



27 April 2023

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

REVISION OF FUND STRATEGY DOCUMENTS

Purpose of the Report

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

Information

2. Under governing regulations, the Fund is required to 'prepare, maintain and publish' a number of strategy statements. These statements must then be kept under review and, if necessary, revised. Other strategies are produced by the Fund as best practice to confirm and clarify operations and to enable clear communication with employers and members in the scheme.
3. A further review will be required following the publication of the Pension Regulators new code of practice which is expected in the coming months.
4. The Administration Strategy is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. This strategy has been reviewed and no significant changes were required. The updated statement is attached as Appendix A.
5. The Breaches Strategy was created in 2020. This strategy has been reviewed and no significant changes were required. The updated statement is attached as Appendix B.
6. The Climate Strategy was created in March 2021. The strategy has been updated in the current year to refresh the wording for consistency across the Central Pool and include the findings from the latest section of the IPCC report. The updated statement is attached as Appendix C.
7. The Communication Strategy provides an overview of how the Fund will communicate with its customers (members and employers) and stakeholders. An effective communication strategy is vital for the Fund to meet its objective of providing a high quality and consistent service. This strategy has been reviewed and no significant changes were required. The strategy is attached as Appendix D together with an updated Communications Plan as Appendix E.
8. According to Regulation 58 of the Local Government Pension Scheme Regulations 2013, an administering authority must publish a Funding Strategy Statement (FSS). This requires

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

9. The Local Government Pension Scheme (Administration) Regulations 2013 require publication of a governance compliance statement. This statement has been reviewed and updated to reflect the changes in the membership of the committee. The updated statement is attached as Appendix G.
10. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Investment Regulations") govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review and if necessary revise its investment strategy at least every 3 years.
11. The main update relates to the changes to asset allocation and the wording of the Fund's Responsible Investment beliefs which were discussed at the January Working Party and approved at the March committee meeting. The Aims and Purpose of the Fund section has been amended to make it consistent with the Funding Strategy Statement and references to the most recent triennial valuation reflect the results of the March 2022 valuation. Paragraph 40 about illiquid investments has been reworded to improve clarity. The updated Investment Strategy Statement is attached as Appendix H.
12. It is considered best practice for the Fund to have a Risk Management Strategy and Risk Register and to review these on a regular basis. The documents last went to Committee in 2021. No new risks have been added to the risk register, but the risk of resourcing issues has increased slightly reflecting recruitment challenges and key man risks, and the risk of failing to adhere to relevant legislation and guidance has also increased to reflect the increasing requirements of pension schemes. The inherent risk of managing cashflow will gradually increase as the Fund matures, and this has been recognised in the risk register, and the impact of inflation is recognised for its impact on liabilities and employers. The documents have been revised to reflect recent and planned work. The updated Risk Strategy and Risk Register are attached as Appendices I and J.

Other Options Considered

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

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

RECOMMENDATION/S

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

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/04/2023)

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

Financial Comments (TMR 11/04/2023)

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

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All