

Local Pensions Board

Thursday, 17 March 2022 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

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|---|--|---------|
| 1 | Minutes of the last meeting held on 16 December 2021 | 1 - 6 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | Pension Fund Annual Report and Accounts 2021 | 7 - 8 |
| 5 | LGPS Pooling Update - Presentation by LGPS Central | 9 - 12 |
| 6 | LGPS Update - Report of Advisor to the Board | 13 - 22 |
| 7 | LGPS Governance Conference 20-21 January 2022 | 23 - 30 |
| 8 | Pension Fund - Risk Register | 31 - 52 |
| 9 | Work Programme | 53 - 56 |

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 Martin Gately (Tel. 0115 977 2826) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

minutes

Meeting NOTTINGHAMSHIRE LOCAL PENSION BOARD

Date Thursday 16 December 2021 at 10:30 am

membership

Persons absent are marked with `A`

Employers

Councillor Francis Purdue-Horan	Nottinghamshire County Council
Councillor Sally Longford A	Nottingham City Council
David Smith	Autism East Midlands

Members

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

Also in Attendance

John Raisin	John Raisin Financial Services Ltd, Advisor to the Board (via Teams)
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Officers in Attendance

Jon Clewes	Team Manager, Pensions
Keith Palframan	Financial Services, Team Manager
Martin Gately	Democratic Services Officer
Ciaran Guilfoyle	Investments Officer (via Teams)

1. MINUTES

The minutes of the last meeting held on 30 September 2021 were agreed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Sally Longford, who was on other City Council business.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

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4. LOCAL GOVERNMENT PENSION SCHEME – ACTUARY REPORT AND PRESENTATION

Mr Clewes introduced the report, the purpose of which was to introduce training by the Fund Actuary on the next tri-ennial valuation commencing on 31 March 2022.

Mr Barry McKay FFA, Partner at Barnett Waddingham, provided the Board with a detailed presentation explaining actuarial valuation issues, including liabilities, assets, contributions and cash flow projections. The presentation also covered assumptions regarding mortality, and a bespoke socio-economic longevity analysis based on the fund's own recent experience, as well as the impact of COVID on mortality. While there have been more pensioner deaths due to COVID than expected, the impact on the Pension fund has been minor. Deaths have tended to be in the '80 plus' range.

Mr McKay also addressed several of the key issues affecting the LGPS- McCloud, the age discrimination remedy which will result in an increase to employer costs as well as a huge admin project, and the cost cap and floor, which was paused in January 2018. The Board also heard about the exit cap reform, which was a public sector reform dating from Treasury led regulations of November 2020. There were then contradictory regulations in force in relation to this. The new Exit Cap Regulations of November 2020 were subsequently revoked by HM Treasury.

In response to a question from a Board Member, Mr McKay indicated that he retained some optimism about the future, while recognising that some experts were gloomier. However, returns are more difficult to find now.

In response to a question from Mr Raisin regarding the status of the fund following the last valuation, Mr McKay said that while a funding update had not been done recently, there was over £6 billion in the fund as at 31st March 2021 and assets were performing well.

RESOLVED 2021/018

That:-

- 1) The presentation from the scheme actuary be accepted.

5. LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION ADMINISTRATION REPORT

Jon Clewes, Pensions Manager introduced the report, the purpose of which was to update the Board on the data audit and improvement workstream within the “transforming pension administration through digital development and new ways of working programme.”

Mr Clewes detailed the new ways of working, including: increased automation, addressing member data inaccuracies, members being able to access pension records 24/7. In addition, there were also the expectations of the Pension Regulator.

The most critical workstream for the programme has been the data audit, as changes will only be successful if our data is accurate. A further requirement is being driven by the National Pensions Dashboard implementation, and it is understood that the LGPS will be in the first tranche planned for 2023.

Mr Clewes also described the project to improve common data, as well as how the Data Quality Dashboard allows the Fund to review the data position for each employer. £264,000 was approved by Pension Committee at its 4th November meeting. The Pension Committee has also authorised some permanent and temporary funding to establish resources to support the McCloud project, along with crossover activities with the data improvement and GMP projects. A number of posts have also been advertised.

In response to a question from Mr Heppenstall regarding the nature of the self-service portal, Mr Clewes indicated that the portal would allow members to view data and update it in real time online (e.g. changing address when moving house).

Mr Heppenstall emphasised that 'one size does not fit all' – and that in his role as a union representative, members did occasionally call on him to explain their pension statements to them.

Mr Clewes added that the employer portal had been rolled out to Districts and the County Council and engagement had been good. The Fund is currently trying to recruit an additional member of staff to support the rollout. There was a discussion about data security through the Portal and Mr Clewes confirmed to the Chairman that he would bring a report on cyber-security to a future meeting of the Board.

RESOLVED 2021/019

That:

- 1) the progress and ongoing work taking place within the Data Audit and Improvement workstream be noted.
- 2) Ongoing update reports on the progress of the programme be received.

6. REVISION OF FUND STRATEGY DOCUMENTS

Keith Palframan, Financial Services Team Manager, introduced the report, the purpose of which was to advise the Board of the recent review of the Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents by the Pension Fund Committee.

Mr Raisin commended the summary of the documents.

In response to a question from Councillor Purdue-Horan regarding officer training, Mr Clewes confirmed that governance training should include officers of the fund. Regulations on this were awaited, and a draft report is being prepared which will pick up these points.

RESOLVED 2021/020

That:

- 1) the recent review of the Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents by the Pension Fund Committee be noted.

7. LOCAL GOVERNMENT PENSION SCHEME – BREACHES LOG REPORT

Mr Clewes introduced the report, the purpose of which was to inform the Pension Board of the policy and processes being used by Nottinghamshire Pension Fund to identify, record and report statutory breaches of the LGPS and related regulations.

Mr Clewes explained that the fund is required to comply with the Pension Regulator's Code of Practice (which is currently under review), and the policy document outlines the decision process of reporting breaches of law as they apply to the management and administration of the Fund.

An example of a breach is where scheme employers have not provided their statutory data to allow the Fund to produce benefit statements. On occasion, the Pension Fund has reported scheme employers to the regulator. The policy is formalising what the Fund already does, and ensuring we have the Breaches Log.

In response to a question from David Smith, Mr Clewes indicated that information from the Breaches Log would be included in his performance report each year. Mr Clewes also gave the example of a scheme employer who had experienced difficulties providing data in a timely way, but was now bringing its payroll function back in-house when previously it had been outsourced.

RESOLVED 2021/021

That:

- 1) the procedure outlined in the policy document to record and report statutory breaches of the LGPS regulations be adopted.

8. PENSION FUND RISK REGISTER

Mr Clewes introduced the report, the purpose of which was to present the current Nottinghamshire Pension Fund Risk Register to the Board.

Mr Clewes made reference to Risk Governance 4, which relates to the resources to manage the Pension Fund and is a high risk. Recruitment to vacant posts should mitigate the risk going forward. There is also work going on nationally to look at training and recruitment.

Another risk relates to data, and [Page 4 of 56](#) prior to this is mitigating some of that risk.

In relation to Risk Admin 5 (Communication), we are looking to update our website. The Pension Fund will also be rebranded with its own logo.

RESOLVED 2021/022

That:

- 1) no further actions were required in relation to the Risk Strategy report.

11. WORK PROGRAMME

Mr Clewes indicated that provisionally the cyber security report would be on the agenda of the March meeting of the Pension Board. In addition, Mr Clewes hoped to bring a report in March on February's governance conference.

A report on officer training will also feature on the agenda of a future meeting.

Pension scams training for Board Members will also be scheduled.

Regarding welcome packs, Mr Clewes had asked other funds for examples of theirs. Scheme employers will be contacted regarding recruitment to the Board in the new year.

RESOLVED 2021/023

That:

- 1) amendments to the work programme be considered.

The meeting concluded at 12.12 pm.

CHAIR

17 March 2022

Agenda Item: 4

REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2020/21

Purpose of the Report

1. To present the Nottinghamshire Pension Fund Annual Report for 2020/21.

Information and Advice

2. The Nottinghamshire Pension Fund Annual Report for 2020/21 is now available on the Nottinghamshire Pension Fund website at <http://www.nottspf.org.uk/about-the-fund>. The report includes the annual accounts and shows the value of the fund as at 31 March 2021 to be £6,132 million with net returns on investments for 2020/21 of £1,073 million and net additions of £27 million from dealings with members. The overall value of the fund has increased by 21.7% since last year.
3. The Fund achieved an overall return of 21.8% on its investments over the year, with equities having the highest return of 38.4%, and property the lowest with a negative 4.9% return as an asset class.
4. The Scheme Administration Arrangements (page 119) section gives a breakdown of all the non-investment work that is undertaken to ensure the proper functioning of the Fund's dealings with its members.
5. The external auditors, Grant Thornton, have completed their audit work and issued an unqualified audit opinion. No material misstatements or uncorrected audit differences were identified.
6. The Annual Report was presented to employers and other interested parties at the Fund's AGM on 17 January 2022.

Reason/s for Recommendation/s

7. The Pension Fund accounts are approved by Nottinghamshire County Council as part of the Council's overall accounting responsibility. The accounts are also presented to the Nottinghamshire Pension Fund Committee for noting. The Annual Report, including the accounts, is therefore presented to the Pensions Board also for noting.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

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

Report Author:

Ciaran Guilfoyle

Investments Officer – Pensions & Treasury Management

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments

9. Because this report is for noting only no Constitutional Comments are required.

Financial Comments (TMR 14/02/2022)

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

Background Papers and Published Documents

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

- 'None'

17 March 2022

Agenda Item: 5

**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT &
IMPROVEMENT**

LGPS POOLING UPDATE – PRESENTATION BY LGPS CENTRAL

Purpose of the Report

1. To provide members with an update on LGPS pooling.

Information

2. Government instigated ‘pooling’ of pension funds in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme (LGPS) assets. Administering authorities formed their own groups and eight asset pools were formed, which are now all operational. The scale of each pool gives significant buying power in the investment market, that would not necessarily be accessible to individual funds.
3. The Nottinghamshire Pension Fund is a stakeholder in LGPS Central Ltd from two different perspectives:
 - a co-owner of the company (shareholder) alongside Cheshire Pension Fund, Derbyshire Pension Fund, Leicestershire Pension Fund, Shropshire Pension Fund, Staffordshire Pension Fund, West Midlands Pension Fund, and Worcestershire Pension Fund.
 - as a recipient of investment services
4. The presentation by LGPS Central provides information on the progress in pooling so far and an indication of future developments.
5. It should be noted that LGPS Central Ltd is only one of the investment managers utilised by Nottinghamshire Pension Fund, although the intention is that more investments will be transferred to LGPS Central Ltd as they develop products that meet the requirements of all the partners. The company also provides valuable assistance with matters around responsible investment and dealing with questions from fund members and others, particularly in the lead up to the Annual General meeting. The company is not involved in asset allocation decisions, pensions administration or treasury management.

Other Options Considered

6. None.

Reason for Recommendation

7. To provide the Pension with further information in respect of LGPS Central Ltd.

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.

RECOMMENDATION/S

That the contents of the presentation be noted

Nigel Stevenson, Service Director, Finance, Procurement and Improvement

For any enquiries about this report please contact:

Martin Gately
Democratic Services Officer
T: 0115 977 2826
E: martin.gately@nottsc.gov.uk

Constitutional Comments (KK 4/3/22)

7. The Local Pension Board has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (KRP 2/3/22)

8. There are no direct financial implications arising from the contents of this report.

Background Papers

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

- None

Electoral Division(s) and Member(s) Affected

- All

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

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

JOHN RAISIN FINANCIAL SERVICES LIMITED

The Nottinghamshire Local Pension Board

LGPS Update

A paper by the Advisor to the Pension Board March 2022

Introduction

This paper informs the Pension Board of some developments relating to the Local Government Pension Scheme (LGPS) since the last Advisor's update. The issues covered are:

1. Creation of Department for Levelling Up, Housing and Communities (DLUHC) and appointment of new Minister responsible for the LGPS
2. Levelling Up White Paper and the LGPS in England & Wales
3. LGPS Consultations and responses
4. Cost Control mechanism
5. Review of 2019 Actuarial Valuations by the Government Actuary

The paper approaches the above issues in the context of the LGPS in England & Wales as a whole rather than in terms of the Nottinghamshire Fund in particular.

1. Creation of the Department for Levelling Up, Housing and Communities (DLUHC) and appointment of new Minister responsible for the LGPS

In mid-September 2021, the Prime Minister reorganised Government. This reorganisation included the creation of the **Department for Levelling Up, Housing and Communities (DLUHC)** to replace the Ministry of Housing Communities and Local Government (MHCLG). The Rt Hon Michael Gove MP was appointed Secretary of State at the DLUHC in succession to Rt Hon Robert Jenrick MP who had been Secretary of State at MHCLG since July 2019. Luke Hall MP who had been the Minister at the MHCLG directly responsible for the LGPS since September 2020 left the Government in the September 2021 reorganisation. Other Ministerial appointments within the DLUHC were also made in mid-September 2021 but details of Ministerial portfolios were not immediately announced.

On 6 October 2021, the LGPS Scheme Advisory Board for England and Wales (SAB) stated on its website that *“We understand that Kemi Badenoch MP will be the new minister for Local Government and will therefore take up responsibility for the LGPS. We would expect that the change of minister would lead to some delays in the current workstream...”*

The responsibilities of Kemi Badenoch MP whose official title is Minister of State (Minister Levelling Up Communities) are extensive and extend far beyond the LGPS. Ms Badenoch’s role includes Local Government policy, finance, and improvement in England; Supporting Families programme; Integrated Communities (including Faith engagement, English Language); Elections policy (including leading on the Elections Bill in the House of Commons).

2. Levelling Up White Paper and the LGPS in England & Wales

On 2 February 2022, the DLUHC (Department for Levelling Up Housing and Communities) issued a White Paper *“**Levelling Up the United Kingdom.**”* The White Paper sets out the Government’s ambition and plans in terms of “levelling up.” To quote from the Prime Minister’s foreword *“...To take the radical steps needed to make us more prosperous and more united by tackling the regional and local inequalities that unfairly hold back communities...this White Paper describes... The practical steps this government will take in everything from education to art to investment that will make this a better, fairer country for us all.”*

The White Paper is very detailed and lengthy (the main document is 332 pages cover to cover and the Technical Annex 54 pages). The Government sets out twelve *“**Levelling up Missions**”* which are summarised on pages 120 and 121. The Policy Programme to achieve levelling up is set out in detail in Chapter 3 (pages 159-243). Associated with the Mission *“Living Standards”* there is reference to the LGPS on pages 162 and 163 of the White Paper.

One paragraph on pages 162/163 and three paragraphs on page 163 include reference to the LGPS. The paragraph on pages 162/163 states *“There is huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently hold UK pension assets of over £3.5tn. Within that, the Local Government Pension Scheme (LGPS) has total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of these funds are currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment.”*

Consequently, on page 163 the White Paper includes a paragraph which states *“Infrastructure investment by the LGPS has grown from under £1bn in 2016 to £21bn in 2021. To build on this established capacity and expertise, and ensure that all LGPS funds play their full part, the UK Government is asking LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.”*

On 2 February 2022, the day the White Paper was issued, the SAB posted a statement on its website. Given both the SAB has close links/contacts to/with the DLUHC and the actual content of the statement it should be carefully noted. The full text reads: *“Today the government published the [Levelling Up whitepaper](#) which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. We understand that in this context local refers to UK rather than local to a particular fund and that there will be no mandation beyond the requirement to have a plan. Further details will emerge over the period up to an expected summer consultation which we understand will also include the outstanding climate risk and reporting regulations and the pooling guidance.”*

Therefore, in essence the White Paper merely contains an exhortation to the LGPS to invest in UK infrastructure including housing. The wording of the Whitepaper makes no suggestion of actually requiring LGPS Funds to increase *“local investment.”* Rather the Whitepaper merely states *“... UK Government is asking **LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment**, including setting an ambition of up to 5% of assets invested in projects which support local areas.”* This approach which requires only a plan which relates to the UK as a whole is in reality the only practical approach Government can take. Any attempt to direct mandatory investment would likely be contrary to Fiduciary Duty and public law duties and would, almost certainly, result in legal challenge(s) potentially including an application for Judicial review.

The wording of the White Paper is merely stating that LGPS Funds be asked to publish plans to increase investment in infrastructure and housing across the UK. LGPS Strategic Asset Allocations are, however, not driven by government exhortations but by LGPS funding/investment requirements influenced by factors such as funding levels, actuarial assumptions, risk/diversification, inflation and cashflow, existing allocations etc.

Recent years have, however, seen a trend towards greater LGPS investment in infrastructure (but not necessarily/always UK infrastructure) and housing. This will likely continue for strategic investment reasons rather than because of Government exhortation. In summary the White Paper, in itself, may therefore have little overall impact on the LGPS in England & Wales.

3. LGPS Consultations and Government responses

There has been a lack of Consultations and Government responses relating to the LGPS since the Update presented to the September 2021 meeting of the Board. Not only has there been no statement from Government in relation to Consultations in respect of the major investment issues of TCFD (Task Force on Climate Related Financial Disclosures) reporting by the LGPS, and Investment Pooling but there has been silence on other significant outstanding issues.

These include the Good Governance in the LGPS project proposals which were submitted to Government by the Scheme Advisory Board in early 2021; the response on some matters (proposed lengthening of the Actuarial Valuation cycle from 3 to 4 years and no longer requiring some education employers to offer LGPS membership to employees) in the Consultation “Changes to the local valuation cycle and the management of employer risk” which closed on 31 July 2019; and the Consultation on “Fair Deal – Strengthening pension protection” which closed on 4 April 2019 and in respect of which a response has still not been published.

The expected Consultation to amend the LGPS Regulations to apply TCFD reporting to the LGPS is still awaited. As was stated in the September 2021 Update the Department for Work and Pensions (DWP) has consulted upon and issued final Regulations on TCFD reporting by private sector pension schemes. These do not apply to the LGPS and therefore it was expected that before the end of 2021 the DLUHC would issue a Consultation to amend the LGPS Regulations to apply TCFD reporting to individual LGPS Funds.

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

The latest available indication, with any real provenance, as to when there may be progress in relation to a Consultation relating to any of the issues discussed above is contained in the SAB statement of 2 February 2022. This refers to “...an expected summer consultation...” covering Pooling, TCFD (climate risk and reporting regulations) and the LGPS issues in the Levelling Up White Paper.

An LGPS Consultation incorporating TCFD, Pooling and the White Paper proposals will be a major undertaking particularly given the potential legal issues around any attempt to make Pooling genuinely mandatory. Therefore, for the DLUHC to issue such a Consultation by summer 2022 would be an achievement in itself. Even if a Consultation were issued in the summer a period of at least 6 months for the implementation of any proposals could reasonably be anticipated. Therefore, 1 April 2023 or thereabouts would appear the likely earliest that any new Regulations and/or Guidance relating to Investment Pooling and TCFD reporting by LGPS Funds might become effective.

As stated in the September 2021 LGPS Update the Government confirmed, in May 2021, that the LGPS Regulations will be amended to remedy the existing Age Discrimination in the LGPS once primary legislation had been passed by Parliament. The Public Service Pensions and Judicial Offices Bill has now completed most of the stages in the Parliamentary process. The Bill has now passed the First Reading, Second Reading, Committee, Report, and Third Reading Stages in both the House of Lords and House of Commons. The Bill completed the Report and Third Reading Stage in the House of Commons on 22 February 2022 and given it originated in the House of Lords will now return there for consideration of amendments made by the Commons.

4. Cost Control Mechanism

On 4 October 2021, the Treasury announced its intention to amend the Cost Control mechanism of the major public service pension schemes, including the LGPS. This followed the publication of a report by the Government Actuary on 15 June 2021 and a consequent Treasury Consultation of 24 June to 19 August 2021. The Public Service Pensions Act 2013 introduced into the seven public service pension schemes, including the LGPS, a Cost Control mechanism to seek to ensure the cost of providing pensions is kept within a range of costs. This seeks to ensure a “fair” balance with regard to the cost of providing defined benefit public service pensions between scheme members and the taxpayer.

The objectives of the Cost Control mechanism were – to protect taxpayers from unforeseen risks, to maintain the value of pension schemes to the members, to provide stability to benefit levels in that the operation of the mechanism should only be triggered by “*extraordinary, unpredictable events.*” The Cost control mechanism is primarily concerned with calculating the cost of providing benefits to employees of each of the major public service pension schemes.

The cost control mechanism is a form of risk sharing arrangement that assesses certain elements of the costs of the schemes. If the assessed cost has decreased/increased by more than 2% of pensionable pay compared to their original level, then member benefits/contributions are increased/reduced to bring the assessed costs back to the original level.

For the LGPS in England and Wales there are two cost control mechanisms: The employer cost cap (ECC) operated by HM Treasury, and the future service cost (FSC) as operated by the LGPS Scheme Advisory Board (SAB). Either process can result in changes to the Scheme design and/or employee contribution rates if the costs of the LGPS move sufficiently from a “target cost.” In view of Government concerns that the ECC Cost Control mechanism was not operating in line with its original objectives and in particular, the intention that it would only be triggered by “*extraordinary, unpredictable events,*” the Chief Secretary to the Treasury requested the Government Actuary to conduct a review of this Cost Control mechanism.

On 15 June 2021, the final report of the Government Actuary's review of the cost control mechanism across the seven major public service pension schemes, including the LGPS, operated by HM Treasury, was published ("Cost control mechanism Government Actuary's review," Final report, 27 May 2021). Paragraph 1.17, on page 11, of the report confirmed that the review did not consider the separate cost control mechanism for the LGPS which is operated by the Scheme Advisory Board.

Following the publication of the Government Actuary's review the Treasury launched a Consultation on 24 June 2021 (which closed on 19 August 2021) entitled "Cost control mechanism consultation: Proposal to reform the mechanism." This Treasury Consultation included the statement (paragraph 5.1, page 16) "*The Government has carefully considered the analysis and recommendations contained in the GA's final report. Having reflected on this, the Government proposes making three changes to the cost control mechanism, all of which are in line with the GA's recommendations:*"

The three proposals may be summarised as:

- that the cost control mechanism only considers past and future service in the reformed (present) schemes and exclude consideration of legacy schemes
- widening the cost corridor from 2% to 3% to "*improve the stability of the mechanism*"
- "*introducing an 'economic check'*" where there is a breach of the cost control mechanism to ensure broader long term economic conditions are considered before any breach is implemented

The LGPS Scheme Advisory Board for England and Wales (SAB) responded to this Consultation on 19 August 2021. This response expressed, in the specific context of the LGPS, concerns regarding all three proposals. Seven individual LGPS Funds also responded to the Consultation.

On 4 October 2021, the Treasury issued its response to the Consultation of 24 June to 19 August entitled "Public service pensions: Cost control mechanism consultation response." This confirmed the Government's intention to amend the Cost Control mechanism to consider only reformed schemes, introduce a 3% cost corridor, and introduce an "economic check." The News section of the SAB website states (4 October 2021) "*Although not directly addressing the concerns of the LGPS the response does acknowledge them and commits to discussing with stakeholders appropriate ways to introduce these changes, how the E&W SAB cost management process can be adapted and how the principle of that process could be extended to the Scotland and NI schemes.*"

5. Review of 2019 Actuarial Valuations – Section 13 Report by the Government Actuary’s Department

On 16 December 2021, the DLUHC published the Government Actuary’s Department (GAD) report on the 2019 LGPS Actuarial Valuations. The main report is sixty pages long. There is also an Appendices paper of sixty-two pages and a twenty two page Funding Analysis paper.

The GAD was appointed by the (then) MHCLG to report under Section 13 of the Public Service Pensions Act 2013 in respect of the 2019 Actuarial Valuations of the Funds in the Local Government Pension Scheme in England and Wales (LGPS). The ‘Overall Comments’ made by GAD on page 4 of the main report state, *“In aggregate the funding position of the LGPS has improved since 31 March 2016; and the scheme appears to be in a strong financial position...”* and specifically that since the 2016 Valuation across the LGPS in England and Wales as a whole *“The aggregate funding level on prudent local bases has improved from 85% to 98% (at 2019)”*

Section 13 requires GAD to report on whether the following aims were achieved:

- **Compliance:** whether a Fund’s Valuation is in accordance with the Scheme Regulations
- **Consistency:** whether the Fund’s Valuation has been carried out in a way which is not inconsistent with other Fund Valuations within the LGPS
- **Solvency:** whether the rate of Employer Contributions is set at an appropriate level to ensure the solvency of the Fund
- **Long term cost efficiency:** whether the rate of Employer Contributions is set at an appropriate level to ensure the long-term cost efficiency of the Scheme, as measured on an individual Fund basis

The first two issues are concerned primarily with the methods of the four Actuarial firms (Aon, Barnett Waddingham, Hymans Robertson, and Mercer) who undertake Actuarial Valuations for LGPS Funds.

The issues of Solvency and Long Term Cost Efficiency are Fund specific. In respect of **Solvency** and **Long term cost efficiency** GAD looked at a range of metrics (10 in all, with 5 each for Solvency and Long term cost efficiency) and then assigned a *“colour coded flag”* to each LGPS Fund in England and Wales for each metric. These range from Red to Amber to White to Green and are explained on page 12 of the main report. A Red flag indicated *“a material issue that may result in the aims of section 13 not being met.”* It is extremely pleasing to note that there were no red flags assigned to any LGPS Fund in England and Wales. An Amber flag indicates *“a potential material issue...In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency.”* Only four Funds across England

and Wales (one English County and three in London) were Amber flagged. A White flag “*is an advisory flag that highlights a general issue but one which does not require an action in isolation.*” A Green flag indicates “*that there are no material issues...*” The total lack of red flags and the fact that out of over 80 Funds examined only four received one Amber flag clearly indicates the overall robustness, based on the GAD analysis, of the approach to funding issues of the LGPS across England and Wales. Based on GAD analysis all LGPS Funds in England and Wales met the aims of **Solvency** and **Long term cost efficiency**.

The report on the 2019 Actuarial Valuations has been generally well received by the Actuarial firms who support the LGPS. This is in clear contrast to their response to the report on the 2016 Actuarial Valuations which resulted in a joint letter which raised “*some material concerns*” regarding the detail of that report.

Briefly, the main findings of the GAD report on the 2019 Valuations were:

- **Compliance** - Fund valuations were compliant with relevant regulations.
- **Consistency** – Funds/Actuaries had adopted a consistent dashboard to aid stakeholders when comparing results for different Funds as recommended in GAD’s report on the 2016 Valuations. However, differences in methodology and assumptions do not allow like for like comparisons. GAD were also concerned about what they consider to be “*particular inconsistencies in the way Academy conversions are carried out in different funds, which derive from different valuation approaches*” (Page 5 of the main report).
- **Solvency** – The size of Pension Funds has grown considerably more than local authority budgets over the three years to 31 March 2019. This therefore, in GAD’s view, presents greater risk going forward, despite the general improvement in Funding levels. Page 7 of the main report includes the statement “*Given that pension funding levels change it is not unlikely that a period of increased pension contributions may be required at some point in the future. If additional spending is required for pension contributions this may lead to a strain on local authority budgets...*”
- **Long term cost efficiency** – At page 51 of the main report GAD state “*Long term cost efficiency (LTCE) relates to not deferring payments too far into the future so that they affect future generations of taxpayers disproportionately.*” GAD is clear in its report regarding its view of the need to consider the balance of cost between current and future taxpayers. GAD highlighted four individual Funds (three in London and the Royal County of Berkshire Fund) as raising potential concern in relation to long term cost efficiency; this is two less than in 2016. GAD also raises (pages 59 and 60 of the main report) the issue of the use by some Funds of Asset Transfers and Contingent Property Transfers from the Council (Administering Authority) to the Pension Fund. Whilst “*not commenting on the actions of any fund that holds such an asset*” the report raises a

number of “*potential concerns*” regarding such arrangements and recommends “*the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to ensure long term cost efficiency*”

The Appendices document includes detailed results and GAD analysis covering all LGPS Funds in England and Wales.

The main report included four Recommendations which seek to promote:

1. Improved consistency in the approach to assessing emerging and existing key issues including Academy conversions and “McCloud” (Page 5).
2. Ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan (Page 8).
3. Continuing improvements in transparency through an expanded Valuation dashboard with additional information, provided by the Fund Actuaries (Page 8).
4. Appropriate governance arrangements around asset transfer arrangements from local authorities to Pension Funds “*to achieve long term cost efficiency.*” (Page 60).

John Raisin

2 March 2022

The GAD Section 13 Report for 2019 may be accessed at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040197/S13_final_report.pdf

The Appendices to the GAD Section 13 Report may be accessed at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040200/S13_Appendices.pdf

The Funding Analysis document to The GAD Section 13 Report for 2019 may be accessed at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040198/FAPaper2019_Final.pdf

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Agenda Item: 7

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

LGPS GOVERNANCE CONFERENCE 20 – 21 JANUARY 2022

Purpose of the Report

1. To report on the LGPS Governance Conference 2022.

Information and Advice

2. The Annual LGPS Governance Conference took place on the 20 and 21 January 2022. The Conference was opened by the LGPC Chair, Cllr John Fuller OBE. The Conference covered a range of topical items for the Local Government Pension Scheme, including McCloud, Divestment, Cyber risk, and 2022 valuations.
3. This year the conference was attended by Councillor Stephen Garner, Pension Committee Member, 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 – Welcome from the LGPC Chair, Cllr John Fuller OBE

5. The combined assets of the LGPS top £300 billion, which presents an opportunity to do good, while taking appropriate risk.
6. The LGPS has a role to play in the wider economy and it can show thought leadership in this area.
7. The upcoming challenges this year are likely to be inflation, McCloud/Sergeant and Goodwin.
8. It was acknowledged that investments are only a fraction of what funds need to cover, setting up the themes of the day – administration, governance, and compliance.

Pensions in the 21st Century

Charlotte O’Leary, Pensions for Purpose; Georgia Stewart, Tumelo; Facilitated by Jo Donnelly, SAB Secretariat

9. The background to the session was that lobbyists are becoming more active. Funds need to understand the views of their members, so they can respond to lobbyists.
10. The panellists discussed the need for greater engagement with members regarding investment choices and how Funds can use technology to gather information from their members on investment beliefs and concerns.
11. Animal welfare, human rights and climate change were the biggest concerns for investors based on recent data analysis from the Tumelo software.
12. Tumelo software enables investment platforms and pension providers to engage investors by giving a transparent view of the companies they own.
13. There was acknowledgement that Funds have the ability to change the investment market and influence companies and capturing this data can help facilitate that.

How the Scheme Advisory Board (SAB) Levy is spent

14. Cllr Roger Phillips, Scheme Advisory Board Chair, reported to the conference the work being undertaken by the SAB, as well as a review of its achievements.
15. Recognised the difficult environment for Pension Administration.
 - Continued Financial Pressures
 - Impact of dealing with COVID
 - Growing regulatory compliance
 - Increased requirement for good training and advice
 - Need to balance the needs of the LGPS
16. The SAB has traditionally had a strong and respected relationship with the Government, but there is room for improvement in this area at the moment.
17. Cllr Phillips noted the balance of the relationship between Pools and Funds. He made a number of deliberate comments about the Funds being the owners of the pools, not partners.
18. Specific emphasis was made of succession plans and staff development, identifying, and managing conflicts of interest and supporting Boards and Committees through training and development of skills.
19. There is a lot on the horizon –
 - McCloud,
 - Task Force on Climate- Related Financial Disclosures (TCFD).
 - Exit Cap v2,

- Cost Cap 2016 & 2020,
- The Pension Regulator Single Code of Practice
- 2022 valuations.
- GMP Equalisation
- Good Governance Framework for Pension Funds
- Pension Dashboard - will enable individuals to access their pensions information online, securely and in one place. This will hopefully support better planning for retirement.

20. Concern about delays on TCFD in the LGPS and its implementation lagging behind the private sector. This doesn't reflect well on Local Government's focus in this important area.

Divest Now?

Rianna Gargiulo, Friends of the Earth; Jill Davys, London Borough of Sutton; Facilitated by Bob Holloway, SAB Secretariat

21. Climate change risks make up 5 of the top 10 in the World Economic Forum's Risks Perception survey in 2021/22.

22. Rianna argued that divesting completely from fossil fuels is the easiest and most effective way for LGPS funds to take direct action on climate change. Engagement isn't working and immediate action is needed given the urgency highlighted by recent climate change reports.

23. Financially, Rianna presented that fossil fuel companies are valued based on extracting all resources in the ground, rather than what their carbon budget allows. This could lead to stranded assets.

24. Jill made the case that engagement still has time and scope to run.

25. Investors can engage with fossil fuel companies to encourage and promote change to greener energy. Disinvestment may result in another investor buying the asset who is less climate change conscious and relieves pressure on the company to change.

The Scheme member's view

Jon Richards, Assistant General Secretary, UNISON

26. The working relationship with SAB was praised for allowing constructive and critical challenge.

27. Jon appreciated how well Funds have handled the pandemic and remain committed to offering their services to members.

28. The LGPS is starting from a good place – well funded and taking ESG seriously (although "Social" is often forgotten when talking about ESG). Jon used the anecdote of recently completing the paperwork for his own pension and praised the LGPS as a model for good administration.

29. A desire for all pools to have member representation was strongly noted.

Panel session – Valuation 2022

Jeff Houston, Chair; Barry McKay (Barnett Waddingham); Jonathan Teasdale (Aon); Rob Bilton (Hymans Robertson); Michelle Doman (Mercer)

30. Asset returns have been strong since the last valuation, around 20-30% to 31 December 2021. While this is good news, higher inflation will increase the liabilities, offsetting some of these high returns.

31. Life expectancy is expected to continue to increase, but the rate of increase might be slowing down.

32. McCloud is likely to be explicitly allowed for at the 2022 valuation. There will be variation in the impact between employers, but generally, it is likely to be less than 1% of liabilities.

33. While Government Actuaries Department (GAD) have asked for consistency of assumptions and approach to allocating assets to academies, it was acknowledged that there still needs to be the ability to set these at Fund level, particularly the discount rate and longevity assumptions, to take account of local factors.

34. Climate change risk should be considered by all Funds to some degree at the 2022 valuation.

Day 2 – Cyber security and scams

Alison Murray, Aon; Chris Emmerson, Aon

35. Across all pension schemes (not just LGPS) the number of schemes impacted by a cyber incident has increased from 3% in 2019 to 7% in 2021. That would equate to around 7 LGPS funds being affected.

36. The new draft Single Code of Practice is clear that funds need to have cyber risk on their risk register.

37. A possible approach to cyber risk is to seek where the risk lies, put protections in place and then have a plan, with clear roles and responsibilities to solve a cyber risk event. Frequent review of the approach is also recommended.

38. A major source of cyber risk is the number of data transactions which occur. Funds should have a sufficient understanding of the controls which are in place for third parties such as administration providers.

39. Ensure Officers, Committee and Board members are not the weak link in your protection by offering comprehensive training.

McCloud and general outlook

Con Hargrave, Department of Levelling up, Housing and Communities

40. A White Paper on levelling up is expected in the first couple weeks of February.
41. The McCloud timetable has Regulations completed by the summer 2022 recess with final guidance published in winter 2022/23. It is likely that the remedy regulations will not come into force until October 2023 (instead of April 2023).
42. It was noted that the aggregations window is likely to be re-opened as part of the McCloud remedy.
43. Cost Control mechanism – the 2016 valuation is still being challenged due to inclusion of McCloud. There are discussions with Scheme Advisory Board (SAB) to explore how the SAB mechanism will be amended in light of the changes taking place in the HMT mechanism.
44. On the horizon: -
 - Investments: Task Force on Climate-Related Financial Disclosures (TCFD),
 - Next steps on pooling and banning of boycotts of foreign nations –
 - Exit Pay reform: Government still committed, expect an LGPS consultation later in the year –
 - Good Governance: DLUHC team expanding to look at this area –
 - Other: Survivor benefit regulations (in light of recent legal challenges),
 - Fair Deal and the 2019 consultations relating to strengthening pension protections on outsourcing.

Legal Update

Kirsty Bartlett, Squire Patton Boggs

45. The Pension Regulator (TPR) has issued a draft new Single Code of Practice which sets out proposed new governance standards for pension schemes. The new code is both a consolidation of 10 out of 15 existing codes of practice, as well as a significant update and extension of the existing codes.
46. The new code is the first phase of the TPR's efforts to both harmonise and modernise its codes of practice, with the ultimate aim of creating a code of practice appropriate to the needs of pension schemes today and in the future. The new code will cover 5 themes, and these are.
 - funding and investment,
 - administration,
 - communication
 - disclosure,
 - reporting to the TPR.
47. The Single Code of Practice is expected to come into force in spring 2022. Funds will then have 12 months to complete their first Own Risk Assessment. It is unlikely to change much from the draft, so there is much which Funds can be doing to prepare, including 'gap' analysis.

48. New legislation on transfers and scams from Department for Work and Pensions (DWP) in effect from November 2021. Places more responsibility on Committee and Board members with transfers to non-public sector schemes being more arduous for administering authorities to verify.
49. There are red and amber flag criteria for administering authorities to follow. Where administrators do not have enough evidence to make a judgement, they need to refer members to the Money and Pensions Service..
50. If you are dealing with data outside the UK, ask questions and speak to a lawyer to avoid data protection issues
51. The current focus on simple Annual Benefit Statements for Defined Contribution schemes may be applied to Defined Benefit and the LGPS.

Stewardship code 2020

Claudia Chapman, Financial Reporting Council

52. The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. The Code comprises a set of 'apply and explain, principles for asset managers and asset owners, and a separate set of principles for service providers.
53. The Financial Reporting Council are asking LGPS funds to consider becoming signatories to the Stewardship code.
54. There are 12 principles, but the key ones for LGPS Funds are - Purpose and culture - Governance, resources, and incentives - Client and beneficiary needs - Monitoring managers and service providers.
55. They are looking for all assets under management to be covered by stewardship reporting for funds which are signatories.
56. Where pools control a large part of the assets, the Fund should still prepare the stewardship report, but the pool should feed into this report.

Investment outlook

Stephen Lee, Ninety-One Asset Management

57. The main theme is around the need to normalise post-Covid, which may be painful.
58. The recovery in 2021 was supported by loose monetary policy which may be tightened in 2022.
59. UK inflation might reach 6-7% and then moderate in the second half of this year, and interest rates expected to increase to just over 1% sooner rather than later. UK growth expected to be slightly ahead of previous expectations.

60. Growth in USA looks promising, but this is generally priced into the markets already.
61. China tightened credit last year, but now loosening as it focuses on growth stabilisation. However, there is potential exposure to Omicron which would apply downward pressure.
62. Enthusiasm for all things technology related is waning.

Closing remarks from the chair

63. The chair summarised the morning's messages, thanked the organisers for their work and looked forward to next year's event, with more delegates hopefully attending in person

Statutory and Policy Implications

64. 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@nottsc.gov.uk

Constitutional Comments (28/02/2022KK)

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

Financial Comments (22/02/2022KP)

66. 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.

17 March 2022

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – CUSTOMER, GOVERNANCE AND EMPLOYEES.

PENSION FUND - RISK REGISTER

Purpose of the Report

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

Introduction

2. This is the Risk Management Strategy for the Nottinghamshire County Council Pension Fund. Risk Management is a key element in the Fund's overall framework of internal control and its approach to sound governance. However, it is not an end in itself, but a means of minimising the costs and disruption to the Fund caused by undesirable or unexpected events. The aim is to eliminate or reduce the frequency of risk events occurring (where possible and practicable) and minimise the severity of the consequences if they do occur.
3. Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its purpose and objectives. Risk management is the process by which:
 - risks are systematically identified
 - the potential consequences are evaluated
 - the element of risk is reduced where reasonably practicable
 - actions are taken to control the likelihood of the risk arising and reducing the impact if it does

Purpose and Objectives of the Fund

4. The purpose of the Fund is to:
 - Pay pensions, lump sums and other benefits provided under the LGPS Regulations
 - Meet the costs associated in administering the Fund
 - Receive contributions, transfer values and investment income
 - Invest any Fund money not needed immediately to make payments.
5. The funding objectives are to:
 - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
 - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

6. The following principles underpin the Fund's investment activity:
- The Fund will aim to maintain sufficient assets to meet all its obligations on a continuing basis.
 - The Fund will be invested in a diversified range of assets.
 - Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
 - The Fund will aim to conduct its business and to use its influence in a long-term responsible way.

Key Parties of Fund

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

The Administering Authority

8. The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement. The main responsibilities of the Administering Authority are to:
- Collect employee and employer contributions
 - Invest the Fund's assets
 - Pay the benefits due to scheme members
 - Manage the actuarial valuation process in conjunction with the Fund Actuary
 - Prepare and maintain the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
 - Monitor all aspects of the Fund's performance.

Committee members

9. The members of the Committee are not trustees (as the LGPS is a statutory scheme) but do have fiduciary duties towards the scheme members and employers. The main responsibilities of the Committee are to:
- Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
 - Determine the type of investment management to be used and appoint and dismiss fund managers
 - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
 - Receive independent reports on the performance of fund managers on a regular basis
 - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

Scheme Employers

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

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly
- Exercise any discretions permitted under the Regulations
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
- Notify the Administering Authority of significant changes in the employer's structure or membership.

Fund Actuary

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

- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
- Advise on other actuarial matters affecting the financial position of the Fund.

Chief Finance Officer

12. Under the Council's constitution, the Service Director Finance, Infrastructure & Improvement is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Management) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

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

Service Director Customers, Governance and Employees

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

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

15. Representatives of the Service Director Customers, Governance and Employees provide advice to the Committee on pension administration matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

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

17. The Independent Adviser is engaged to provide advice on:

- the objectives and policies of the fund
- investment strategy and asset allocation
- the fund's approach to responsible investment
- choice of benchmarks
- investment management methods and structures
- choice of managers and external specialists
- activity and performance of investment managers and the fund
- the risks involved with existing or proposed investments
- the fund's current property portfolio and any proposals for purchases, sales, improvement or development
- new developments and opportunities in investment theory and practice

Risk Management Strategy

18. The risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of the investment beliefs, funding, and investment objectives. The Fund will only take sufficient risk in order to achieve its long-term funding objectives described in paragraph 4.

19. The Pension Fund's Risk Management Strategy is to:

- a) identify key risks to the achievement of the Fund's aims
- b) assess the risks for likelihood and impact
- c) identify mitigating controls
- d) allocate responsibility for the mitigating controls
- e) maintain a risk register detailing the risk features in a)-d) above
- f) review and update the risk register on an annual basis
- g) report the outcome of the review to the Nottinghamshire Pension Fund Committee.

20. The Risk Register is a key part of the Risk Management Strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

21. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, the Nottinghamshire Pension Fund Committee have been asked to:-

- agree the Risk Management Strategy
- approve the Risk Register and agreed actions
- receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process.

22. By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, at a strategic level, to the effective management of Pension Fund risks. The Risk Management Strategy and Risk Register will be kept under review and will be revised following any material changes in policy.

23. The risk register is attached as Appendix A.

Statutory and Policy Implications

24. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

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

Marjorie Toward
Service Director – Customers, Governance, and Employers

For any enquiries about this report please contact:

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

Constitutional Comments (KK28/02/2022)

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

Financial Comments (KP28/02/2022)

27. There are no direct financial implications arising from the report.

Background Papers and Published Documents

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

- 'None'

Objectives

1. The objectives of the Risk Register are to:
 - identify key risks to the achievement of the Fund's objectives
 - assess the significance of the risks
 - consider existing controls to mitigate the risks identified
 - Identify additional action required.

Risk Assessment

2. Identified risks are assessed separately and for each the following is determined:
 - the likelihood of the risk materialising
 - the severity of the impact/potential consequences if it does occur.
3. Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value.

LIKELIHOOD:		
1	Rare	0 to 5% chance
2	Unlikely	6 to 20% chance
3	Possible	21 to 50% chance
4	Likely	51 to 80% chance
5	Almost certain	81%+ chance

IMPACT:		
1	Insignificant	0 to 5% effect
2	Minor	6 to 20% effect
3	Moderate	21 to 50% effect
4	Significant	51 to 80% effect
5	Catastrophic	81%+ effect

4. Having scored each risk for likelihood and impact, the risk ratings can be plotted onto the following matrix to enable risks to be categorised into Low, Medium, High and Very High Risk.

Risk Rating Matrix

Relative Impact	Catastrophic (5)	M	H	VH	VH	VH
	Significant (4)	M	H	VH	VH	VH
	Moderate (3)	M	M	H	H	H
	Minor (2)	L	L	M	M	M
	Insignificant (1)	L	L	L	L	L
		(1)	(2)	(3)	(4)	(5)
		Rare	Unlikely	Possible	Likely	Almost Certain
		Relative Likelihood				

5. This initial assessment gives the inherent risk level. Existing controls are then identified and each risk is re-assessed to determine if the controls are effective at reducing the risk rating. This gives the current (or residual) risk level. The current risk rating scores and categories are then used to prioritise the risks shown in the register in order to determine where additional action is required in accordance with the following order of priority:

Red = Very High Priority

Take urgent action to mitigate the risk.

Orange = High Priority

Take action to mitigate the risk.

Yellow = Medium Priority

Check current controls and consider if others are required.

Green = Low Priority

No immediate action other than to set a review date to re-consider your assessment.

NOTTINGHAMSHIRE PENSION FUND RISK REGISTER - SUMMARY

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

↑ Increase

↓ Decrease

↔ No Change

★ New

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	<ul style="list-style-type: none"> • Employer annual returns are reviewed and monitored. Breaches are reported to committee. 		
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Improve monitoring of returns from major fund employers • Implementation of Data Improvement plan • Progress GMP rectification • Progress Mc Cloud project 		
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going

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

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

Administration				
Risk description: Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk)				
Potential data quality issues.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	5	15	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • Clear communication of requirements to scheme employers. • Employer data is being reviewed as part of the data improvement plan. 			

	<ul style="list-style-type: none"> Planned roll out of the employer portal to improve the transfer of data to the Pension Fund. 		
	<ul style="list-style-type: none"> Actuary makes prudent assumptions at valuation. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. Monitor using the Breaches Policy 		
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going

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

17 March 2022

Agenda Item: 9

REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND EMPLOYEES

PENSION BOARD WORK PROGRAMME 2021-2022

Purpose of the Report

1. To consider the Pension Board's work programme for 2021-22.

Information

2. The work programme, attached as an Appendix to this report, will assist the management of the Pension Board's agenda, the scheduling of the Board's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Board meeting. Any member of the Board is able to suggest items for possible inclusion.
3. The attached work programme has been updated from the work programme presented at the September meeting and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. It is also anticipated that the Board may wish to commission periodic reports on specific issues. The Board is therefore requested to identify any additional activities on which it would like to receive reports for inclusion in the work programme.
5. The meeting dates and agenda items are subject to review in light of the ongoing COVID-19 period.

Other Options Considered

6. None.

Reason for Recommendation

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

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.

RECOMMENDATION

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

Marjorie Toward
Service Director, Customers, Governance & Employees

For any enquiries about this report please contact:

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Constitutional Comments (?? XX/XX/2022)

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

Financial Comments (?? XX/XX/2022)

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

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

- None

Electoral Division(s) and Member(s) Affected

- All

PENSION BOARD - WORK PROGRAMME 2022

REPORT TITLE	BRIEF SUMMARY OF AGENDA ITEM	LEAD OFFICER	REPORT AUTHOR
23 June 2022			
LGPS Update Report	Regular Update on national LGPS issues		The Advisor to the Pension Board
Cyber Security	Review of the Pension Fund Cyber security to meet the Pension Regulator requirements	Jon Clewes	Jon Clewes
Training Plan	Board Training		
Risk Register	Regular Review		
September 2022			
Pension Fund Investment Strategy Statement	Update to the Pension Board in respect of the development of the Pension Fund Investment Strategy Statement	Keith Palframan	
LGPS Pensions Administration Performance Report	Regular Performance Report	Jonathan Clewes	Jon Clewes
LGPS Update Report	Regular Update on national LGPS issues		The Advisor to the Pension Board
Risk Register	Regular Review		
To Be Placed			
Good Governance in the LGPS project – Implications for the Nottinghamshire Pension Fund	Report on the implications of the national Scheme Advisory Board/MHCLG project on LGPS governance in the context of the Nottinghamshire Pension Fund	Good Governance in the LGPS project – Implications for the Nottinghamshire Pension Fund	Report on the implications of the national Scheme Advisory Board/MHCLG project on LGPS governance in the context of the Nottinghamshire Pension Fund
The Pensions Regulator Single Modular Code	Report on new national pensions governance and administration Code of Practice	Jon Clewes	The Pensions Regulator Single Modular Code

REPORT TITLE	BRIEF SUMMARY OF AGENDA ITEM	LEAD OFFICER	REPORT AUTHOR
Pension Fund –Update on Internal Audit reviews	To update the Pension Board on work relating to the Pension Fund undertaken by Internal Audit		
The Pension Regulator’s Governance and Administration Survey	Annual Report/Update (Depends on the date of the Survey)	Jonathan Clewes	Jonathan Clewes
Cipfa Benchmarking	Report on the funds Cipfa Benchmarking	Jonathan Clewes	Jonathan Clewes