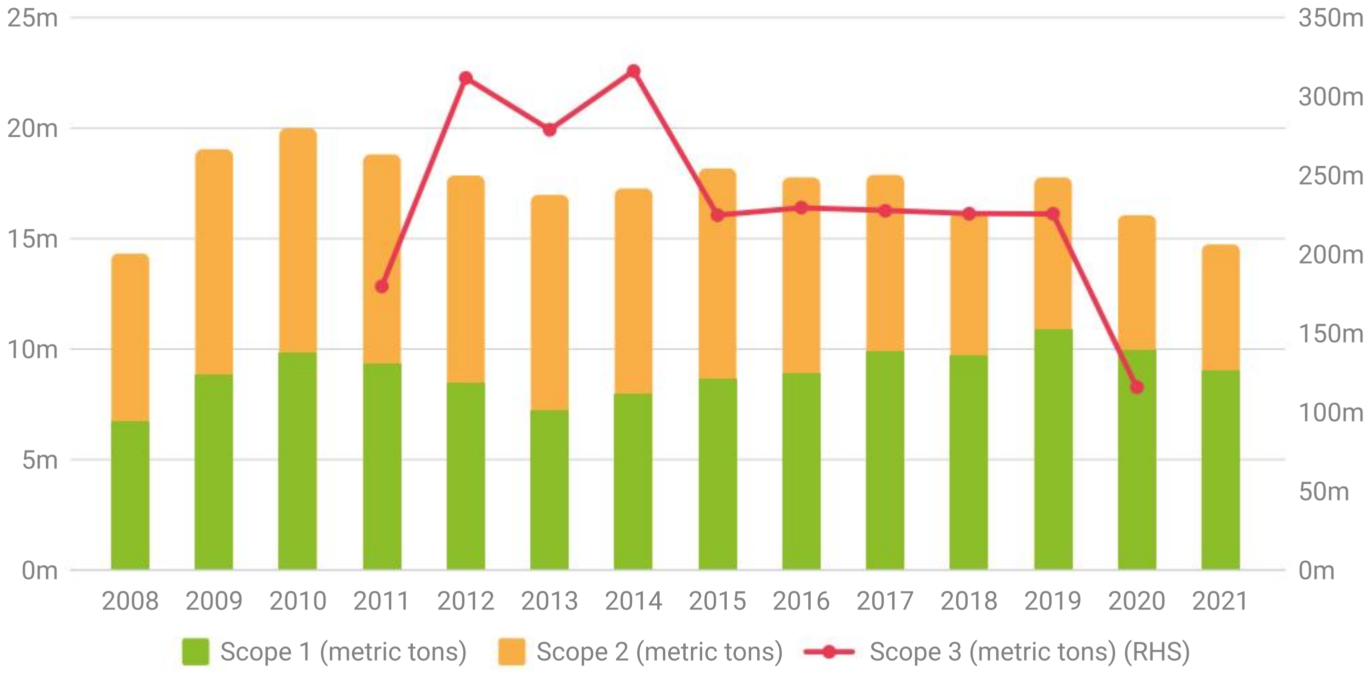
CA100+ Benchmark Assessment No, does not meet any criteria · Partial, meets some criteria · Yes, meets all criteria · Not currently assessed

COMPANY	SECTOR	INVESTMENT PORTFOLIO	CA100+ NET ZERO BENCHMARK	TPI MANAGEMENT QUALITY	TPI CARBON PERFORMANCE		
					SHORT TERM 2025	MEDIUM TERM 2035	LONG TERM 2050
Glencore	Materials	• LGIM UK Equity Index • GEAMMF: Harris		4	1.5 DEGREES	BELOW 2 DEGREES	NATIONAL PLEDGES
Rio Tinto	Diversified Mining	• LGIM UK Equity Index • Schroders Institutional Pacific • LGIM Asia-Pacific Ex-Japan Developed Equity • LGPS Central Global Ex-UK Fund		4	NOT ALIGNED	NOT ALIGNED	NOT ALIGNED
Shell	Energy	• Schroders UK Direct Holdings • LGIM UK Equity Index • LGPS Central GEAMMF: Schroders		4	NOT ALIGNED	BELOW 2 DEGREES	1.5 DEGREES
TotalEnergies	Energy	• LGIM Europe (Ex-UK) Equity Index • LGPS Central UK Passive Equities		4*	NOT ALIGNED	NATIONAL PLEDGES	1.5 DEGREES

CA100+ Benchmark Assessment No, does not meet any criteria Partial, meets some criteria Yes, meets all criteria Not currently assessed

COMPANY	GEOGRAPHY	SECTOR
Anglo American plc	United Kingdom	Materials

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

Anglo American has a portfolio of mining operations and undeveloped resources with a focus on diamonds, copper, platinum group metals, iron ore, nickel and manganese. Although the company has transitioned away from thermal coal, its carbon footprint, especially its Scope 3 emissions, remains substantial.

ENGAGEMENT RATIONALE

The company is one of the largest contributors to the Fund's financed emissions and carbon intensity. It accounts for 5.0% and 4.1% of equity holdings' financed emissions and weighted average carbon intensity, respectively.

ENGAGEMENT OBJECTIVES

1) Achievement of the high-level objectives of the CA100+ initiative.

ENGAGEMENT STRATEGY

CA100+ collaborative engagement with EOS as co-lead and direct engagement by LGIM and Schroders.

MEASURES OF SUCCESS

Anglo American's Climate Change Report 2021 was approved by 94.2% of shareholders when proposed by management at the 2022 annual general meeting. The Fund voted against the report due to a lack of Scope 3 net zero target. However, its Scope 1 & 2 net zero target, which it aims to achieve by 2040, is ahead of most companies' schedule. It also aims to halve Scope 3 emissions by the same date. It is working to develop a pathway to reach these ambitions. The company also has a Sustainable Mining Plan which supports its innovation and delivery of step change results across the entire mining value chain. In 2020 the company announced that it will divest away from all of its thermal coal assets. This was achieved by two major transactions: 1) the spinoff of Thungela; and 2) sale of Cerrejón to Glencore.

AngloAmerican

COMPANY	GEOGRAPHY	SECTOR
Anglo American plc	United Kingdom	Materials

ENGAGEMENT CASE STUDY

OBJECTIVE

Public commitment to phase out coal in the short-term. Clear reduction path to reach the 5% limit by the end of 2020.

ESG TOPICS

Climate change / Coal exposure.

ISSUE/REASON FOR ENGAGEMENT

Anglo American was among the fifth-largest exporters of thermal coal in 2019; thermal coal accounted for around 7.9% of the group's sales. The external manager held about 1% of the company's outstanding shares. As part of the firm-wide exclusion of coal producers with more than 5% turnover, Anglo American was placed on the exclusion list for all of the external manager's funds.

SCOPE AND PROCESS/ACTION TAKEN

Intensive engagement since 2015, especially discussions with the Board of Directors, IR and annual AGM votes.

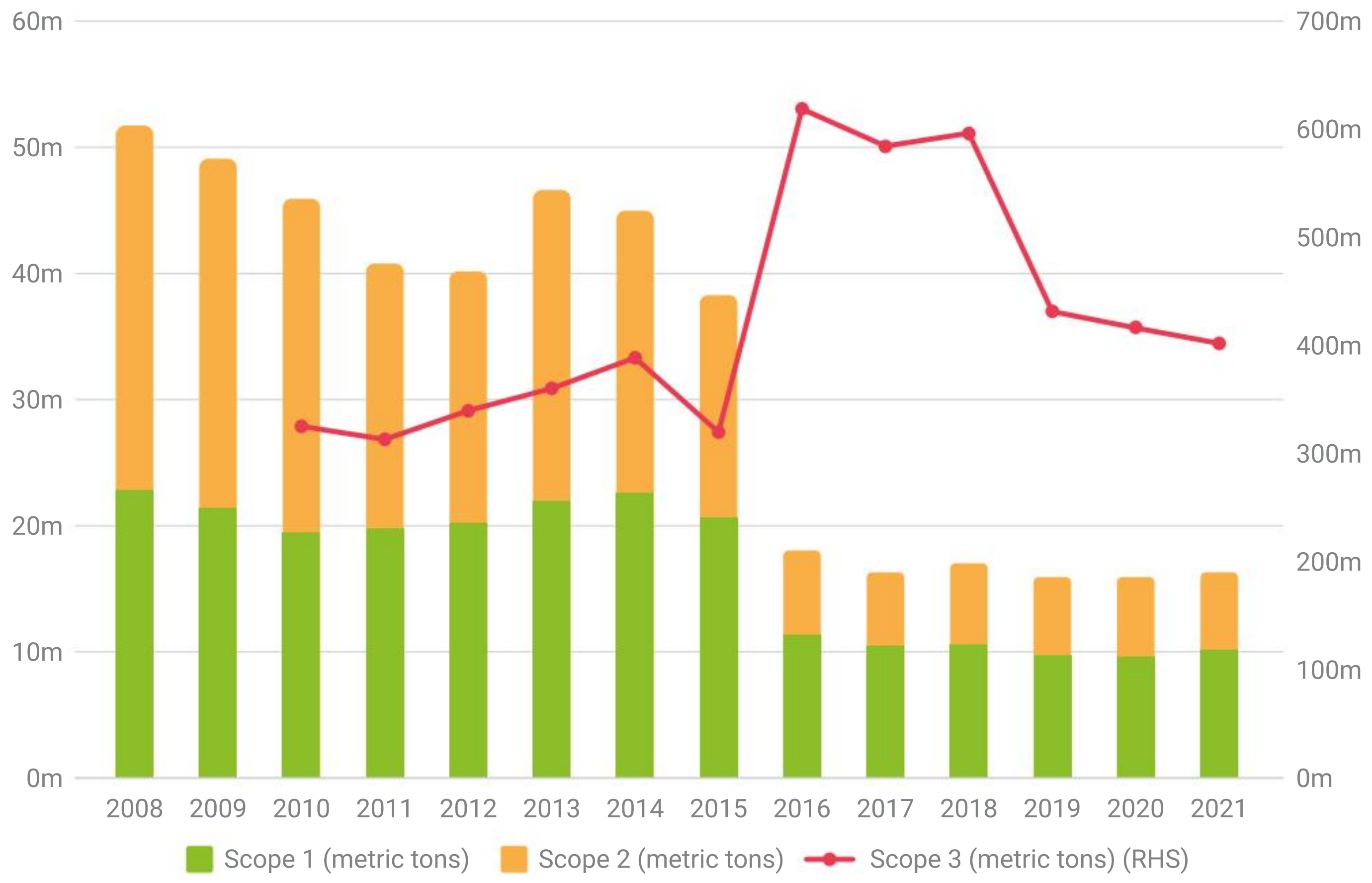
OUTCOMES AND NEXT STEPS

In April 2021, Anglo American announced the demerger of its thermal coal business in South Africa. The demerger was approved by shareholders at this year's AGM. In June, Anglo American announced that the remaining coal assets in Colombia would be sold to Glencore by 2022. Coal phase-out has been completed.

BHP

COMPANY	GEOGRAPHY	SECTOR
BHP	Australia	Materials

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

BHP is the world's largest diversified resource company and a top five global producer of iron ore, metallurgical coal and copper in concentrate. It was also a highly profitable global name in petroleum products until the divestment via a merger with Woodside in 2022. In 2019, LGPS Central supported a shareholder resolution asking BHP to suspend membership of industry associations whose record of advocacy demonstrates inconsistency with the Paris goals. Following the resolution, LGPS Central was part of a series of engagements covering various climate-change related aspects. Predominately this included (i) industry associations and (ii) climate change target setting. In September 2020 the company announced its Net Zero by 2050 target.

ENGAGEMENT RATIONALE

BHP is one of the top contributors to the carbon footprint of the Fund. Due to its products, its carbon footprint, especially its Scope 3, is significant. It also plays an important role in the production of transition minerals.

ENGAGEMENT OBJECTIVES

1) For BHP to suspend memberships from any association that is not aligned with their own climate change goals.
2) For BHP to establish clear short-, medium- and long-term GHG reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory.

BHP

COMPANY	GEOGRAPHY	SECTOR
BHP	Australia	Materials

ENGAGEMENT STRATEGY

- Direct Engagement by LGPS Central via the CA100+.

MEASURES OF SUCCESS

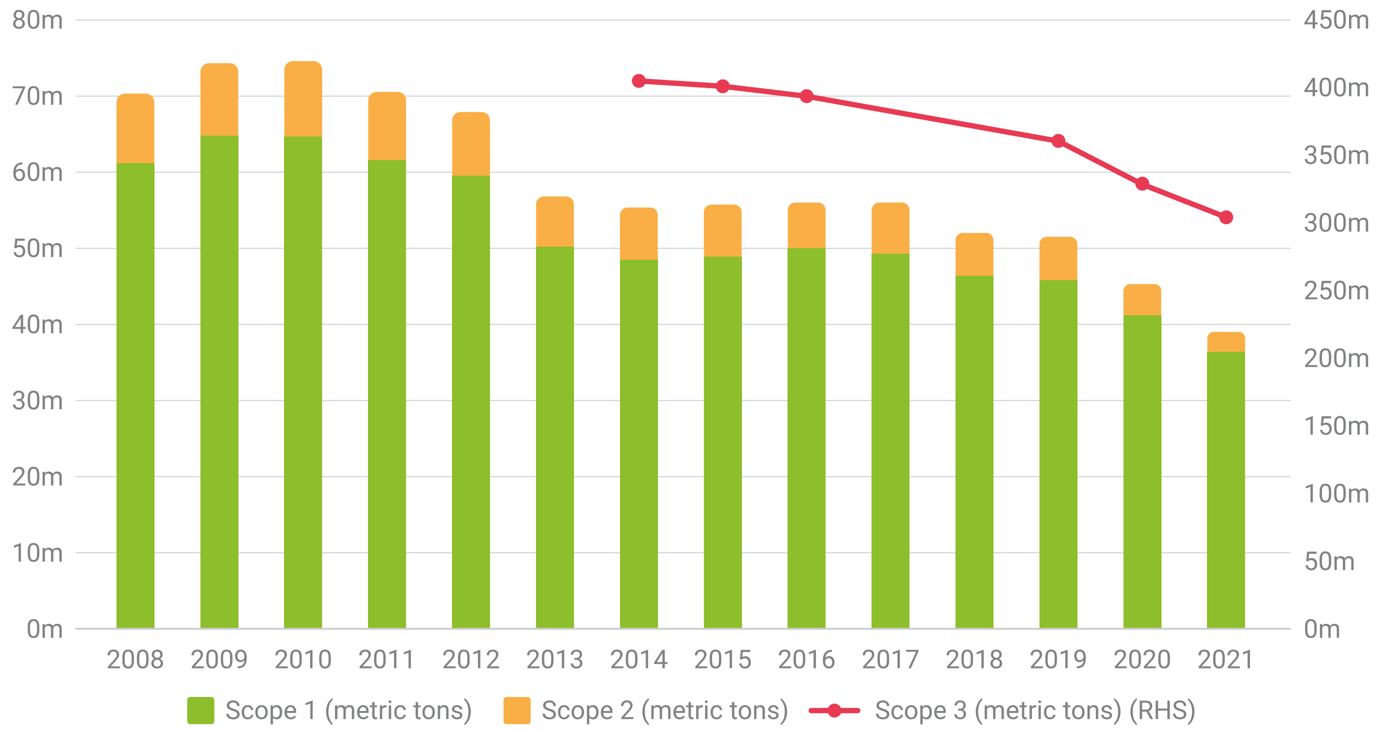
In late-2020 BHP announced their commitment to several new medium-term reduction targets. We were pleased that BHP took many recommendations from previous investor engagements on board. The company committed to reduce its scope 1 and 2 emissions by at least 30% by 2030 relative to 2020. Further, the target is science-based and aligned with the company's ambition to be carbon neutral by 2050. The company also presented initial actions to support the reduction of scope 3 emissions from shipping and steelmaking, and we were encouraged that the investor request to strengthen the link between climate performance and remuneration was implemented. Since then, CA100+ has been working with the group to develop a scope 3 carbon emissions reduction programme. Whilst the company have been receptive to the engagement and are one of the first miners to establish qualitative goals related to Scope 3, we would like to see this translate into a measurable goal, and will continue working with the company to develop quantitative targets. BHP have said that they will not set numeric targets on Scope 3 emissions unless they can be underpinned by a reasonable basis. The company are currently prepared to do this for 30% of its Scope 3 emissions as there is no reasonable basis to do it for emissions generated by steelmaking at the moment. Due to the incomplete Scope 3 target, the Fund voted against management at its November 2021 AGM.

NEXT STEPS

- More robust, time-bound scope 3 commitments. The Company's current goal of Net Zero scope 3 emissions is dependent on several uncertainties, such as innovations in steelmaking which are unknown and ongoing, and given that scope 3 emissions account for a significant proportion of BHP's total emissions, we would welcome more material targets.
- Assure investors that the Plan is fully aligned with a 1.5°C scenario. Currently, the CA100+ benchmark assessment does not recognise BHP's short-, medium-, and long-term targets as aligned to the goals of the Paris Agreement. Whilst we note, and welcome, BHP's intention to introduce a 1.5°C scenario into its capital allocation process in 2022, we would like to see greater disclosure on the underlying methodology.
- Reduce reliance on technological advances that are yet to be realised such as carbon capture and storage. The scale of CCUS utilisation in the current plan is not defined.

COMPANY	GEOGRAPHY	SECTOR
BP	United Kingdom	Energy

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

BP plc. is a multinational oil & gas company headquartered in the United Kingdom that operates in upstream, downstream and renewables businesses. The firm engages in oil and natural gas exploration, field development & production and trading through its upstream segment, and refines, manufactures, supplies and trades oil and petroleum products through its downstream segment.

BP is widely regarded as one of the sector leaders in Oil & Gas regarding the ambition of its climate strategy. In 2020 it announced its Net Zero by 2050 ambition, and has seen two shareholder resolutions focussed on climate filed at its AGMs (2021 and 2022). In February 2022, BP announced plans to accelerate its net zero ambition, stating its aim to reduce operational emissions by 50% by 2030, compared with a previous aim of 30-35% previously.

However, the company caused controversy in February 2023 when it scaled back its transition commitments. Its previous target to reduce oil and gas production by 40% by 2030, which was often highlighted as an example of best practice in the sector, was scaled back to 25%. It also scaled back its commitment to reduce its upstream Scope 3 emissions by 35-40% by 2030 to 20-30% by the same year.

Despite these updates, the company remains at the leading edge of decarbonisation within oil and gas. As of early 2023, it remains the only supermajor to have published an upstream Scope 3 emissions target, and is still committed to spending 50% of its capex on low-carbon technology by 2030. The company's commitment to reach net zero sales and net zero operations by 2050 remains unchanged.

COMPANY	GEOGRAPHY	SECTOR
BP	United Kingdom	Energy

ENGAGEMENT RATIONALE

As of 31st March 2022, BP holds the largest oil and gas reserves in the Equity asset class, accounting for 35% of the Fund's equity gas reserves and 44% of the oil reserves. This is echoed at the underlying portfolio level, whereupon BP is the largest contributor to the oil and gas reserves in the Core Index, LGPS Central and Schroders portfolios.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.
- To duly account for climate risks in financial reporting.

ENGAGEMENT STRATEGY

Collaborative engagement through Climate Action 100+ with EOS as co-lead. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

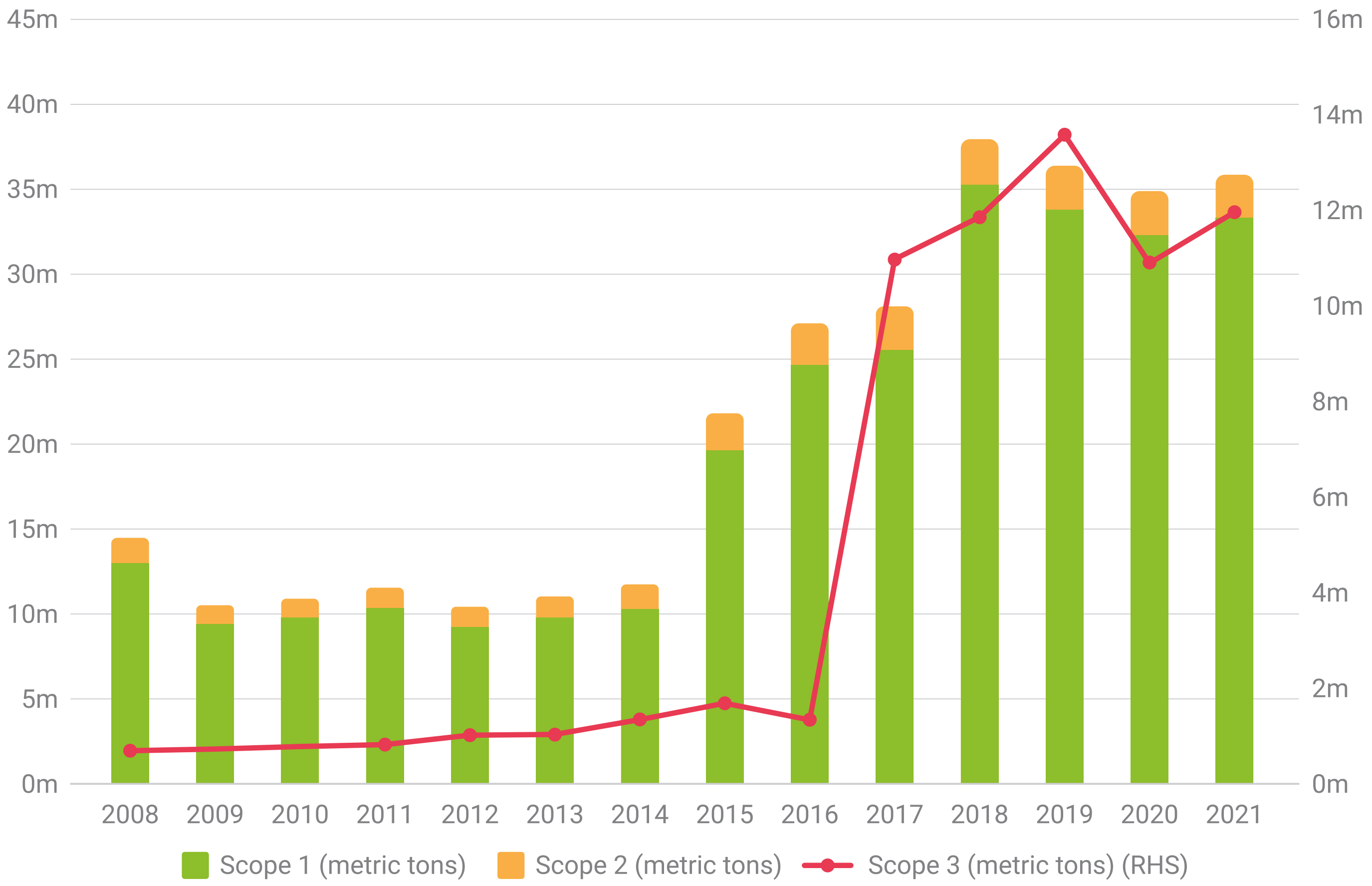
The CA100+ Benchmark assessment gives BP a full score across some indicators, which is an improvement from previous years. BP is one of very few oil & gas companies that have been assessed as partially aligned with Paris on capital allocation. The company was keen to reiterate its commitment towards these capital expenditures. In early 2022, the company offloaded its stake in Rosneft due to the Russia-Ukraine conflict. BP's Climate Action Plan was supported by 88.5% of shareholders at the 2022 AGM. The Fund opposed the resolution due to incomplete coverage of emissions in scope of the target. Engagers are keen to discuss the company's intention to scale back the reduction of oil and gas it plans to produce by 2030. Several pension funds have threatened to vote against BP's directors due to the issue. The Fund's voting intention will be guided by our voting principles and engagement activities.

NEXT STEPS

- Improved GHG intensity emissions reduction trajectory on products sold, as -12-20% by 2030 does not appear to be Paris aligned.
- Publish absolute emissions projections for downstream business.
- Lower oil price used in the CAPEX test (engagers believe $60/bbl is too high).

COMPANY	GEOGRAPHY	SECTOR
CRH	Ireland	Materials

REPORTED EMISSIONS (TCO₂E)



COMPANY CONTEXT

CRH is a global building materials company that supplies aggregates, lime, cement, concrete and asphalt for a wide range of construction applications. These include major public roads and infrastructure projects, commercial buildings and residential communities. The company has an ambition to achieve Net-Zero emissions by 2050 or sooner, and this is supported by a clearly defined long-term GHG reduction target, aligned with a 1.5°C scenario. In 2020, CRH was a recipient of an investor letter asking for Paris-aligned financial accounting. In terms of climate lobbying, the company's approach is mixed. Since 2018, its top-line messaging has become more positive, however CRH has not yet articulated clear, public positions on several strands of climate change policy and regulation.

ENGAGEMENT RATIONALE

CRH is a top 10 contributor of financed emissions of the Fund's equity investments. The company's emissions have grown significantly since 2014 due to M&A activities. It is also one of the largest contributors to the Total Core Index carbon footprint. The company also has a high carbon intensity of 1,162 tCO_2e/\$m revenue. The company's climate-related accounting disclosures have also been a topic of concern amongst engagers.

COMPANY	GEOGRAPHY	SECTOR
CRH	Ireland	Materials

ENGAGEMENT OBJECTIVES

1) Improved disclosure around its membership and involvement in trade associations engaged in climate issues.
2) More robust reporting of Scope 1, 2 and 3 emissions.
3) Increased development of activities focusing on low-carbon cement solutions.
4) Paris-aligned financial accounting.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group. Ongoing investor engagement on Paris-aligned financial accounting. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

CRH has not yet sought shareholder approval for its climate action plan, which, according to the CA100+ benchmark assessment, fails to address at least 95% of its Scope 1 and 2 emissions, as well as the most significant Scope 3 emissions. Furthermore, CA100+ flagged the first-ever net-zero accounting-related resolution concerning the company to its members ahead of its 2022 AGM. CRH has previously provided a constructive response to the investor letter on Paris-aligned financial accounting, disclosing that they are considering climate risk and their carbon reduction roadmap in their accounting. CRH did not go as far to say that they would consider a net-zero pathway as part of this.

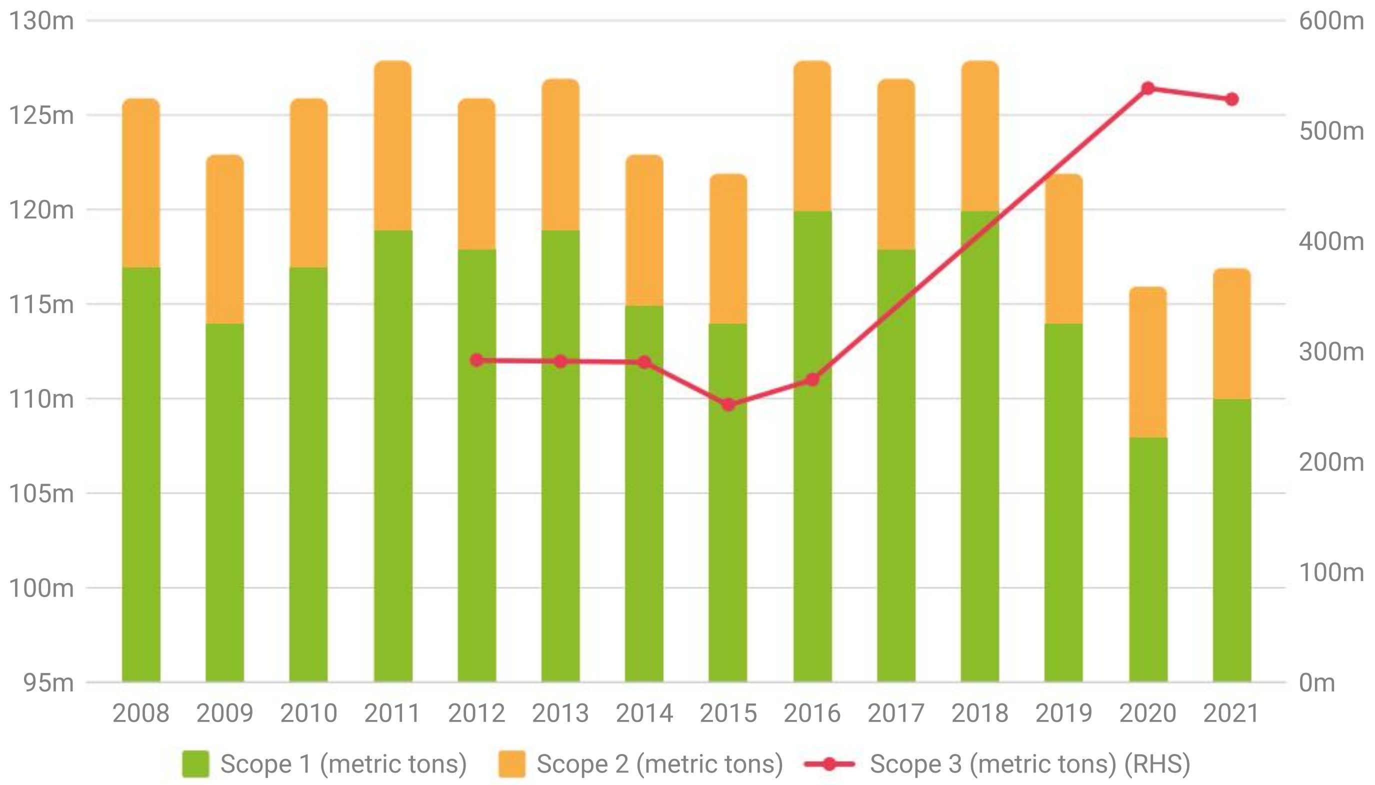
NEXT STEPS

- Climate-aligned accounting and audit: the company has thus far not responded to investor expectations regarding how material climate risks are considered in its accounts, how its own climate targets have been incorporated into the assessment of assets, liabilities and profitability, or what a 1.5° pathway might mean for CRH's financial position. EOS will continue to engage on this topic.

ExxonMobil

COMPANY	GEOGRAPHY	SECTOR
ExxonMobil	North America	Energy

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

ExxonMobil is an American multinational oil & gas company that explores for, produces and distributes oil, gas and petroleum products worldwide. As of 2022, ExxonMobil is the world's largest publicly traded oil & gas company, with operations spanning six continents. The company has lagged the international majors, such as Shell, in aligning efforts to transition its operations toward cleaner energy alternatives. In January 2022, the company revealed an intensity-based 2030 emissions reduction targets. The company also intends to invest more in lower-emission initiatives by 2027. At the 2021 AGM, an activist hedge fund, Engine No.1, successfully replaced three of ExxonMobil's Board members, following concerns the company was failing to implement a viable climate change strategy. The independent board members received unlikely support from ExxonMobil's largest shareholders: BlackRock, Vanguard and State Street.

ENGAGEMENT RATIONALE

ExxonMobil is a material contributor to the fossil fuel exposure of the LGIM North America and the LGPSC Global Ex-UK Passive Equities portfolio.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.

ENGAGEMENT STRATEGY

1) Collaborative engagement via the CA100+ initiative.
2) Direct engagement by Hermes EOS.

ExxonMobil

COMPANY	GEOGRAPHY	SECTOR
ExxonMobil	North America	Energy

MEASURES OF SUCCESS

Hermes EOS supported the proxy voting contest led by Engine No.1 at the 2021 AGM. In their view, the concerns expressed by Engine No.1 echoed many of those expressed in EOS' engagement with the company over the past few years. EOS felt that the company had been particularly non-responsive to engagement throughout 2020 and that Engine No.1s slate of directors will bring the experience and skills needed to preserve long-term shareholder value through the transition to the low-carbon economy.

Following the AGM, EOS sent a letter to the board of directors explaining their position on the proxy voting contest and their hopes for the company moving forward. The letter encouraged the company to embrace the leadership changes and pursue constructive dialogue with the new directors, including appointing them to key board committees were appropriate. The letter also made the following recommendations to Exxon:

1) Enhance disclosure on the approval process for all projects and the assumptions used in financial projects.
2) Expand current scope 1 and 2 emissions reduction targets to include non-operated assets, and verify that they are in line with the Paris Agreement.
3) Enhance disclosure on how scope 3 emissions will be reduced over the long-term.
4) Commit to keeping methane emissions intensity below 0.2% across the value chain.
5) Be responsive to the shareholder resolutions concerning political contributions and lobbying activities.

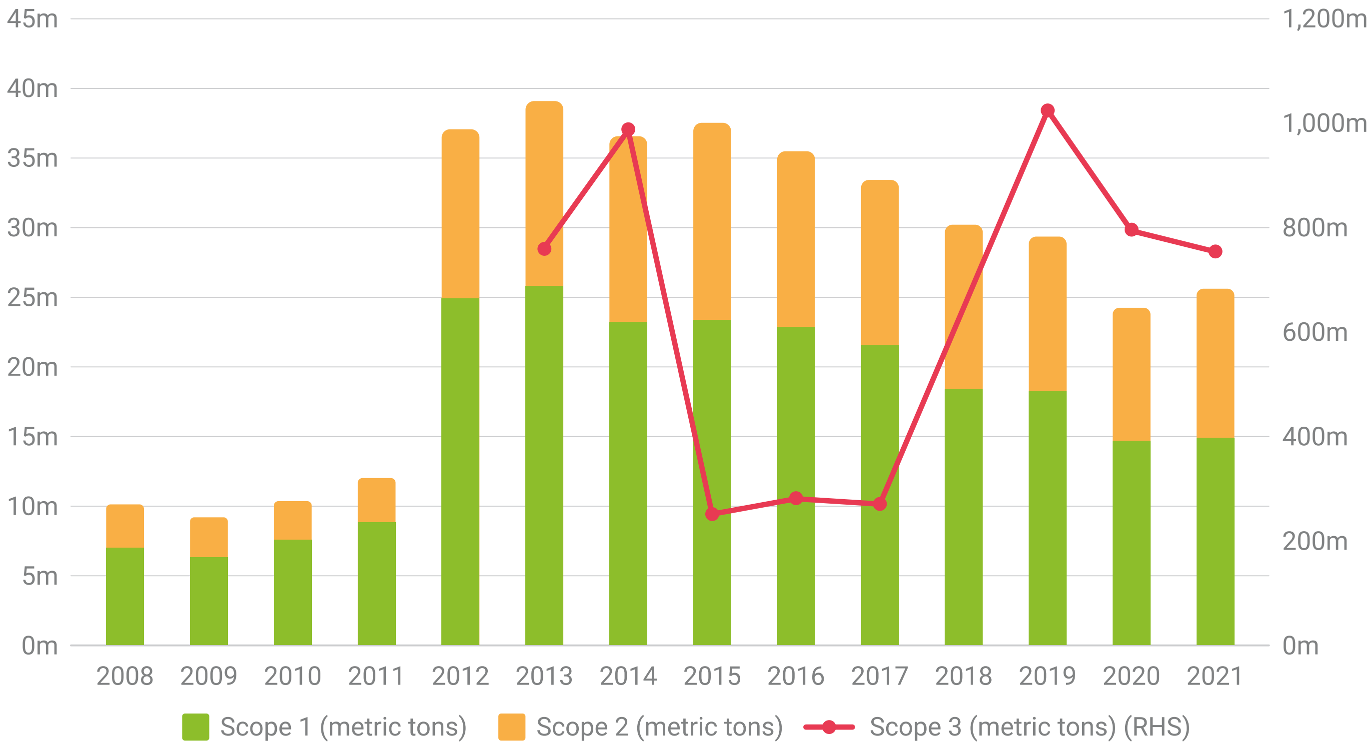
NEXT STEPS

- There have been significant improvements in terms of engagement following the 2021 AGM, but Exxon Mobil is still slow to make changes regarding climate risk.
- While engagement has improved EOS still reports a lack of transparency on reporting and there is a lack of disclosure relative to other oil and gas firms.
- EOS highlights an importance of methane reduction as well greater disclosure of this.
- The company's intensity-based emissions reduction target does not seem to align with Paris Agreement.

GLENCORE

COMPANY	GEOGRAPHY	SECTOR
Glencore	United Kingdom	Mining

REPORTED EMISSIONS (TCO₂E)



COMPANY CONTEXT

Glencore is a mining company that engages in the production, processing and marketing of metals and minerals, energy products and agricultural products. The firm serves the automotive, steel, power generation, battery manufacturing, and oil sectors. It operates through the following segments: Marketing, Industrial, and Corporate and Other. Glencore has had a reputation for being willing to take more risk than rivals. At the company's 2022 AGM 76.28% of votes cast supported the company's 2021 Climate Progress Report. As more than 20% of votes were cast against the Climate Resolution, Glencore consulted with shareholders and then made additional commitments . Glencore's 2023 AGM will take place on the 26th of May.

ENGAGEMENT RATIONALE

Glencore is the largest contributor to the thermal coal exposure of both the LGPS Central portfolio and the Core Index portfolio. Respectively, Glencore accounts for 57% and 26% of the two portfolios' exposure to thermal coal reserves. At the underlying portfolio level, Glencore is a top five holding in the LGPS Central GEAMMF, being a long-term, high-conviction holding for one of the portfolio managers, Harris Associates.

ENGAGEMENT OBJECTIVES

Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.

GLENCORE

COMPANY	GEOGRAPHY	SECTOR
Glencore	United Kingdom	Mining

ENGAGEMENT STRATEGY

Engagement by LGPSC as co-lead for the CA100+ Glencore Focus group. Voting is used to actively support ongoing engagement and to voice concerns and/or escalate the engagement as needed. At the 2018 and 2019 AGMs, LGPSC voted against Board Director Peter Coates due to his history of advocacy that is contrary to Paris Agreement goals and not aligned with Glencore's stated climate ambition and strategy.

MEASURES OF SUCCESS

Glencore has made clear progress against CA100+ objectives during the assessment which took place in Q4 of 2022 compared against the assessment which took place during Q1 2021. Glencore built on the progress made by setting a net-zero by 2050 ambition across all scopes, through improved climate governance which considers progress such as ensuring the board has responsibility for climate change and the introduction of a remuneration package that incorporates climate change performance. Glencore also improved their performance against the climate policy engagement assessment, as the company now lists its climate-related lobbying activities. Both TPI and CA100+ show that Glencore's current greenhouse gas targets does not align the company to 1.5-degree scenario in the medium or long term. Engagers would like to see Glencore improve their current medium and long term carbon performance, improving medium and long-term targets that can credibly be met. It is also critical that the company disclose actions it has taken or plan to take when it sees misalignment between its own climate position and that of industry associations.

NEXT STEPS

At the 2022 AGM, LGPS Central, on behalf of the Fund, has voted against Glencore's climate progress report, alongside approx. 23% of shareholders. Above 20% is substantial opposition, and the UK Corporate Governance Code requires the company to open dialogue with shareholders to understand their views and reasons for the opposition. LGPS Central also wrote to the company to explain the rationale for the opposition.

Glencore is also a subject of a shareholder resolution, filed by a coalition of shareholders including one of the Fund's appointed external managers LGIM, at the 2023 AGM. The resolution is seeking greater insights into the specific plan to align thermal coal production with emissions reductions commitments. The Fund's voting intention will be guided by our voting principles and engagement activities.

As co-lead of CA100+ engagement with Glencore, LGPS Central will continue dialogue with the CEO, but also seeking dialogue with the Board Chair and Chair of Audit Committee, on:

- More ambitious short-term targets.
- A specific 2030 target, to ensure full transparency on the trajectory of decarbonisation relative to IEA/IPCC's 1.5C for coal.
- Net zero accounting, with dialogue based around the findings of Carbon Tracker (previously shared with Glencore).
- Climate policy lobbying, with emphasis on Glencore actively advocating for a policy environment in key markets (including Australia) which will be conducive to the green shift and supportive of the pivot that Glencore is seeking.

GLENCORE

COMPANY	GEOGRAPHY	SECTOR
Glencore	United Kingdom	Mining

ENGAGEMENT CASE STUDY

THEME

Climate change

OBJECTIVE

LGPS Central expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT

LGPS Central sent a letter to the CEO of Glencore, outlining concerns that led us to vote against Glencore's climate progress report at the 2022 AGM. Glencore's total carbon footprint is highly correlated with coal production. We take the view that the company should seek alignment with the International Energy Agency's (IEA) NZ2050 coal pathway rather than an overall fossil fuel pathway. Based on Glencore's current disclosures, we are concerned that Glencore's current plans to reduce coal production over the next decade appear inconsistent with a 1.5C trajectory. In a letter to Glencore's CEO in December 2022, signed by eight investors including LGPS Central, we reiterated this concern asking for clarification on the expansionary capital expenditure for thermal coal and whether this is consistent with a 1.5C trajectory.

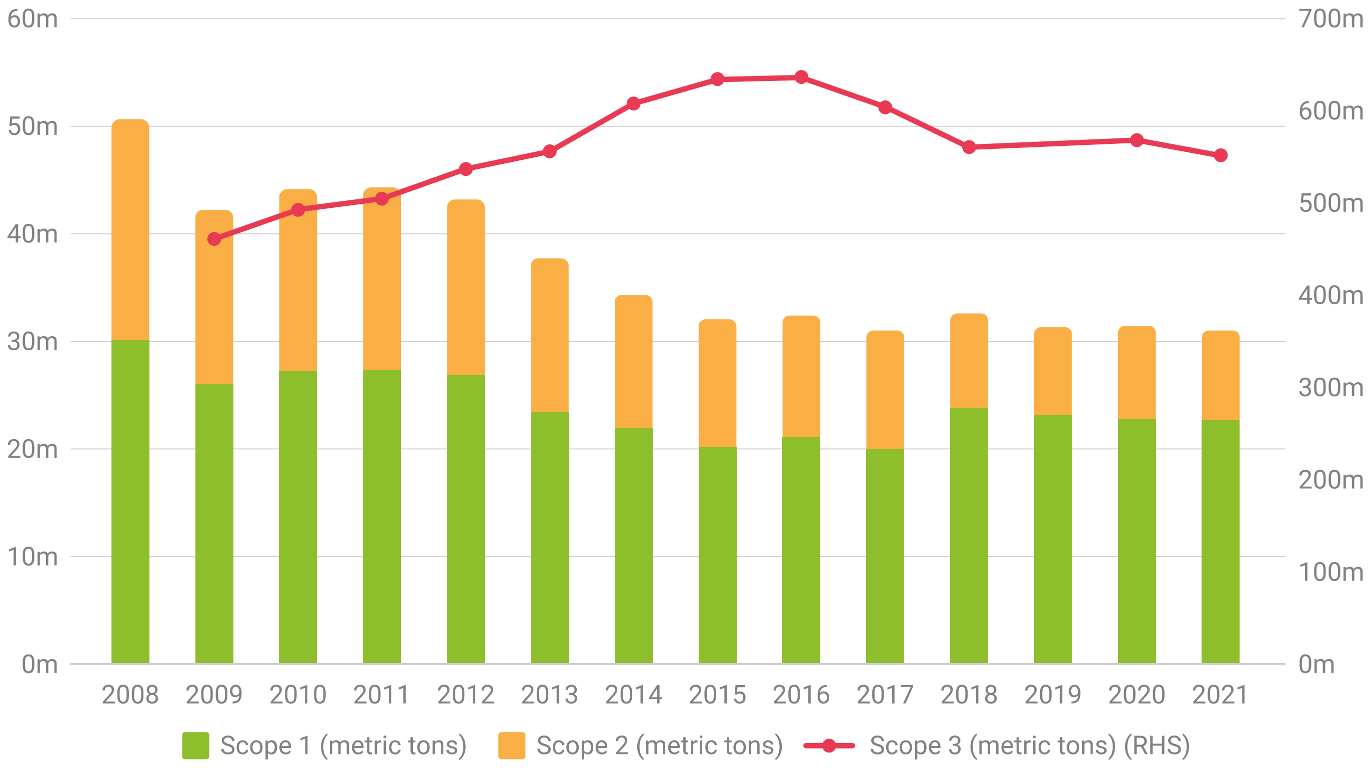
OUTCOME

Glencore has responded to the letters stating that the company will provide further detail in the upcoming 2022 report against the climate strategy, and that they welcome our feedback to these disclosures. In December 2022, Glencore decided to withdraw a coal project in Australia from the current approvals process. We are seeking a meeting with the company to discuss how this will affect Glencore's achievement of climate targets and the responsibly managed decline of coal assets, alongside other issues raised.

RioTinto

COMPANY	GEOGRAPHY	SECTOR
Rio Tinto	Australia	Materials

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

Rio Tinto is an Anglo-Australian multinational diversified mining company involved in the exploration, mining and processing of iron ore, aluminium, copper, diamonds, energy and minerals. The company has no exposure to coal and has set a Net Zero by 2050 ambition that includes emissions reduction targets for scope 1 and 2 emissions. Whilst this is a step in the right direction, investor concerns remain over the omission of Scope 3 emissions from the company's climate targets. Rio Tinto's new CEO, Jakob Stausholm, has signalled that the company will look to strengthen its climate agenda in response. Climate change aside, the company has also been embroiled in a scandal over the past year after being involved in the destruction of a 46,000-year old heritage site in Western Australia. Following large condemnation, Rio Tinto's former CEO, alongside two other directors and the Chair, stepped down.

ENGAGEMENT RATIONALE

Rio Tinto is among the top five contributors to the Fund's equity holdings and has the largest carbon footprint in the Core Index portfolio. Specifically, the company is responsible for 4.7% of the emissions financed by the equity holdings.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.
- Set a Net Zero target that includes emissions reduction targets for Scope 3 emissions.

RioTinto

COMPANY	GEOGRAPHY	SECTOR
Rio Tinto	Australia	Materials

ENGAGEMENT STRATEGY

- Engagement by LGPS Central as part of the CA100+ focus group.

MEASURES OF SUCCESS

Following investor engagement, in 2022 the company announced new climate targets: to reduce their Scope 1 & 2 emissions by 15% by 2025 and 50% by 2030 relative to their 2018 baseline. These targets are consistent with the IPCC pathways to 1.5°C. The company has yet to announce Scope 3 emissions targets despite investor pressure. LGPSC will continue to push for these via CA100+ engagement. Further, in March 2021, Rio Tinto, for the first time, backed shareholder resolutions focusing on climate change. The first resolution called on Rio Tinto to publish independently verified short, medium, and long-term emissions reduction targets and to disclose performance against those targets. The second resolution requested that the company strengthen its annual review process for assessing industry and lobbying groups as well as suspend memberships if they are inconsistent with the Paris Agreement. LGPS Central, via CA100+, will continue to engage with the company on how it plans to reform its climate strategy in light of the two shareholder proposals.

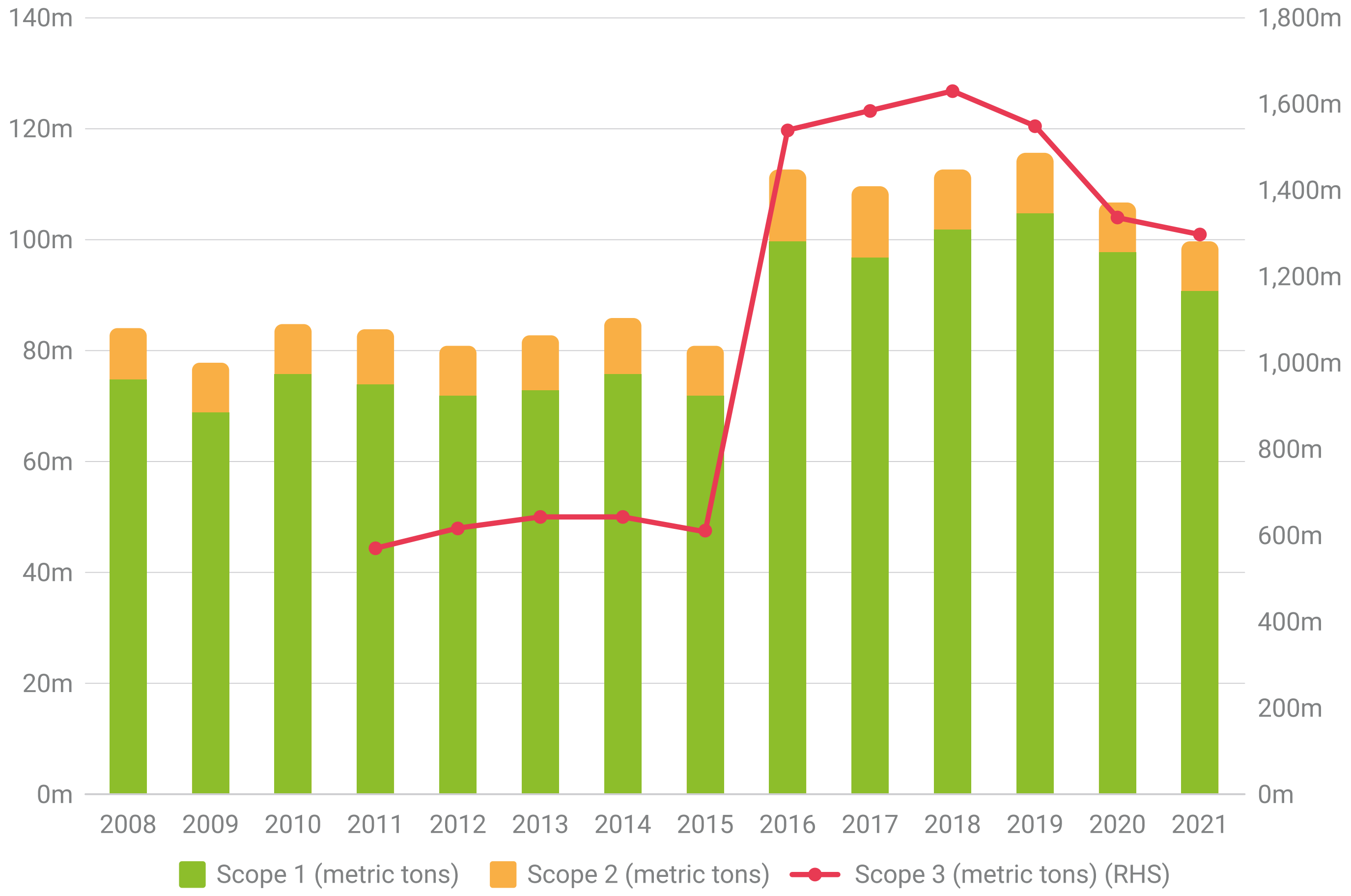
NEXT STEPS

Engagement will focus on encouraging the company to:

- Set robust, time-bound scope 3 emissions reductions target.
- Exit any industry associations with climate lobbying practices that are misaligned with the Paris Agreement.
- Provide a definition of the extent that the company will rely on carbon capture and storage within its decarbonisation strategy.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

Shell is a multinational oil and gas company. The firm, through its subsidiaries, explores, produces, and refines petroleum; produces fuels, chemicals, and lubricants; and owns and operates gasoline filling stations worldwide. In 2017, Shell announced a Net Carbon Footprint ambition covering both direct and indirect emissions. In April 2020, following engagement with industry stakeholders, Shell announced its ambition to reduce scope 1 and 2 emissions to net-zero by 2050 or sooner, and to reduce scope 3 emissions by 65% by 2050 (and 30% by 2035). For the remaining 35%, Shell aims to help its customers decarbonise through Carbon Capture and Storage (CCS) and other offsetting mechanisms.

The company has been the subject of several litigations. In May 2021, the Dutch court ordered Shell to cut carbon emissions from its oil and gas products by 45% by 2030. In early 2023, Shell's Board of Directors were sued due to their alleged mismanagement of climate risk. Environmental lawyers ClientEarth are asking the high court to order Shell's board to adopt a strategy to manage climate risk in line with its duties under the Companies Act, and in compliance with the Dutch court's order for big cuts in emissions. As a result of the close alignment between the points raised by the ClientEarth claim and LGPS Central's engagement history with the company, LGPS Central provided evidence to the Court in order to reinforce investor expectations on Shell's climate strategy. Shell is currently appealing against the Dutch court order and, if the case progresses, will also contest the claim by ClientEarth.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

ENGAGEMENT RATIONALE

Shell is a source of potential stranded assets risk within Equities, holding the second largest oil and gas reserves within the asset class. Shell accounts for 28.8% of the Fund's gas exposure and 23.5% of the Fund's oil exposure within equities. Shell is also the largest contributor to financed emissions and weighted average carbon intensity across the whole of the Fund's equity holdings.

ENGAGEMENT OBJECTIVES

1) To set and publish targets that are aligned with the goal of the Paris agreement.
2) To fully reflect its net-zero ambition in its operational plans and budgets.
3) To set a transparent strategy on achieving net-zero emissions by 2050; including valid assumptions for short, medium and long term targets.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group and through the Paris-aligned financial accounting investor initiative. Use of voting to support ongoing engagement objectives. Direct engagement by LGPS Central, including letter exchanges and dialogues.

MEASURES OF SUCCESS

In February 2021, Shell held its annual Strategy Day where the firm outlined its proposal to become a net-zero business by 2050 or sooner. Following engagement with CA 100+, Shell announced it would be putting forward an Energy Transition Plan for investors to vote on at their annual general meeting on 18 May 2021. This step makes Shell the first company in the energy sector to allow investors a 'Say on Climate'. The resolution on Shell's Energy Transition Plan passed with 88.7% support from shareholders at the AGM and will allow shareholders an annual advisory vote to express whether sufficient progress has been made in delivering the plan. Shell consider that their net-zero target aligns with a 1.5°C degree target and that scope 3 emission are included. However, there is concern around the lack of short- and medium targets that can back up the net-zero ambition, as well as an apparent reliance from Shell on customers cutting consumption as part of Scope 3 rather than Shell cutting production to align with Paris. Shell has also been unclear on their use of nature offsets and Carbon Capture and Storage technologies and has not provided sufficient detail on how this will be achieved. A shareholder proposal requesting Shell to set and publish targets for GHG emissions reduction in line with Paris was put to a vote at the AGM and received a healthy 30% support. LGPS Central voted against the Energy Transition Plan and for the shareholder proposal in order to signal that we are asking more also of leading companies in order to really see a step-change for the sector. Through the Paris-aligned accounting initiative, it is viewed as a critical concern that Shell explicitly state they have not included their net-zero commitment into their budgets and accounts. Shell's auditor has acknowledged that this is a concern and investors will press the company to provide assurance that reports and accounts properly reflect their net-zero ambitions in future. Shell is generally receptive of engagement with shareholders.

NEXT STEPS

Key issues that CA100+ engagers will focus on ahead:

- Intensity emissions reduction targets must be complimented by absolute emissions reduction targets, across all scopes.
- Aligning CAPEX with their NZ ambition.
- Demand-side: investors will work with sectors on the demand side, alongside Shell's engagement with its customers, to influence a 1.5°C aligned transition.
- Resolution of climate-related litigation.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

ENGAGEMENT CASE STUDY

THEME

Climate Change

OBJECTIVE

We expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT

In November 2022 LGPS Central sent a letter to the Chair of the Board at Shell, outlining why we voted against the company's Energy Transition Strategy in the 2022 AGM. The letter outlined the strategy's misalignment with the Paris Agreement; a lack of targets which would facilitate the achievement of the Strategy; and questioned whether Shell's capital expenditure plans are genuinely aligned with a 1.5˚C temperature rise scenario. Following receipt of this letter, a 1-1 meeting was scheduled between LGPSC and the head of Investor Relations at Shell.

This meeting allowed a detailed discussion on Shell's climate strategy, highlighting the risks and opportunities the company has focussed on ahead of the energy transition. We were happy to hear that Shell recognises the key role it must play in addressing climate risk on a global level and were encouraged by the company's progress in decreasing its oil production. However, Shell expressed a reluctance to set absolute short- and medium-term Scope 3 targets for its upstream emissions. Shell also stressed the fact that it believes it is currently a leader in the global transition, and that now the responsibility must shift towards governments and consumers to continue progress towards net zero.

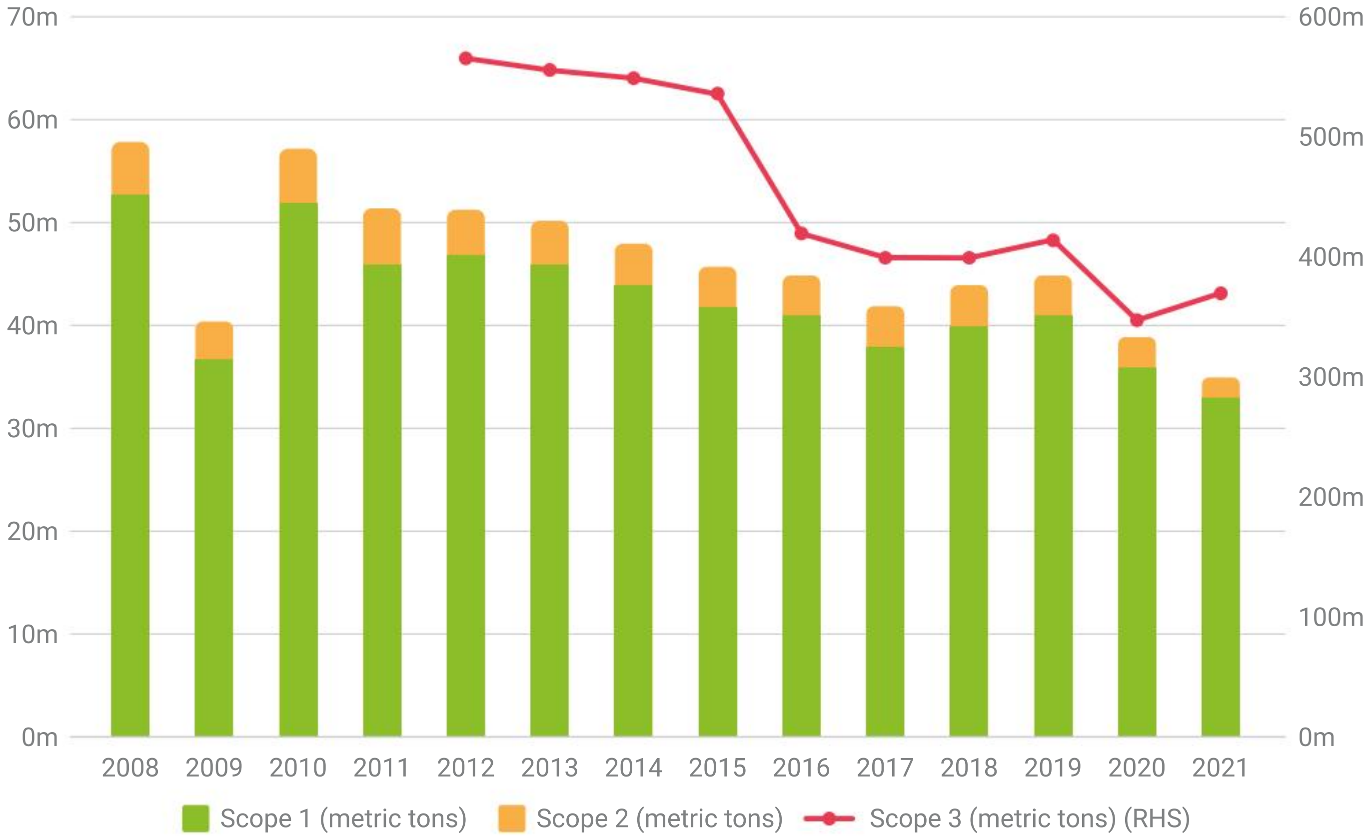
OUTCOME

We very much appreciate Shell's desire to have a meaningful and open dialogue with its shareholders, and it is clear that Shell is a sector leader in the climate transition. However, significant doubts remain regarding the feasibility and robustness of Shell's transition strategy, evidenced by a lack of meaningful targets which detail how Shell will achieve its long-term goals. We are therefore considering further engagement or escalation in early 2023. In February, the environmental charity ClientEarth filed a derivative claim against the Board of Directors at Shell, stating that the Board is mismanaging climate risk, evidenced by an insufficient Energy Transition Strategy and a fundamental misalignment with the goals of the Paris Agreement.

Following a thorough assessment of the potential risks and benefits associated with supporting the claim, LGPS Central provided a copy of a recent engagement with Shell to the Court as evidence of our concerns. This escalation was made in recognition of the significant overlap between the points raised in the ClientEarth claim and our own engagement objectives for dialogue with Shell.

COMPANY	GEOGRAPHY	SECTOR
TotalEnergies	Europe	Energy

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

TotalEnergies produces and markets fuels, natural gas and low-carbon electricity. It engages in the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end customer. In 2020, EOS were pleased to see TotalEnergies demonstrate its relative resilience compared with peers and welcomed the important announcements made: intermediate targets on Scope 3 emissions, withdrawal from the American Petroleum Institute and an increased target for renewable energy generation. Total also made an explicit commitment to achieve Net Zero emissions in Europe by 2050, though it will only expand its pledge to other regions if they adopt the relevant regulations. EOS believe that Total should not only be led by regulation but be more ambitious and lead politicians.

ENGAGEMENT RATIONALE

TotalEnergies is a material contributor to the fossil fuel exposure of the LGIM Europe, LGPS Central Global Ex-UK and LGPS Central Global Equity Active Multi Manager Fund. It is also a source of stranded asset risk, with assets in oil and gas reserves.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level CA100+ Net Zero Benchmark Objectives.

ENGAGEMENT STRATEGY

- Engagement by CA100+, with Hermes EOS as the co-lead.

TotalEnergies

COMPANY	GEOGRAPHY	SECTOR
TotalEnergies	Europe	Energy

MEASURES OF SUCCESS

In early 2021, EOS sent a letter to the CEO and chair of Total to seek further dialogue regarding the company's efforts towards achieving the Paris Agreement goals. EOS were pleased to receive a receptive response from Total, which included several enhancements to the company's strategy. In particular, the CEO/chair confirmed that the board will consult shareholders on the company's strategic direction and its related targets. During its annual strategic reviews, the board will examine the relevance of its ambitions, as well as the appropriateness of its strategy and its targets for reducing greenhouse gas emissions. Each year, the board will inform shareholders on the progress made in implementing this ambition and consult them, if necessary, when adapting its strategy and objectives. At Total's 2021 AGM, EOS submitted a statement with questions which were officially supported by over 30 institutional investors. The letter had three key asks, namely 1) the alignment of Total's carbon reduction targets with a 1.5°C scenario, 2) more granular disclosure on capital expenditure to help demonstrate consistency with a net zero pathway, and 3) a request for the company to submit its net-zero transition plan to a vote by shareholders at least every three years, with an annual update on progress made in its implementation. Total publicly acknowledged receipt of the letter during the 2021 AGM and sent EOS a letter in response, which outlined several new elements. These included the geographical breakdown of scope 3 emissions and additional information on capex and production plans. EOS intend to continue engaging with Total on these matters as the CA100+ co-lead.

NEXT STEPS

- While emissions targets have been put in place, these targets do not focus on upstream business.
- Progress has been made through implementing short- and medium-term targets to support net zero emissions by 2050, but current targets are not aligned with 1.5-degrees pathways.
- Monitor progress of TotalEnergies' carbon emissions reduction and escalate as necessary.

Important Information

MSCI DISCLAIMER:

LGPS CENTRAL DISCLAIMER:

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All information is prepared as of 31st March 2023.

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LGPS Central Limited

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

27 April 2023

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE ACTION PLAN REPORT

Purpose of the Report

1. To review progress against the Climate Action Plan and consider additional items.

Information

2. The first Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October 2020, with a number of recommendations which became the Fund's Climate Action Plan. The Plan was reviewed and updated on receipt of each subsequent Climate Risk Report. The Committee has reviewed progress on a six monthly basis.

3. The following table shows the progress which has been made against the Climate Action Plan for this year and whether it is in accordance with the original plan.

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Governance					
1	Governance	Continue to report decarbonisation progress on an annual basis, comparing results with previous values.	Oct-Dec each year	LGPS Central to provide support	TCFD (Taskforce for Climate-related Financial Disclosure) Report incorporating the key elements of the Climate Risk Report published at the December 22 PFC (Pension Fund Committee) meeting	Yes
2	Governance	Work with LGPSC to integrate 'climate solutions' data into the CRMS once an industry-agreed definition is available. This report utilises MSCI's definition of clean technology as a proxy to track investments into 'climate solutions'. There are other methods including EU Taxonomy and we expect industry standards to progress in future versions of the report.	Dependent on industry progress	LGPS Central is contributing to this		Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Strategy					
3	Strategy	Continue with a net zero trajectory through various collaborations including with LGPSC and other external managers. This is to ensure that climate transition and physical risks are identified and managed through stewardship and/or asset allocation activities.	Ongoing		Collaborations are an ongoing part of our stewardship strategy. The strategic asset allocation was discussed at the January WP meeting.	Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Risk Management					
4	Company Stewardship	Continue to engage the companies highlighted in the Climate Stewardship Plan through selected stewardship partners	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	Plan and engagement update will be provided to the April 23 PFC. Schroders challenged on their engagement and strategy at the March 23 PFC.	Yes
5	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	Ongoing	With the support of LGPS Central	Plan and engagement update was provided to the December 22 PFC within the Climate Risk Analysis.	Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Metrics and Targets					
6	Metrics	Repeat Carbon Risk Metrics analysis annually	Autumn 23			Yes
7	Metrics	Report annually on progress on climate risk using the TCFD Framework.	Autumn 23	.		Yes
8	Metrics – Equities	Continue to monitor Shell, BP, Exxon Mobil and CRH via the Fund's Climate Stewardship Plan.	April 23		The 2023 Climate Stewardship Plan Progress Report is being presented to the April 23 PFC.	Yes
9	Metrics – Core Index	Continue to monitor the high exposure to fossil fuel reserves within the LGIM UK Equity Index.	Ongoing	With the support of LGPS Central		Yes
10	Metrics – Schroders Equity Fund	Engage with Schroders on their investment thesis and stewardship activities.	Ongoing		Schroders challenged on their engagement and strategy at the March 23 PFC.	Yes
11	Metrics - RWC	Continue to request information from RWC on their direct climate stewardship. Monitor RWC Japan's approach to assessing climate risks of new additions into the fund which led to the increase in carbon intensity and financed emissions compared to the baseline.	Ongoing	RWC carbon intensity remains very low compared to other funds.		Yes
12	Metrics – LGPS Central	Monitor LGPS Central's approach to managing climate risk in the EMEAMMF (Emerging Market Equities).	Ongoing	With the support of LGPS Central	Data on all LGPS Central funds provided and challenged on a quarterly basis.	Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Metrics and Targets					
13	Metrics – Fixed Income	Monitor LGPS Central's approach to managing climate risk within their portfolio, particularly where there is an absence of reported GHG emissions data. Query the fund managers position on the Utilities sector in relation to the climate transition and net-zero ambitions.	Ongoing	With the support of LGPS Central and their investment managers	Data on all LGPS Central funds provided and challenged on a quarterly basis.	Yes

Other work

4. The items on the Climate Action Plan are just part of the work the Pension Fund is doing to mitigate the financial risk of climate change.

5. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

6. None. This progress report was requested by the Nottinghamshire County Council Pension Fund Committee.

Reason/s for Recommendation/s

7. The Climate Action Plan is part of the Fund's approach to addressing the risks and opportunities related to climate change.

Statutory and Policy Implications

8. 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

9. There are no direct financial implications arising as a result of publishing this report.

RECOMMENDATION/S

1) That members endorse the work that has been undertaken and note the progress made against the Climate Action Plan and consider whether there are any actions they require in relation to the progress on the Nottinghamshire County Council Pension Fund Climate Action Plan.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/04/2023)

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

Financial Comments (TMR 31/03/2023)

11. The financial implications are set out in paragraph 9.

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

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

27 April 2023

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PENSION FUND TREASURY MANAGEMENT OUTTURN 2022/23

Purpose of the Report

1. To provide a review of the Pension Fund's treasury management activities for the year to 31 March 2023.

Background

2. Treasury management is defined as 'the management of the council's investments and cashflows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

3. Responsibility for the treasury management of the Pension Fund was delegated to the Pension Fund Committee at Full Council in February 2020. The purpose of this was to improve the clarity of the governance of the Pension Fund Committee, and to recognise the role of cash investments as part of the Fund's wider investment strategy. This report summarizes pension fund cash investment activity for the year 2022/23.

4. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:

    - the Service Director (Finance, Infrastructure & Improvement)
    - the Group Manager (Financial Services)
    - the Senior Accountant (Pensions & Treasury Management)
    - the Senior Accountant (Financial Strategy & Accounting)
    - the Investments Officer.

5. During 2022/23, cash investment activities were in accordance with the approved limits as set out in the Fund's Treasury Management Policy and Strategy. The main points from this report are:

    - All treasury management activities were carried out by authorised officers within the limits agreed by the Pension Fund Committee.

- All investments were made to counterparties on the Fund's approved lending list.
- At 31 March long-term cash deposits were zero - within the limit agreed as a Fund Prudential Indicator, namely £20m or 15% of the cash balance, whichever is higher.
- Averaged over the year the Fund earned 2.01% on its cash investments, slightly below the adjusted average Sterling Overnight Index Average (SONIA) rate for 2022/23 which was 2.11%.

Outturn Treasury Position

6. The Fund's Treasury Management strategy and associated policies and practices for 2022/23 were approved in March 2022 by Pension Fund Committee. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.

7. The Fund manages its cash flows through lending activities on the wholesale money markets. The Fund has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

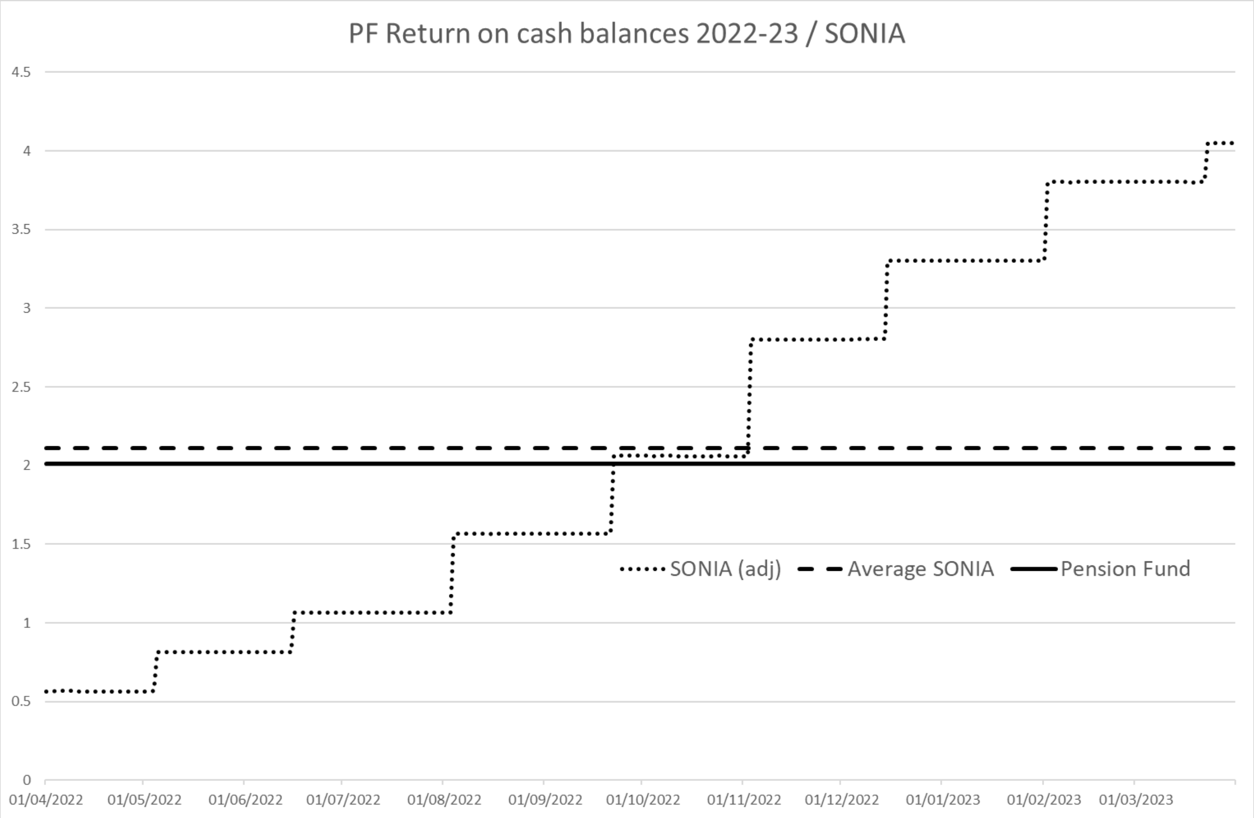
8. The Fund's average cash balance over 2022/23 was £153.4m (compared with £164.7m in 2021/22), and the table below shows a summary of the deposit/recall activity underlying this:

	Balances b/f	**Total Raised**	**Total Repaid**	**Balances c/f**
	£000	**£000**	**£000**	**£000**
BANK OF SCOTLAND	20,000	0	-20,000	0
LLOYDS BANK	20,000	0	-20,000	0
INSIGHT MMF	40,000	40,100	-80,100	0
LGIM MMF	2,500	55,800	-41,600	16,700
BLACK ROCK	22,750	147,500	-134,650	35,600
JP MORGAN	0	64,750	-63,900	850
ABERDEEN STANDARD	0	94,740	-54,740	40,000
FEDERATED	40,000	34,550	-60,950	13,600
	145,250	**437,440**	**-475,940**	**106,750**

9. The table below shows some of the larger investment commitments that the Fund's cash balance is required to cover, over and above the required monthly pension payments. Although the total commitment at 31 March greatly exceeds the £106.75m cash balance, the anticipated drawdowns for Private Equity and Infrastructure commitments will be made over a number of years. Furthermore, any property purchase made by abrdn usually has a long enough lead-in to be comfortably covered.

Commitment estimates as at 31 March 2023	£m	When required
Schroders cash balance	20.8	Immediately
Private Equity commitments	72.5	Unpredictable
Infrastructure commitments	133.4	Unpredictable
Total	**226.7**	

10. As can be seen in the chart below, interest rates available in the market increased markedly during 2022/23. The Fund made use of Money Market Funds as part of its strategy of keeping cash balances available for investment in its main portfolios. The return achieved on Pension Fund cash balances over the course of the year was 2.01%, slightly below the adjusted average Sterling Overnight Index Average (SONIA) rate over the same period, which was 2.11%.



11. The rate of return on Pension Fund cash is in keeping with the Council's quite conservative Treasury Management strategy for all its cash deposits. For comparison, the average rate of return on the Council's non-Pension Fund deposits over the same period was 2.13%, slightly higher than the Pension Fund due to the Council having:

(a) a higher average balance (£211m) and so making use of 3-month fixed deposits.

(b) less of a requirement to keep a high proportion of its deposits liquid (as highlighted in paragraph 9).

12. One other pension fund within the LGPS Central group has informed us that it averaged 2.12% on its cash deposits (1.81% on its non-PF deposits). No other fund to had calculated

its own average at the time of compiling this report, but we are continuing to gather returns as they become available.

Statutory and Policy Implications

13. 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

14. That Pension Fund Committee members approve the Outturn Statement as set out in the report.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 18/04/2023)

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

Financial Comments (TMR 18/04/2023)

16. There are no financial implications arising directly 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.

- CIPFA Code, Treasury management in the public services, 2021

Nottinghamshire County Council

Report to Pension Fund Committee

27 April 2023

Agenda Item: 9

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 final quarter of 2022 (calendar year) as part of this ongoing commitment.

Information

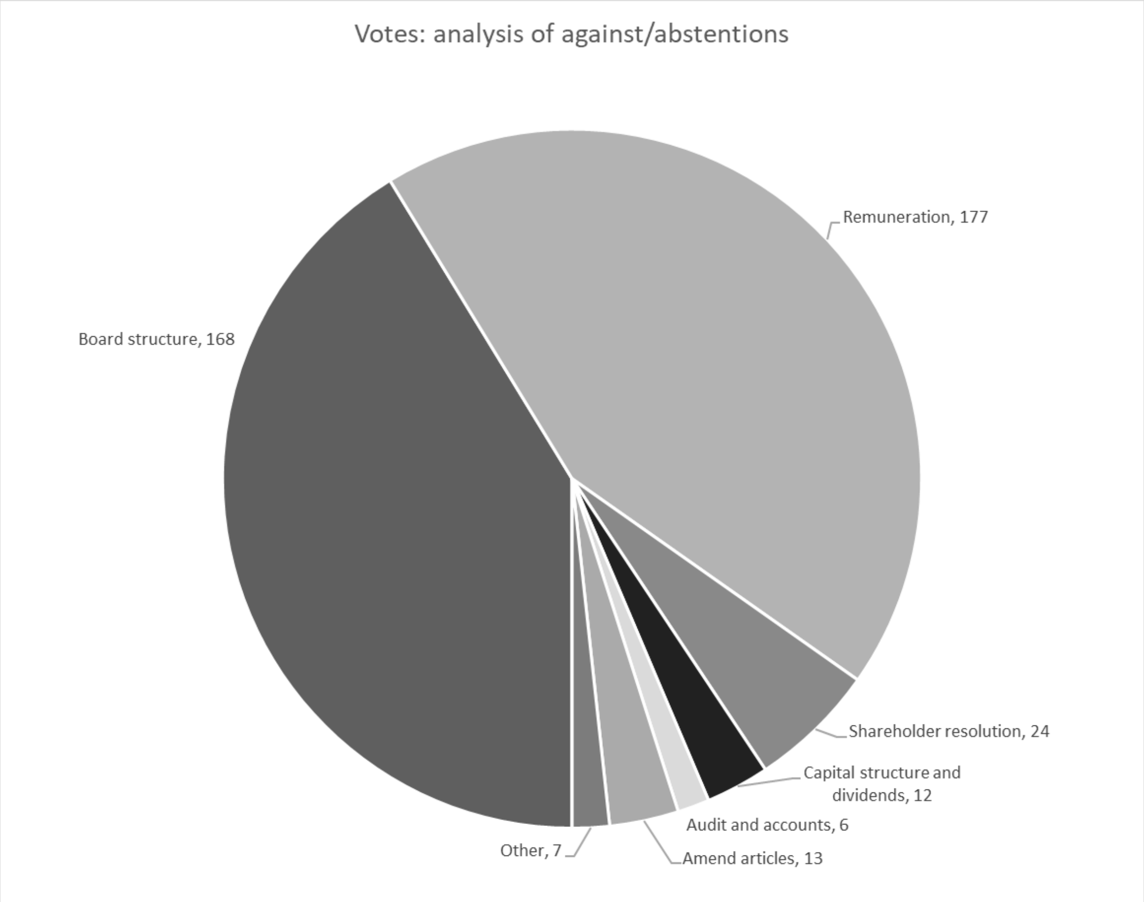
2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.

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 Investment Strategy Statement 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 any directly held shares (rather than delegating this to investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Since 1 January 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.

5. Over the quarter to December 2022 Hermes EOS voted Nottinghamshire Pension Fund shares at 307 meetings (a total of 2,441 resolutions). Hermes opposed one or more resolutions at 154 meetings and voted with management by exception at 9 meetings. Hermes supported management on all resolutions at the remaining 144 meetings.

6. Hermes recommended voting against or abstaining on 408 resolutions over the last quarter. An analysis of the issues is shown below:



7. Most AGM votes relate to routine management items. Those relating to issues such as climate change only form a small proportion of the total votes by number, even where they represent a substantial amount of engagement time and effort. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter is 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).

8. Further detail on specific issues raised at company AGMs can be found in LGPS Central's quarterly *Stewardship Update*. The most recent Update (to September 2022) highlights among other things Central's voting with shareholder resolutions at the Tesla AGM in August: "The proposal to report climate lobbying in line with the Paris Agreement corresponded to our stewardship theme of climate change and received 34.3% support. The proposal to report on eradicating child labour in the company's battery supply chain was directly linked to our human rights theme and received 10.4% votes. Both these resolutions were unable to pass, but the notable shareholder support sends a strong message to Tesla management of investor concern and will be conducive to ongoing investor engagement". A link to this can be found on the Nottinghamshire Pension Fund 'Approach to Responsible Investment' webpage: https://www.nottspf.org.uk/about-the-fund/responsible-investment/

Statutory and Policy Implications

9. 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

10. That Nottinghamshire 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 29/03/2023)

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

Financial Comments (TMR 03/04/2023)

12. There are no financial implications arising directly 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.

- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q4 2021
- LGPS Central – Voting Principles (March 2019)
- Financial Reporting Council, *The UK Stewardship Code*, January 2020

Nottinghamshire County Council

Report to Pension Fund Committee

27 April 2023

Agenda Item: 10

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) hybrid business meeting (held via Zoom and in person at the LGA) on 25 January 2023.

Information and Advice

2. LAPFF was formed in 1990 to provide an opportunity for the UK's local authority pension funds and pools to discuss investment and shareholder engagement issues. Membership currently stands at 86 funds and 6 pools (Brunel has recently let its membership of LAPFF lapse). A list of members is shown at Appendix A. 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 agenda included, among other things, a summary of a recent Executive discussion regarding tensions between the engagement expectations of pools and their constituent authorities, particularly on climate change and human rights. "As pools become more like third party fund managers, which may be a result of leadership, recruitment and pay, then it might be expected that attitudes of pools could be different to LAPFF fund members." LAPFF prefers to engage with company directors, whereas fund managers tend to engage only with a company's investor relations team, so this too could potentially create pool-fund tensions. The Executive requested that it be apprised of any such tensions within the membership that the situation may be assessed.

5. An update on LAPFF's engagement work in the previous quarter was presented. The engagement stories in the report covering the quarter to December 2022 related mainly

to mining and energy companies – BHP, Vale, Angle American, Glencore, Rio Tinto, Drax. LAPFF has concerns about Drax's source of sustainable wood pellets to fuel its power plants, and its engagement with Drax on this matter is ongoing.

6. Copies of the latest engagement reports are attached as background, but all LAPFF engagement reports can be found on the LAPFF website: https://lapfforum.org/publications/category/quarterly-engagement-reports/

Statutory and Policy Implications

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

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 29/03/2023)

8. This is an updating information report and Nottinghamshire 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 03/04/2023)

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

Background Papers

- LAPFF constitution
- LAPFF Quarterly Engagement Report October to December 2022

Membership of LAPFF as at January 2023

Funds

1) Avon Pension Fund
2) Barking and Dagenham Pension Fund
3) Barnet Pension Fund
4) Bedfordshire Pension Fund
5) Berkshire Pension Fund
6) Bexley (London Borough of)
7) Brent (London Borough of)
8) Cambridgeshire Pension Fund
9) Camden Pension Fund
10) Cardiff & Glamorgan Pension Fund
11) Cheshire Pension Fund
12) City of London Corporation Pension Fund
13) Clwyd Pension Fund (Flintshire CC)
14) Cornwall Pension Fund
15) Croydon Pension Fund
16) Cumbria Pension Fund
17) Derbyshire Pension Fund
18) Devon Pension Fund
19) Dorset Pension Fund
20) Durham Pension Fund
21) Dyfed Pension Fund
22) Ealing Pension Fund
23) East Riding Pension Fund
24) East Sussex Pension Fund
25) Enfield Pension Fund
26) Environment Agency Pension Fund
27) Essex Pension Fund
28) Falkirk Pension Fund
29) Gloucestershire Pension Fund
30) Greater Gwent Pension Fund
31) Greater Manchester Pension Fund
32) Greenwich Pension Fund
33) Gwynedd Pension Fund
34) Hackney Pension Fund
35) Hammersmith and Fulham Pension Fund
36) Haringey Pension Fund
37) Harrow Pension Fund
38) Havering Pension Fund
39) Hertfordshire Pension Fund
40) Hounslow Pension Fund
41) Isle of Wight Pension Fund
42) Islington Pension Fund
43) Kensington and Chelsea (Royal Borough of)
44) Kent Pension Fund
45) Kingston upon Thames Pension Fund
46) Lambeth Pension Fund
47) Lancashire County Pension Fund
48) Leicestershire Pension Fund
49) Lewisham Pension Fund

50) Lincolnshire Pension Fund
51) London Pension Fund Authority
52) Lothian Pension Fund
53) Merseyside Pension Fund
54) Merton Pension Fund
55) Newham Pension Fund
56) Norfolk Pension Fund
57) North East Scotland Pension Fund
58) North Yorkshire Pension Fund
59) Northamptonshire Pension Fund
60) Nottinghamshire Pension Fund
61) Oxfordshire Pension Fund
62) Powys Pension Fund
63) Redbridge Pension Fund
64) Rhondda Cynon Taf Pension Fund
65) Scottish Borders Council
66) Shropshire Pension Fund
67) Somerset Pension Fund
68) South Yorkshire Pension Authority
69) Southwark Pension Fund
70) Staffordshire Pension Fund
71) Strathclyde Pension Fund
72) Suffolk Pension Fund
73) Surrey Pension Fund
74) Sutton Pension Fund
75) Swansea Pension Fund
76) Teesside Pension Fund
77) Tower Hamlets Pension Fund
78) Tyne and Wear Pension Fund
79) Waltham Forest Pension Fund
80) Wandsworth Borough Council Pension Fund
81) Warwickshire Pension Fund
82) West Midlands Pension Fund
83) West Yorkshire Pension Fund
84) Westminster Pension Fund
85) Wiltshire Pension Fund
86) Worcestershire Pension Fund

Pools

1) Border to Coast Pension Partnership
2) LGPS Central
3) Local Pensions Partnership
4) London CIV
5) Northern LGPS
6) Wales Pension Partnership

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

27 April 2023

Agenda Item: 11

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

LOCAL AUTHORITY PENSION FUND FORUM ANNUAL CONFERENCE 2022

Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) Conference 2022.

Information & Advice

2. The 2022 LAPFF Conference entitled 'Now More Than Ever' was held between 7 and 9 December 2022. In accordance with prior approval, and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills, the conference was attended by Mr Chris King. Details of the main sessions are set out below. It should be noted that the views set out are those of the presenters, not of LAPFF or the Nottinghamshire Pension Fund.

<u>**Day one**</u>

3. ***Human Rights: Establishing Parameters, The Withdrawal from Myanmar, Benoit Ribaud, TotalEnergies (Moderator: Cllr Rob Chapman, LB Hackney, LAPFF Executive)***
   The issues Total needed to consider after a decision to withdraw due to human rights concerns was made. The projects employed 95% local people, so their welfare had to be considered. Total ha to pay local taxes or staff could be arrested. They donated an equivalent amount to NGOs working in Myanmar. Ultimately Total decided to leave and found a Thai company to take over but created a fun to maintain activities supporting local communities. They were transparent during the process and updated sharehodlers.

4. ***LAPFF Trip to Brazil: Cllr Doug McMurdo, LAPFF Executive, Lara Blecher, PIRS Ltd (Moderator: Paul Hunter, PIRC Ltd)***
   A report and video covering the LAPFF visit to Brazil to see the impact of campaigns to improve the safety of dam and the payment of reparations to affected communities. Some improvements but slow progress.

5. ***In discussion with Brazilian Investors: Jose Pugas, JGP Asset Management (Moderator: Cllr Doug McMurdo, LAPFF Executive)***
   A session highlighting the work with JGP who are supporting LAPFF activities.

6. ***Learnings for more responsible mining: Jose Luciano Duarte Penido, Vale (Moderator: Cllr Doug McMurdo, LAPFF Executive)***
   Jose highlighted the improvements in governance shareholders have demanded in changing the culture of the company. 60% of Board Members are independent and there are ongoing changes to improve the ESG of the company.

<u>Day Two</u>

7. ***Reflecting on Sustainability and Stewardship: Sandy Boss, BlackRock (Moderator: Cllr Doug McMurdo, LAPFF Executive)***
   A presentation covering the way BlackRock are assisting clients. Their proxy voting process allows clients to vote based on their own policies. In the case of climate change it is important to ensure the company is on a path to improvement and stays on it, but this also requires changes in public policy – shareholders are not here to replace this.

8. ***The Challenges facing ESG: Chris Hayes, Common Wealth, Stephanie Niven, Ninety One, Claudia Gray, ShareAction (Moderator: Sian Kunert, LAPFF Executive)***
   Again, a discussion on how much burden is on shareholders to fill policy vacuums and is this appropriate. Also does the move to larger passive holdings mean less engagement? There is a need to have strong, consistent voice.

9. ***How climate changes relates to business and the role of non-executive directors: Dr Carol Bell, Chapter Zero (Moderator: Cllr Yvonne Johnson, LAPFF Executive)***
   Responding to climate change requires increases in non executive directors

10. ***Gearing up for Electric Vehicle Charging: Graeme Cooper, Head of Future Markets, National Grid, Ryan Fisher, Bloomberg NEF, Gill Nowell, LV= General Insurance, Ralph Palmer, Transport Environment (Moderator: Tessa Younger, PIRC Ltd)***
    The National Grid is planning for the significant increases in infrastructure required. Each motorway service station will need the equivalent capacity of a mid sized town to recharge the number of cars in a sufficiently short time period. Insurers are looking at a package of electric car, home charger and insurance covered by one lease charge. One rapid charger costs 27 x a 7kw charger so need a network wit the right chargers in the right place. Currently electricity generation flexes to match demand, we need to flex demand to match generation, probably by flexing tariffs (cheaper to charge your car overnight).

11. ***Remuneration: CEO Pay in 2022: Luke Hildyard, High Pay Speaker (Moderator: Tom Powdrill, PIRC Ltd)***
    The UK has the highest levels of CEO pay in Western Europe, and the highest income inequality. Performance and long-term performance pay is usually around a 90% pay out. Board say pay is to attract and retain executives, investors say pay is to incentivise performance.

12. ***Governance Failure at FTX: Patrick Daniels, Robbins Geller Rudman & Dowd (Moderator: Tom Harrington, LAPFF Executive)***
    A fascinating presentation setting out what went wrong, covering the promised high returns, the lack of investor due diligence, marketing using celebrity spokespersons and the high level of donations to political and news organisations. Most of the issues raised have subsequently appeared in the press.

13. ***The 'S' in ESG: Luba Nikulina, IFM Investors, Lisa Hayles, Trillium Asset Management (Moderator: Tom Powdrill, PIRC Ltd)***
The difficulty of assessing the 'Social' element of ESG was discussed. Also the difficulty in linking social risk to financial implications. Investors need consistent and quantifiable data to inform decisions.

14. ***Levelling Up – LGPS Panel: Cllr John Gray, LAPFF Executive, Euan Miller, West Yorkshire Pension Fund, Sandra Stewart, West Yorkshire Pension Fund, Paul Hunter, PIRC Ltd***
Discussion on the proposed 5% local investment and the implications for the LGPS. With no crown promise and no pension protection the opportunities must be investable. There needs to be better understanding of the roles of Local Authorities and Pension Funds - this is not grant funding.

15. ***The Mission to Provide Great Water, Environmentally Sustainable, Economically Beneficial in a Socially Responsible Manner: Sir David Higgins, United Utilities, Chris Mathews, United Utilities (Moderator: Cllr Doug McMurdo, LAPFF Executive)***
An argument that the issue of sewage discharge is primarily caused by the legal right to put runoff from houses, roads etc. into the sewage system. More intense rainfall is overloading combined systems. Small scale local development doesn't require planning permission. Suggestion that only 30% of the reduction in river quality is down to utilities, the rest caused by e.g., agricultural run-off.

16. ***Valuing Water Panel: Daniel Shepard, CERES, Paul Reig, Bluerisk (Moderator: John Anzani, LAPFF Executive)***
Presentation on the need to engage companies with high water footprint and to demonstrate the financial importance of water to those companies.

17. ***Racial Equity Audit Shareholder Resolutions: Lisa Lindsley, Majority Action Speaker, Pilar Sorensen, Majority Action Speaker (Moderator: Tom Powdrill, PIRC Ltd)***
A summary of the recent campaigns and lobbying activities in this area.

<u>Day Three</u>

18. ***Preventable: How a pandemic changed the world and how to stop the next one: Professor Devi Sridhar, Personal Chair in Global Public Health, University of Edinburgh (Moderator: Alan MacDougall, PIRC LTD)***
A fascinating presentation on the pandemic response from an expert in the field. Containment is the usual response to an outbreak (ebola, cholera, yellow fever), but different countries took different approaches. Sweden and New Zealand although very similar countries took very different approaches to lockdown etc. Most of Europe's initial infections can be traced to one bartender in one ski resort. Most experts doubted a vaccine could be developed (we don't have one for other coronaviruses) There must be no complacency as there are other potential infections out there, e.g. bird flu.

19. ***The Great Stewardess Rebellion: Nell McShane Wulfhart (Moderator: Rachel Brothwood, LAPFF Executive)***

A talk from the author based on her book of the same name looking at the working conditions of stewardesses in America in the 1960's and 70's and the actions they took to get improvements.

20. ***Making Transition Plans Just: Brendan Curran, Grantham Research Institute on Climate Change and the Environment (Moderator: Cllr John Gray, LAPFF Executive)***
A discussion highlighting the need to consider the social element of transition. Rapid change can lead to stranded communities or workforces. We should incentivise investors to target areas that need change. An example of a current change that may lead to problems is the move to electric vehicles. We need to set out the issues, proposed actions and a clear timetable.

21. ***Robert Peston, Political Editor and Broadcaster.***
His own take on some of the key issues of the day, and his assessment that he is a realist not a pessimist. Robert presented his view that the relative stability in the period 1992 – 2007 was the exception rather than the rule, and that we can expect more not less uncertainty. He concluded with the view that a new system is need for setting rule in the UK – there is too much power in the hands of the PM.

Statutory and Policy Implications

22. 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.

RECOMMENDATIONS

1) 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 investments.

2) That Members consider if there are any actions they require in relation to the issues contained within the report

Keith Palframan
Group Manager – Financial Services

For any enquiries about this report please contact: Keith Palframan

Constitutional Comments (KK 18/04/23)

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

Financial Comments (KRP 18/04/23)

24. There are no 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.

None

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

Agenda Item: 12

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

LGPS GOVERNANCE CONFERENCE 19 – 20 JANUARY 2023

Purpose of the Report

1. To report on the LGPS Governance Conference 2023.

Information and Advice

2. The Annual LGPS Governance Conference took place on the 19 and 20 January 2023. The Conference was opened by Joanne Donnelly, head of Pensions at the LGA. Joanne welcomed all delegates to the conference and trailed the range of interesting speakers on a variety of important topics relevant to LGPS practitioners.

3. This year the conference was attended by Pension Board Chair, Thulani Molife, Councillor Mike Introna, Deputy Chair, Pension Committee, along with Jonathan Clewes Pension Administration Manager.

4. The following are the main highlights of the presentations given at the conference and represent the views of the presenters.

Day 1 – Keynote address – Good complaint handling Chief Operating Officer, The Pension Ombudsman.

5. Alex set out the approach that was being taken by the Pensions Ombudsman in handling complaints and, specifically, the approach to early resolution whereby customers are encouraged and supported to seek the answers to their queries and complaints.

6. It was explained that it was important to acknowledge what customers want. In most cases, simply an apology, for things to be put right, and to help ensure that others are not affected by the same issue.

7. From an LGPS point of view the biggest category of complaint is in respect of ill Health decisions made by employers. The main issue is the process that leads up to the decision relating to an ill health retirement.

8. Alex provided guidance on how pension schemes can avoid the Pensions Ombudsman and highlighted the importance of clear member communication.

9. The session was wrapped up by highlighting the important work done by volunteers (specifically supporting early resolution) and encouraged pension professionals in the room to consider volunteering for the Pensions Ombudsman.

Scheme Advisory Board update – Jon Richards, Unison and SAB vice chair

10. Prior to this session, a video address was shown from Lee Rowley MP, the Local Government Minister.

11. The Minister expressed optimism about what the LGPS and Government can achieve going forward.

    - The minister set out his key priorities; chief amongst these was the need for the LGPS to manage risk and seize opportunities given significant geopolitical shocks on the horizon. Being vigilant on this will help ensure the LGPS remains sustainable and healthy going forward.
    - The minister finished his address by highlighting the work done by the SAB to improve the governance and administration of the LGPS and commented on the Great value he places on the support of SAB in carrying out his role.

12. An update was provided on the work done by SAB to support the LGPS, specifically, the ability of the SAB to create a trusted forum in which a single recommendation was presented to Government in response to the cost floor breach in 2018.

13. It was pointed out that the level of scrutiny on the LGPS will grow, but the LGPS is well placed to step up to the challenges. A particular challenge will be addressing low take up across younger potential members; the benefits of the scheme should be made clearer to this group. This challenge requires the input from scheme members.

14. On investment pooling, it was noted that a lot of effort has been put into this to make it is a success, with some justifiable criticisms, along with some successes. The SAB is committed to make the pooling model work for the LGPS.

The Member and Employer View – Panel Session, George Georgiou, GMB; Emelda Nicholroy, UCEA; Cllr John Fuller, LGC; Jon Richards, Unison.

15. The session focused on some of the challenges of the LGPS from the member and Employer views from the University Council for Educational Administration.

16. Imelda explained some of the issues around how different treatments are applied by LGPS Funds, in this case Universities. It was stated that this leads to confusion and belief from these employers that certain funds are being more penal than others. It was stated tha consistency is difficult to achieve but funds should be aware that groups of employers like universities talk to each other and that they are open to discussing funding options.

17. Jon commented on communication standards in the LGPS with the point that it varies from fund to fund. An example was given of the lack of communications with deferred members and dispersed employers. It was acknowledged by funds that communication could be improved but is also difficult to achieve.

18. George’s view, LGPS members understand the value of the benefits provided by the LGPS, and that they will receive a decent and fair pension. However, it was stated that the GMB had put a lot of effort into convincing members to Join and remain in the scheme.

19. The discussion moved to asset pooling, and that asset pooling needed to work> It was acknowledged that there is a question mark on the savings that have been delivered, and whether the scale achieved provides any particular benefit to the LGPS, but a solid foundation had been made.

How to Keep on the Right Side of the Law – Kirsty McLean, Squire Patton Boggs.

20. The benefits of the Pension Dashboard were highlighted and the need for the LGPS Funds to be engaging with the development and implementation of the Dashboard, not least due to the fines in the event of non-compliance.

21. Pensions transfers was also highlighted and the inconsistencies between the guidance from the Pension Regulator on paying non statutory transfers, and the fact that the LGPS cannot pay non-statutory transfer. The implications of this may lead to member benefits having to be reinstated.

22. The presentation ended with a warning in respect of the Retained European Law Bill and the fact that over four thousand items of EU-derived subordinate legislation could disappear from the statute book on 31 December 2023 unless preserved in UK law by a Minister or Developed Authority prior to then.

Responsible Investment – Steve Lee, Ninety-One; Edwin Whitehead, Redington; George Graham, SYPA.

23. It was acknowledged that there was a huge task facing Elected Members in looking at the climate impact of investments, in trying to understand the carbon footprint of their funds and setting target date to become net Zero. It was also acknowledged that this is an overly complex area.

24. There was the South Yorkshire Pension Authority approach to responsible investment, explaining how the Authority starts from the Position that Responsible investment should do no harm when the fund invests. Specifically, a good company is one which treats workforce and communities well.

25. It was acknowledged that there is no single one correct approach to responsible investment but encourage funds to approach this by the purpose of their investments. to pay pensions through the prudent management of risk whilst mitigating the impact of this on the real world.

Day 2 – Welcome from the Chair.

26. Welcomed delegates and reflected on the previous day

Keynote address Nick Gannon, The Pension Regulator

27. The regulator opened by listing an extensive list of regulatory challenges coming forward, including the new single code of practice, the pensions dashboard and managing cyber risk, the LGPS is a large and important scheme and a target for Cyber criminals.

28. On the single code of practice, the regulator is confident that the LGPS will respond well to this. The single code of practice brings together 10 existing codes and well-run pension schemes should not be concerned.

29. In terms of the new code the pension fund will need to review itself against the code once it is finalised and issued. The code covers the governance of the Pension Fund.

30. The advice from the regulator was for Elected Members to focus on Governance and Administration. It was acknowledged that Pension Processes vary with individual Funds but should be slick and do what they are designed to do. The regulator also focused on the administration of funds and committees and Boards should ensure resources are in place to meet the future challenges.

Fund Valuation 2022 – Panel Session with:

Michelle Doman, Mercer; Jonathan Teasdale, Aon; Steven Scott, Hymans Robertson; Melanie Durrant, Barnet Waddingham.

31. Mercer provided an overview of the key drivers leading to improved balance sheets at the 2022 valuation, specifically, strong investment returns and highlighted how the main driver of costs is now the cost of benefits (i.e., the Primary Rate), which has increased at the 2022 valuation. AON followed up on this by explaining how post valuation experience has influenced the contribution rate setting process, noting that inflation uncertainties remain, asset values have come down and emerging pessimism around the strength of the economy may lead to concerns around employer covenant.

32. Barnett Waddingham explained how the number of LGPS employers had increased and the challenges this brings to Funds. An overview of the employer flexibilities now available in the LGPS was also provided and it was noted that recent market changes have led to many Deferred Debt arrangements being concluded earlier than expected.

33. Hymans set out the key post valuation actions for LGPS Funds, these being.

    - Continue to evolve funding strategies so these remain fit for purpose in the changing economic environment.
    - Put robust monitoring processes in place
    - Continue engaging with participating employers.

The administration challenge - panel session with:

Kevin Gerard, Dyfed Pension Fund; Lorraine Bennett, LGA; Ian Colvin, Hymans Robertson; Catherine Pearce, Aon.

34. The LGA highlighted some of the future policy challenges, the main one ben the McCloud remedy, with the expectation that legislation will be provided by the Government in October 2023, along with supporting guidance and a further consultation on the detail (including tax treatment of rectification payments). It was explained that there will be a need for all pension fund leavers to have their calculations reviewed as part of the McCloud rectification, and further highlighted how the manual nature of these checks will cause issues for funds, not least from a resourcing perspective.

35. Other challenges that were raised is the Pension Dashboard, and the Pension Regulator single code of practice which when released the fund will need to measure itself against). There is also the imminent consultation by DLUHC on the implementation on the moving of the moving of the date that CARE benefits are revalued to match the revaluation date for Annual Allowance purposes.

36. Dyfed Pension Fund explained to the conference how they had restructured its admin teams to deal with the current pressures and explained the benefits of having separate teams looking at various aspects of the administration service. There was also a discussion on the issues facing the Pension Team following the emergence of agile working from home. The market for experienced LGPS administration staff is now UK wide and geographical location is no longer a barrier for staff looking for new opportunities. With some funds offering premiums to recruit experienced staff.

37. It was also highlighted by the panel the significant role Committees and Boards have in advancing improvements in administration matters. It was acknowledged that there is quite a bit of focus on investment matters, but it was pointed out to the conference there is a necessity of the Fund to pay correct pensions to members, and so there should be appropriate focus on administration matters at meetings. There was a discussion from the floor on pay and gradings for Pension Funds and the difficulties of recruitment and retention.

38. Hymans Robertson explained to the conference the key findings of their 2022 National Knowledge Assessment. 16 Funds took part in the survey and there were 200 participants made up of Pension Board and Committee members. The results of the survey help participating Funds understand where to focus training and, at a national level, the results provide an encouraging baseline of knowledge across LGPS Committees and Boards.

The Good Governance Project – Ian Colvin Hymans Robertson; Jeremy Hughes LGA

39. The presentation started with the background to the SAB's Good Governance Review. It was explained that the intention behind the review was to identify enhancement to the LGPS governance, along with maintaining strong links to local democratic accountability.

40. The Project was a collaborative one, involving the views from a wide range of LGPS stakeholders as possible. There have been 3 Good Governance reports in total which are available on the SAB website [LGPS Scheme Advisory Board - Good Governance (lgpsboard.org)](). These reports have provided recommendations to government on several key areas on the governance of the LGPS. These areas include the managing of conflicts of interest, knowledge and understanding of trustees and senior officers, structure of pension funds, representation, service delivery, and compliance and improvement.

41. Conference was updated on where DLUHC are in terms of taking forward the Good Governance Recommendations, in that discussions with department officials are progressing, and there is a will on behalf of Government to take forward the recommendations. It was reported that Ministers are keen to be reassured that the LGPS is in safe hands, so documenting best practice across funds, centralised KPI's and training and skills are a priority.

42. One of the recommendations is for Funds to Have a workforce strategy, which needs to focus on resource needs, and plans to recruit and retain staff.

Investment Outlook – Investment Advisors Ninety-One

43. There was an explanation to conference for the recent poor asset performance.

44. There was an explanation of the impact of the war in Ukraine on inflation in the west, and how the policy response to this has led to a deterioration in economic growth in western economies.

45. The future is uncertain, and interest rates may continue to rise in 2023, depending on the path of inflation and recession is just around the corner. Significant geopolitical risks remain and the relationship between US and China has deteriorated which may drive high inflation due to reduced reliance on globalisation.

46. In terms of finding investment opportunities in this environment, noted caution around US/UK/EU equities and expressed positive sentiments around Asia(china) and emerging markets equities. It was pointed out that it is important to be selective.

Closing remarks from the chair

47. The chair summarised the morning's messages, thanked the organisers for their work and looked forward to next year's event.

Statutory and Policy Implications

48. 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

The report is for noting.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jonathan Clewes, Pensions Manager on 01159773434 or jon.clewes@nottscc.gov.uk

Constitutional Comments (KK)

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

Financial Comments (KP)

50. There are no 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.

Nottinghamshire County Council

Report to Pension Fund Committee

27 April 2023

Agenda Item: 13

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme.

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.

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To assist the committee in preparing its work programme.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health 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

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:
Jo Toomey, Advanced Democratic Services Officer
E-mail: jo.toomey@nottscc.gov.uk
Tel: 0115 977 4506

Constitutional Comments (HD)

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

Financial Comments (NS)

8. 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 (updated 18 April 2023)

Report Title	Brief summary of agenda item	Report Author
8 June 2023		
Results of GMP reconciliation		Jon Clewes
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central
6 July 2023		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LGPS Central Pooling Update		
Annual Administration Performance Report		Jon Clewes
Local Pensions Board Annual Report		
To be placed		
Review of Work of the Pension Fund Committee and Pension Board	*Review commenced during autumn 2022 and is subject to any impacts which may need to be addressed as a result of Government response to the Good Governance in the LGPS proposals*	Heather Dickinson / Marjorie Toward
McCloud Judgment update report		Jon Clewes
Pensions Administration – Tracing Service		Sarah Stevenson / Jon Clewes
Pension Fund Review of Cyber Security – Pension Regulator Requirement		Sarah Stevenson / Jon Clewes
Pension Regulator's Code of Practice		Jon Clewes