

## Local Pensions Board

**Thursday, 30 September 2021 at 10:30**

County Hall, West Bridgford, Nottingham, NG2 7QP

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### AGENDA

- |    |  |         |
|----|--|---------|
| 1  | Election of Chairman   |         |
| 2  | Minutes of the last meeting held on 30 March 2021  | 1 - 6   |
| 3  | Apologies for Absence  |         |
| 4  | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 5  | Local Government Pension Scheme Pension Administration Performance Report  | 7 - 20  |
| 6  | Local Government Pension Scheme - Pension Scams  | 21 - 30 |
| 7  | The Local Pension Board Review 1 April 2020 to 31 March 2021   | 31 - 40 |
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| 9  | Update on Topics and Developments relating to the Local Government Scheme including the Scheme Advisory Board  | 51 - 60 |
| 10 | Pension Fund - Risk Register   | 61 - 82 |
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## **Notes**

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

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

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact 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 Tuesday 30 March 2021 at 10:30 am

### membership

Persons absent are marked with `A`

### Employers

Councillor Tony Harper	Nottinghamshire County Council
Councillor Sally Longford A	Nottingham City Council
David Smith	Autism East Midlands

### Members

Mark Heppenstall	Pension Scheme member
Thulani Molife	Pension Scheme member

### Also in Attendance

John Raisin	John Raisin Financial Services Ltd, Advisor to the Board
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### Officers in Attendance

Jon Clewes	Team Manager, Pensions
Martin Gately	Democratic Services Officer
Ciaran Guilfoyle	Investments Officer
Sarah Stevenson	Group Manager, Business Services Centre

### MINUTES

The minutes of the last meeting held on 10 December 2020 were agreed and signed by the Chairman.

### APOLOGIES FOR ABSENCE

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

### DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

#### **4. PENSION ADMINISTRATION SYSTEM UPDATE**

The Chairman introduced the report and stated that the purpose of the report was to update the Board on the Pension Committee approval for the continued provision of the Pension Administration System, supplied by Civica UK Limited to the Nottinghamshire Pension Fund. The Fund administers to 142,812 members as at 31 March 2020, and over 300 active scheme employers, and the Administering Authority has the statutory responsibility to ensure proper administration within the scheme regulations. Therefore, to ensure this is done appropriately, the pension fund is required to use specific software to enable the administration to be performed in line with legislation and scheme regulations.

In response to questions from Board Members, Sarah Stevenson, Group Manager, Business Services Centre, indicated that the development of the system was about increased automation and self-service, resulting in skilled human resources being released elsewhere. Ms Stevenson reiterated that the new contract was with the existing supplier with whom there are monthly account meeting and a well-established partnership.

#### **RESOLVED 2021/007**

That:-

- 1) no further action was required in relation to the information required in the report.

#### **5. PENSION FUND - RISK REGISTER**

The Chairman explained that the appendix to the register picks out the risks identified specifically in respect of the National Covid Emergency and identifies some of the steps taken to address those risks.

Jon Clewes, Pension Manager, stated that the Risk Register had last been reviewed in April. It covers the main aspects of risk and identifies the controls in place to mitigate risk. One of the main risk identified due to the Pandemic had been the reporting of Deaths Mr Clewes indicated that there had been a lag in notifications of deaths of Pensioners. The Pension Fund works to ensure that death grants are paid within 5 days. Further data will be brought at the end of the financial year as part of the Pension Admin Performance report.

Mr Clewes reported that the Data Improvement Project was a medium risk, and a full report on this will be brought to a future meeting. The discussion turned to the issue of transfers and the impact of the COVID emergency along with the inability to process transfers over the past year. This had been highlighted as a medium risk, and The Pension Regulator had issued advice on transfers over the Pandemic due to the risk of pension Scams. Mr Clewes explained that Pension Fund had not been as successful with transfer timeliness. Another area of concern had been employer contributions, however it was reported that the Fund had continued to receive contributions on time.

There was a further discussion on transfers where John Raisin stated that transferring out is not normally in the member's favour. There are companies

chasing members to transfer out of the Pension Fund under the Pension Freedoms, this has created a situation where Pension Funds are receiving claims due to poor investment advice following a transfer out from the Pension Fund.

Sarah Stevenson added that the law firm Freeth's has been engaged in offering support to the Pension Fund where ex members of the fund had transferred their pension, and lost their investment and are now making claims against the Fund.. The Fund is currently reviewing its transfer process. It was also stated that this is not just a Nottinghamshire Pension Fund issue, but an issue across the LGPS. rela

In response to a question from Mr Thulani Molife, Mr Clewes indicated that there were challenges in respect of resources, particularly around knowledge and experience.

It was explained that the Pension Fund is currently recruiting an additional project manager post to support the work in relation to the McCloud Judgement. It was stated that there will need to be a wider consideration of the additional resources required. Whilst the Pension Fund wishes to move to a more digital way of working there is still a requirement for administrative activity in undertaking manual calculations and processes in a complex Pension Scheme.

#### **RESOLVED 2021/008**

That no further actions were required in relation to the information contained in the report.

#### **6. REPORT OF THE PENSION BOARD ADVISOR ON TWO MAIN DEVELOPMENTS IN THE PENSION SCHEME**

John Raisin, Advisor to the Board, introduced the report, the purpose of which was to bring two main developments to the attention of Board. These were, the publication by the Scheme Advisory Board (SAB) of the phase 3 final report in respect of good governance in the LGPS project and the reform of the Local Government exit payments including the withdrawal of the Treasury exit cap regulations.

Mr Raisin explained that phase 3 final report indicated here should be a robust, independent governance review process – every two years. A number of changes are required, which include a single named officer in charge of the LGPS, though this could be the Section 151 Officer, but they would have to spend a considerable amount of their time on the LGPS. All functions will report to this single officer.

Conflicts of interest are also covered in the report; there are potential conflicts of interest, particularly around contribution setting, recharges and investment decisions. Host authorities should not encourage local investment as part of political objectives. Local Authorities may make resolutions on climate change, but the Pension Fund should not be bound by these. The Pension Fund is instead bound by the LGPS regulations and statutory guidance.

There will be nationally set Key Performance Indicators which cover standards of service. Both a business plan and a budget will need to be set by the officer in charge of the LGPS, but also involving the Chair of the committee. By 2022, good governance should be in place across the LGPS in England and Wales. Good governance has taken on even greater importance due to pooling. Mr Raisin

added that It was of great importance that the good governance review be properly implemented.

In response to a question from Mr Thulani Molife on the timescale for developments to enactment, Mr Raisin indicated that bearing in mind the need for consultation and the need to consider responses, enactment would not be until 2022.

The Chairman asked if the Pension Fund needed to consider any further actions in preparation. Mr Raisin gave the view that funds should be assessing themselves against this in order to see where they are compliant and where they are not – although compliance is not required until the proposals are integrated into statutory guidance and regulations.

Mr Raisin explained that the Government unexpectedly withdrew the Exit Cap regulations in February – probably due to concerns over the regulations unintended consequences i.e. long serving members of staff on average pay being caught by the regulations. Nevertheless, the Government has said that it still wishes to bring back some form of Exit Cap – though this is expected to be a less severe cap aimed at capturing higher earners. A further announcement from government is awaited.

Mr Clewes stated there was not a large impact on the Nottinghamshire Scheme – only two individuals were paid reduced benefits. Three other cases were about to go through for payment.

## **RESOLVED 2021/009**

That:

- 1) No further action was required in relation to the information contained in the report.

## **7. WORK PROGRAMME**

Members requested that the annual accounts be added to the work programme, along with frequency of Board meetings.

## **RESOLVED 2021/010**

That:-

- 1) The requested items be added to the work programme.

The meeting concluded at 12.15 pm.

**CHAIR**





**30 September 2021**

**Agenda Item: 5**

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

### **LOCAL GOVERNMENT PENSION SCHEME (LGPS) – PENSION ADMINISTRATION PERFORMANCE REPORT**

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

1. The purpose of the report is to inform the Nottinghamshire Local Pension Board of the 4 Quarters to the Year- End up to the 31 March 2021 of the work of Pension Administration Team.

#### **Information and Advice**

##### **Background**

2. The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members benefits are determined strictly in accordance with the scheme regulations and are not affected by the value of Fund assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.
3. One of the of the main areas of focus across the Local Government Pension Scheme is always the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association continues to highlight this matter.

##### **Pension Benefits Administration**

4. The Pensions Office undertakes the administration of the pension benefits of the scheme members against the regulations of the Local Government Pension Scheme, and the administration broadly comprises of maintaining a data base of:
  - Active members (i.e.) contributors
  - Pensioners, including widows, widowers, and dependants
  - Those with deferral benefits that will become payable in the future
  - Providing Annual Benefit Statements to active and deferred scheme members

- Providing estimates of benefits
- The calculation and payment of retirement benefits
- The calculation and payment of transfer values to other schemes
- Processing transfer values from “club” and local government schemes
- Providing valuations, a splitting of pensions in divorce cases
- Communicating with employers and scheme members on scheme changes and pensions issues
- Onboarding new scheme employers
- Supporting employers to carry out their responsibilities under the LGPS Regulations
- Reconciling employers’ monthly and annual contribution rates
- Providing pension savings statements to scheme members as appropriate
- Providing data for triennial valuations and the annual FRS102 for all but large bodies who report in accordance with AIS19
- Replying to questions and issues raised by scheme members and employers
- In addition, the office also undertakes some of the employer related work of the LGPS on behalf of Nottinghamshire County Council

5. The Pension Team is currently separated into the following areas of work:
- a. Pensions Administration
  - b. Employer Support and Compliance
  - c. Technical/Communications
  - d. Technical/Performance

<b>At 31.03.2021</b>	<b>Established FTE</b>	<b>Actual in Post FTE</b>
Pension Team	26.20	25.77
Pension System Team	3.0	2.0
GMP Project Manager (Temporary)	1.0	1.0
McCloud Project Manager (Temporary)	1.0	1.0

The Guaranteed Minimum Pension (GMP) Project Manager is seconded from the Pension System Teams. Guaranteed Minimum Pension Project is the reconciliation of pension records with Her Majesty’s Treasury. Over the last financial year, the Administration Team has been recruiting to the vacant posts. New members of staff were recruited in October to the general administration team, as well as one internal promotion to a Practitioner role. Two officers have resigned. A further appointment to the temporary McCloud Project Manager was confirmed in April.

The Pension Team are also supported by a number of other teams within the Business Service Centre such as –

- Business Hub Team who undertake a range of clerical and administrative tasks on behalf of the Pension.
- The Authority’s Payroll Service who process the monthly Pensioners Payroll on behalf of the Nottinghamshire Pension Fund.
- Business Services Centre (BSC) Security and Authorisation Team who are undertaking a number of activities to support the Employer Portal rollout.

6. The total cost of administration expressed as a cost per member for the past five years is shown in the table below –

<b>£ per member</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37	14.08
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34	20.02

\*At time of writing the 20/21 figures are not available

### **Data Quality**

7. The Pensions Regulator has continued to raise concerns across the LGPS funds relating to data quality and the need for improvement. The Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected and are taking appropriate steps to improve pension records.

8. Data is important to the Administering Authority for several reasons, the main reasons being:

- a. Members are paid the pensions they are entitled to
- b. Employers' costs are reliable/correct
- c. Investment and administration costs are reliable/correct
- d. Fund valuations reflect true costs/ liabilities of the fund
- e. Cost effective administration – less queries
- f. Reduce Internal Dispute Resolution Procedure cases
- g. Avoid the Pensions Regulator
- h. Maintains the scheme's reputation

9. Members will be aware that the pension fund has an Administration Strategy which provides a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data in a timely manner. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority.

10. The Administration Team is continually updating records, chasing employers, and reminding members of the scheme to update the fund of changes of personal circumstances, e.g. changes of address.

11. To meet the requirements set out by the regulator the Fund reported the following:

	<b>2019 Accuracy</b>	<b>2020 Accuracy</b>
Common Data	59%	76%

Conditional/Scheme Specific Data	60%	43%
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- Common data – Common data is the basic information which every scheme should hold for each member, such as name, address, and date of birth. It is the information that identifies their benefits and allows the scheme to keep in contact with them.
- Conditional/Scheme specific data – This is the data used for calculating pension benefits.

12. A Data Audit and Improvement workstream was approved by Pension Committee in September 2019 as part of the scope of the Nottinghamshire Pension Fund “transforming pension administration through digital development and new ways of working programme”. This work is progressing but now enables us to measure our data more accurately, and therefore this has highlighted changes in our data scores with an increase in Common Data accuracy and a decrease in conditional/ scheme specific data. As the data improvement Project progresses, this will be reported to Committee through the transformation update report.

### Pension Fund Membership Statistics

13. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the fund under certain categories. These figures are used to populate the fund’s annual report, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report

14. The following table details the membership of the Fund against each category and sets a context to the size of the fund.

Type of Member	2017-2018	2018-2019	2019-2020	2020-2021
Active Members	44,436	46,350	47,841	43,957
Deferred members	46,448	47,365	56,068	60,935
Pensioners	35,245	37,157	38,923	40,481
Total Membership	126,129	130,872	142,832	145,373

15. In addition, it is important to understand the context of the number of employers in the Fund as this increases the complexity of managing the collection of data from different employers. The following table gives a breakdown of the employers in the scheme. The headline figure in the table shows a net increase of 14 employer bodies which are mainly due to new admission bodies, but there has been a reduction in the number of active employers from 302 to 294. This reduction in numbers is due to the Fund continuing to consolidate academy trust schools into single employers. This trend will continue into the following year as a number of academies will be consolidating, along with requesting from the Secretary of State to bring other academies into the Nottinghamshire Fund. Consolidating academy trusts reduces complexity of administration for the academies and the Fund, along with reducing costs due to economies of scale.

16. The table also shows the movement of employers in the Fund with employers withdrawing from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.

		2020	2021		
<b>Scheduled</b>		as at 31/03/20	Number Joined	Number Leaving	as at 31/03/21
Local Authorities		9	0	0	9
Academies		158	7	12	153
Others - active		56	3	5	54
Others - closed		97	17		114
<b>Total Scheduled</b>		<b>320</b>	<b>27</b>	<b>17</b>	<b>330</b>
<b>Admitted</b>					
Admission		57	4	7	54
Others - active		22	0	0	22
Others - defunct		95	7	0	102
<b>Total Admitted</b>		<b>174</b>	<b>11</b>	<b>7</b>	<b>178</b>
<b>Total</b>		<b>494</b>	<b>38</b>	<b>24</b>	<b>508</b>

The following is a list of new scheme employers 2020-2021.

<b>Scheme employer</b>	<b>Type of employer</b>
East Midlands Education Trust	Schedule 1 - Academies
Laneham Parish Council	Schedule 2 - town & parish councils
Wells Academy	Schedule 1 - Academies
Florence Nightingale Academy	Schedule 1 - Academies
Cater Link Limited (Diverse)	Admitted - Admission
Rosecliffe Spencer Academy	Schedule 1 - Academies
Winthorpe Primary School	Schedule 1 - Academies
Beckingham cum Saundby Parish Council	Schedule 2 - town & parish councils
Hucknall National C of E Primary School	Schedule 1 - Academies
John Hunt Primary School	Schedule 1 - Academies
MINT Commercial Services LLP	Admitted - Admission
Worksop Charter Trustees	Schedule 2 - town & parish councils
Aspens Services Limited (Rosslyn)	Admitted - Admission
Compass Contract Services (UK) Limited (ATT)	Admitted - Admission

**Complaints and Internal Dispute Resolution Procedure Appeals**

17. Set out below are three tables which outline the number of written complaints received by the Administering Authority in 2020-2021 along with the number of formal appeals at stage 1 and stage 2 of the Internal Dispute Resolution Procedure process along with the number of appeals that the Administering Authority is aware of that have been submitted to the Pension Ombudsman in respect of cases escalated following the two stage adjudication process.

18. The Pension Team have also been dealing with numerous complaints related to our in house Additional Voluntary Contributions (AVC) provider, Prudential. In November the Prudential changed its administration system. This has created difficulties for members either paying their contributions, along with being able to claim their benefits at retirement. The fund has been raising complaints on members behalf and trying to resolve the problems. The Fund has also been working with other LGPS funds in the East Midlands network to bring the Prudential to account. The Pension Regulator is aware of the issues being raised. The fund continues to raise complaints.

<b>Recorded Written Complaints</b>						
<b>Date</b>	<b>Total</b>	<b>Closed</b>	<b>Outstanding</b>	<b>Justified</b>	<b>Partial Justified</b>	<b>Not Justified</b>
<b>2020/21</b>	<b>26</b>	<b>24</b>	<b>2</b>	<b>14</b>	<b>3</b>	<b>9</b>
<b>2019/20</b>	<b>25</b>	<b>23</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>13</b>

**Main Reasons**

- **Transfers in and out - timescales**
- **Deferred record future review dates**
- **AVC complaints related to the Prudential**
- **Benefit calculations**

The Pension Fund also recorded 24 subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. We are currently reviewing our process to ensure that it is robust and in accordance with the regulations.

**Independent Disputes Resolution Procedure (IDRP) - Stage 1 Appeals against the Administering Authority and Employers 2020-2021**

<b>Total</b>	<b>Appeals upheld</b>	<b>Appeals dismissed</b>	<b>Progressed to stage 2</b>	<b>Awaiting Decision</b>
<b>13</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>4</b>

**IDRP - Stage 2 Appeals against the Administering Authority**

<b>Total</b>	<b>Appeals upheld</b>	<b>Appeals dismissed</b>	<b>Progressed Ombudsman</b>	<b>Awaiting Decision</b>
<b>5</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>

## **Pensions Administration System**

19. The Pension Administration system used by the Nottinghamshire Pension Fund is the Universal Pensions Management (UPM) system, provided by Civica UK. UPM was implemented in 2015 and is an 'on premise' system with the servers located at the County Hall Data Centre and the Node 4 site in Derby, for resilience. The infrastructure is managed by Nottinghamshire County Council ICT and regular co-ordination with the Pensions Systems team. Maintenance and upgrades are undertaken on a regular basis to ensure the system remains compliant. All new developments and upgrades from the software supplier are evaluated, tested, and deployed in line with the requirements of the Pension Office
20. The Employer portal is now live and has now begun to be rolled out to scheme employers. The County Council has been using the portal for about 6 months since it completed the pilot project. Gedling Borough Council will be live with the portal from June, Rushcliffe Borough and StreetWise are scheduled to go live over the Summer.

## **Employer Support and Compliance Team**

21. The Pension Office Employer Support and Compliance team is responsible for liaison with scheme employers on a range of matters in relation to their responsibilities under the LGPs Regulations. This includes –
- Supporting employers in undertaking their responsibilities;
  - Communicating Regulation and process changes to LGPS employers;
  - Resolving problems in relation to the quality of information supplied by LGPS employers;
  - The development of improved communication methods between the Pensions Office and LGPS employers;
  - Work on Employer acceptance into the scheme, plus also employer closures.
  - The review and improvement of information and administrative systems.
22. The team also have the following contact with Nottinghamshire LPGA Scheme Employer representatives –
- Year-end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end;
  - Meetings with employer representatives to communicate changes to the LGPS Regulations and the impact on employer responsibilities;
  - Ad hoc individual or group support and training sessions with LGPS Employers
23. The Administration Strategy has now been in operation with scheme employers since May 2017 and has supported the work of the Pensions Team and Scheme Employers. The Strategy has helped in providing a framework to ensure that the Administering Authority, and scheme employers work together for the benefit of members to ensure statutory compliance and efficiency in the administration of the scheme. There is a planned update on the strategy, and this will encompass a new charging process for scheme employers who cause additional work for the fund.



24. The Team has continued to work with employers to improve the submission of pension data to the Fund.

25. In addition, there are also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2019-2020, participating employers in the scheme were required to provide accurate year-end data by 14 May 2020. The annual benefit statements were issued to deferred members of the scheme by 3 July 2020 with all active benefit statements issued by the statutory date of 31 August 2020. There was a further issue of benefit statements, where data was either provided late to the Fund or that there were queries with the submitted data which had to be rectified before benefit statements could be issued. The current year end processing is on going with employers having to provide their year end data by 14 May 2021. Evaluation of this data is currently on going.

26. Where employers fail to meet the requirements set out in the Administration strategy the Pension Fund reserves the right to charge the employer for additional administration time where appropriate. The fund also reserves the right to report employers to the Pension Regulator where there is a breach of statutory regulations.

27. The following table provides information on employer submissions to year end data over the last six-year ends.

<b>Year End</b>	<b>Number of submissions received by submission date</b>	<b>Accurate submissions received by submission date</b>	<b>Submission date</b>	<b>Number of Employer returns expected</b>	<b>Percentage of expected returns received by the deadline</b>	<b>Percentages of Accurate returns by the deadline</b>
2014-2015	112	92	31 May 2015	260	43%	35%
2015-2016	162	157	30 April 2016	276	59%	57%
2016-2017	253	166	2 May 2017	310	82%	54%
2017-2018	314	183	14 May 2018	337	93%	54%
2018-2019	272	162	13 May 2019	341	80%	47.5%
2019-2020	304	206	15 May 2020	342	88.0%	60%
2020-2021	261	138	14 May 2021	296	88%	46.6%

28. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. Without the correct data, the Administering Authority may not be able to issue annual benefit statements to individual members where the scheme employer has failed to provide the required data. This type of situation would ultimately result



in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non-compliant scheme employers

## Performance Data

29. Performance statistics in the table below represent the 4th quarter of 2020/21 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. The Committee will see that performance against the legal requirement averages around 82% compliance this is down from last year's average of 85%. Overall the fund performance average against our KPI's is 68.2%, however this figure will have been impacted by reduced performance in April, May, June and July 2020 due to the Pensions Office moving to home based working due to COVID 19, and focusing mainly on the provision of retirement benefits as per the pension regulator requirement..

30. As part of the pandemic response, advice from the Pension Regulator was to focus on the maintenance of benefits for pensioners, the payment of benefits to retiring members, and those of dependants of pensioners who had died. A number of processes were put on hold and these included transfers of benefits. The pension regulator at the time raised concerns around pension scams and continues to raise concerns.

<b>4 Quarters 2020-2021 1.04.2020 to 31.03.2021 Pension Administration KPI Compared against the Cipfa Benchmark Key Performance Indicators</b>			
<b>Process</b>	<b>No. cases completed Within the Year</b>	<b>Cipfa Benchmark Legal Requirement (from notification)</b>	<b>% of cases completed within the CIPFA KPI</b>
<b>Deaths</b> – Initial letter acknowledging death of member	432	2 Months	95%
<b>Deaths</b> – letter notifying amount of dependant's pension	517	2 months	88%
<b>Retirements</b> –letter notifying estimate of retirement benefits	102	2 months	90%
<b>Retirements</b> – process and pay pension benefits on time (next available payroll) –	2736	2 months	78%
<b>Deferment Retirement Quote Letter</b>	2245	2 Months	96%
<b>Deferment</b> – calculate and notify deferred benefits	2937	2 months	37%
<b>Transfers in/out</b> – letter detailing transfer quote	736	2 months	50%
<b>Refund</b> – Process and pay a refund following election	544	2 Months	97%

<b>Divorce quote</b> – letter detailing cash equivalent value and other benefits	320	2 Months	98%
<b>Divorce Settlement</b> – Letter detailing implementation of pension sharing order	11	2 Months	81%
<b>Provision of Estimate of Benefits</b>	1143	2 Months	97%

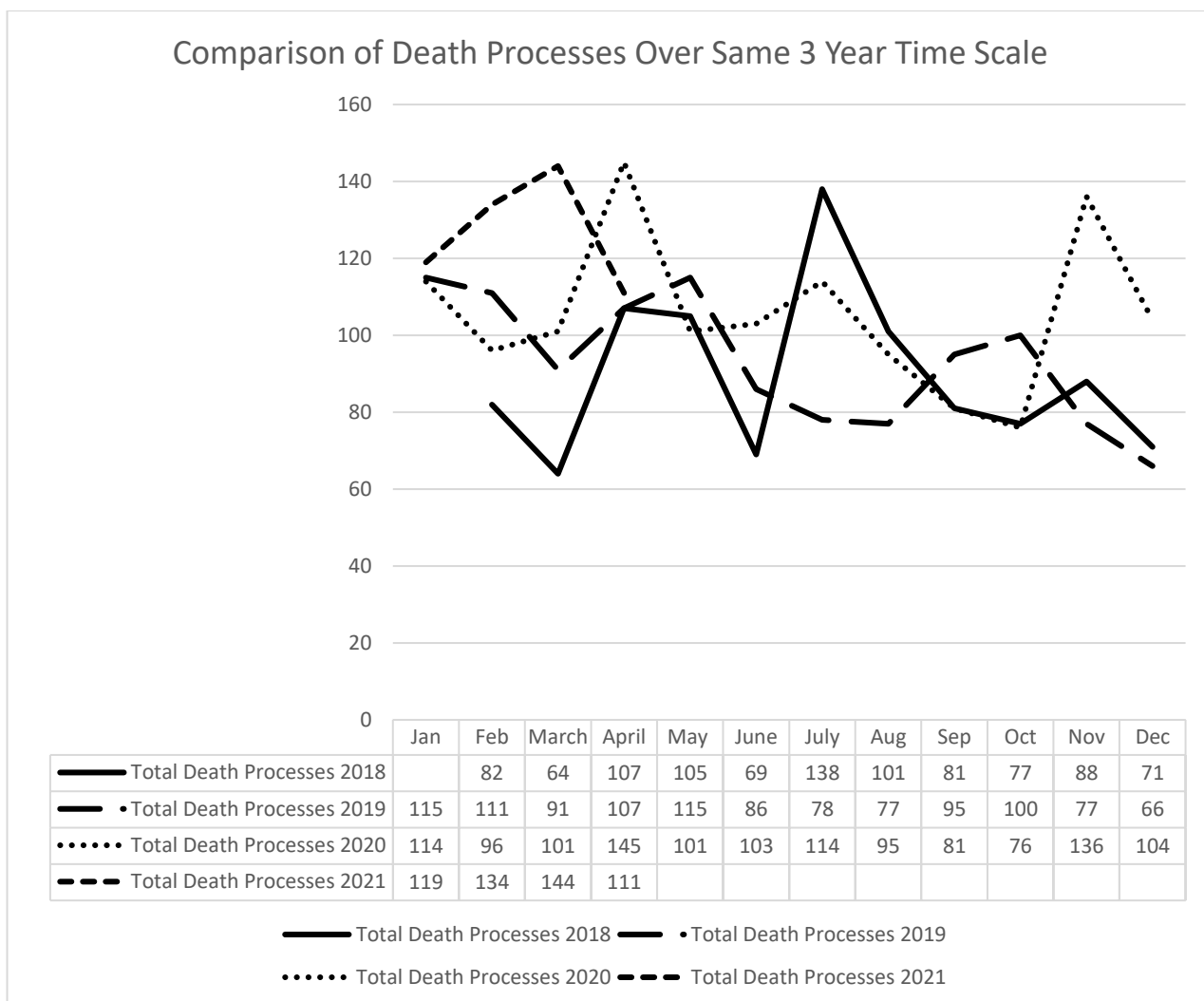
31. It can also be reported from the KPI information extracted from the administration system in Table 1, in the financial year 2018/2019, the Pension Administration Team completed 7617 processes across the year. For the year 2018/19 the Administration Team increased the number of processes to 10,688 which is an increase of 40%. This increased again by 13% over 2019/20. However there has been a decrease in number of cases completed for 2020/21 to 11,723 a 3% decrease this inevitably was due to the move to working from home in the first 3 months.
32. Table 2 gives a comparison of all activities reported in the Pension Administration System and again we see a slight decrease, for the same reason in that activity decreased with a move to home working, and getting use to new processes.

<b>Table 1</b>							
<b>KPI Processes</b>	<b>2017/18</b>	<b>2018/19</b>	<b>% +/-</b>	<b>2019/20</b>	<b>% +/-</b>	<b>2020/21</b>	<b>% +/-</b>
KPI Processes Completed	7617	10,688	+ 40%	12,138	+13%	11,723	-3%

<b>Table 2</b>						
	<b>2018/19</b>		<b>2019/20</b>	<b>% +/-</b>	<b>2020/21</b>	<b>% +/-</b>
<b>Total of all Processes Completed across the Fund</b>	51,976		56,722	+9%	53,121	-6%

33. As part of the transformation programme the Pension Office will be working to introduce the functionality to enable the Pension Office to run bulk processes for tasks such as refunds and deferred benefits. Bulk processing is interdependent on the Data improvement workstream as processes are reliant on accurate data being available within the Until Pension Management system (UPM) to enable a bulk process to run. Once live, bulk processing will enable the Pension Office to begin to concentrate on more complex processes.
34. There continues to be a significant increase in requests from deferred pension members over 55 years of age to seek payment of their pension benefits. However, the table above shows that there has been a 6% decrease in the numbers of total processes across the fund being completed. The decrease can mostly be identified by the move to working from home over April, May and June 2020 at the start of the lockdown.

35. The member death process is the most difficult statistic to gather and measure, and the team is currently reviewing how this process is monitored. The difficulty is the date and timing of when the Pension Administration Team are informed of the death, against when the team receive the appropriate documentation. Where the relevant information is provided death in service grants are paid within 5 days to the next of kin.
36. The following graph shows that 2020/21 has seen an increase in the number of deaths processed. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.
37. From January 2020 to April 2021 the average monthly Deaths 110 per month, in a normal year the average is approximately 93 deaths. However, you can see from the statistics, from November 2020 to April 2021 (the second COVID wave) the average number of Deaths was 124, and this increase created a significant amount of work for the Pensions Team.
38. In addition the Pension Fund have asked the Scheme Actuary to undertake some further analysis of the impact of the number of deaths within the Pension Fund, and a further report will be presented at a future committee meeting.



## **Other Options Considered**

39. Work on developing the Service Level Agreement will continue, to ensure they provide a full range of benchmarking data for the coming financial year. This work will be done in conjunction with a national set of benchmarks across all LGPS schemes

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

40. This report has been compiled to inform the Nottinghamshire Local Pension Board of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

## **Statutory and Policy Implications**

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

## **Financial Implications**

42. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £2.69m which is .044% of the fund Total assets 2020-2021.

## **RECOMMENDATION**

It is recommended:

1. That the Nottinghamshire Local Pension Board consider the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.

## **Marjorie Toward**

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

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

Jonathan Clewes, Pension Manager on 01159773434 or [jon.clewes@nottsc.gov.uk](mailto:jon.clewes@nottsc.gov.uk)

## **Constitutional Comments (KK)**

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

## **Financial Comments (KP15/09/2021)**

44. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.69m at 2020-21 which is .044% of the total assets.

## **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'



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

**LOCAL GOVERNMENT PENSION SCHEME – PENSION SCAMS**

**Purpose of the Report**

1. To update Pension Board on Pension Scam activities and the requirements of the Pension Regulator and Pension Scheme Act 2021 on the Nottinghamshire Pension Administration Service.
2. To seek support from Pension Board to the Nottinghamshire Pension Fund commitment to the Pension Regulators pledge to combat pension scams and the Nottinghamshire Pension Fund pension scam action plan as shown in Appendix 1 as approved by Pension Committee on 29 July 2021.
3. To update Pension Board on Pension Committee and Personnel Committee approval to the funding and establishment of an additional Technical and Regulations resource required to undertake pension scams due diligence checks.

**Information**

**Background**

4. Since April 2017, pension scam losses totalling £30,857,329 have been reported according to complaints filed with Action Fraud, says the Financial Conduct Authority (FCA) and The Pensions Regulator (tPR).
5. Scammers target pension pots big and small, with reported losses ranging from under £1,000 to as much as £500,000. However, the true number of victims is likely to be much higher as savers fail to spot the signs of a scam and don't know how much is in their pension pots. A 2019 survey by Action Fraud reported that individual loss is about £82,000. The Pension Regulator reports this figure being higher at £91,000.
6. Pension scams are on the increase in the UK. Every day fraudsters are using sophisticated ways to part savers from their money and the internet and advances in digital communications mean these kinds of scams are getting more common and harder to identify. A lifetime's savings can be lost in moments.

7. Scammers design attractive offers to persuade people to transfer their pension pot to them, often setting “time-limited” offers or deadlines to pressure individual’s into releasing their money.
8. During the pandemic the Pension Regulator, the Financial Conduct Authority and the Money and Pension Service worked together and issued help and guidance to protect pensions savers from becoming the victims of scams.
9. At the start of the Pandemic, Charles Counsell, tPR’s Chief Executive said  
*“Pensions remain a safe long term investment for your retirement and it’s important to avoid hasty decisions about cash that’s taken a lifetime to build. We urge you not to transfer your pension into another arrangement now and regret the decision later. If you’re worried about your pension savings, take the time to understand what options you have available. There is no need to rush.*

*“For those who have a final salary pension, staying in your existing scheme is still likely to be the best long-term arrangement. All savers should be very cautious about making changes at this time.*

*“More than ever before, you should visit The Pension Advisory Service website for impartial guidance before making any decision about your retirement or get financial advice from a Financial Conduct Authority authorised financial adviser.”...*

### **What is a pension scam**

10. Since April 2015 members of pension schemes have had more choices about how they can access their pension pot than in the past. Scammers know this and will try to lure people with promises of upfront cash and one-off “deals” with guaranteed high returns.
11. Pension scammers have changed their modus operandi over time. A few years ago, it was about setting up a sham pension scheme and encouraging people to move from their bona fide scheme into a sham. More recently, it is about just encouraging people to come out of their pension scheme into a vehicle that is being used for investment fraud.

### **How to spot a pension scam**

12. The importance of educating people so that they can spot the signs of a scam and they do not hand over their money in the first place is paramount.
13. There are some common tell-tale signs that mean it could be a scam, for example
  - a. Unsolicited approaches by telephone, text message, email or in person. Since January 2019, there has been a ban on cold calling about pensions. This means individuals should not be contacted by any company about their pension unless they’ve asked them to contact them.
  - b. When a firm does not allow you to call it back.



- c. Where individuals are forced to make a quick decision, are pressured into doing so, or are encouraged to transfer their pension quickly and send documents by courier.
- d. Where contact details provided or published on a website are only mobile numbers or a PO box address.
- e. When the company claim they can help you or a relative unlock a pension before the age of 55, sometimes known as pension liberation or pension loans. Only in very specific cases, such as ill health, is this possible.
- f. When a company claims to know of tax loopholes or promise extra tax savings.

**Pension Regulator – Pledge to Combat Pension Scams**

- 14. Before transferring an individual’s pension to another arrangement, the Pension Regulator expects Schemes to: *“Identity unusual or concerning patterns, such as spikes in CETV requests or the same adviser across a multitude of requests”.*
- 15. As we know the freedom and choice reforms have exacerbated scams. Prior to 2015, pension liberation scams were prevalent, where savers were encouraged to access their pension prior to age 55. Since this time, freedom and choice has opened up new opportunities for scammers, in particular investment scams, typically using both defined benefit transfers and people accessing their defined contribution pension under the pension freedom rules, to convince people to pay a lump sum into a fraudulent fund or bank account.
- 16. Not every pension scam can be prevented. The Pension Regulator is asking trustees, providers, and administrators to pledge to do what they can to protect scheme members and follow the principles of the Pension Scams industry Group (PSIG) Code of Good Practice.
- 17. The Pension Regulator states ***“Pledging to combat pension scams shows your intent to protect your members. It tells your members and the pensions industry that you are committed to stopping scammers in their tracks. Once you have taken the pledge it’s up to you and your scheme or organisation to take action.”***
- 18. At Pension Committee on 29 July 2021, Members approved the Nottinghamshire Pension Fund’s commitment to sign up to the Pension Regulators Pledge to combat pension scams, thereby demonstrating its intent to protect its members.
- 19. Signing up to the Pledge means that the Nottinghamshire Pension Fund is now committed to undertake the 3 Steps of the Pledge laid down by the Pension Regulator, as detailed below-
  - a. **Step 1** – Details the requirements of the Pledge and the action required by Nottinghamshire Pension Fund -

Requirement of the Pledge	Action required by Nottinghamshire Pension Fund
Regularly warn members about pension scams	Develop and deliver an annual pension scam communication plan to include -

	<ul style="list-style-type: none"> <li>• <b>Annual Benefit Statements-</b> All Members to receive the ScamSmart leaflet with their Annual Benefit Statement</li> <li>• <b>Transfer Requests</b> – review due diligence checks</li> </ul>
Website messaging	Nottinghamshire Pension Fund website – as part of the website review refresh pension scam section.
ScamSmart campaign	Support the TPR and FCA campaigns – through social media, emailing members and adding fresh content to website.
Encourage members asking for cash drawdown to get impartial guidance from Money Helper	Not available to the LGPS
Get to know the warning signs of a scam and best practice for transfers by completing the scams module in the Pension Regulator Trustee Toolkit.	All Nottinghamshire Pension Administration staff, Pension Committee and Pension Board members to complete the scams module
Studying and using the resources on the Financial Conduct Authority (FCA), ScamSmart website, tPR Scams information.	Review and use content to update website and member communications.
Considering becoming a member of the Pension Scams Industry Forum	Investigate the benefits to becoming a member.
Take appropriate due diligence measures by carrying out checks on pension transfers and documenting pension transfer procedures	See Appendix 1 – Action Plan
Clearly warning members if they insist on high risk transfers being paid	Ensure transfer process includes required “concerns” communication and audit trail for high risk transfers.
Report concerns about a scam to the authorities and communicate this to the scheme member	Agree and document the process for reporting scams to Action Fraud and other appropriate authorities. Update website with details

- b. **Step 2** - Once the Fund is able to demonstrate that it meets the requirements of Step 1 it can complete the “Self-Certify you meet the pledge to combat pension scams” form on the Pension Regulator website stating “**I self -certify that we raise awareness, educate ourselves and protect savers**”.
- c. **Step 3** - Once the self-certification has been submitted the Fund will receive confirmation from the Pension Regulator together with details outlining next steps.

### **Pension Scheme Act 2021 – combat pension scams**

20. The Pension Scheme Act 2021 received Royal Assent in February 2021. The Act is primarily aimed at strengthening the powers of the Pension Regulator in order to protect scheme members. The implementation of the Act will come via regulation in due course. There are a number of provisions within the Act. The provision relevant to this report is “Transfer scam prevention”. The details of the Act will be the subject of a further report to Pension Committee and Pension Board in due course.

21. The Scam prevention regulations are expected to be in place in early Autumn 2021 and will remove the statutory right of a scheme member to transfer their pension out where there is no genuine employment link between the member and the occupational pension scheme the transfer would be destined for.
22. The proposal is for there to be additional requirements which administrators must work through:
- a. If the transfer is to a type of receiving scheme which presents a low scams risk (public service schemes, authorised Master Trusts, and personal pensions), then the transfer may proceed.
  - b. If not, then the transfer may proceed if certain evidence is provided, e.g. an employment link between the member and the occupational pension scheme, or residency in the same financial jurisdiction as the scheme for QROPS.
  - c. If neither of the above apply, the presence of any "red flags" will allow the transfer to be prevented, while if there are any "amber flags" the transfer may be paused whilst the member takes guidance about the possibility of scams.
23. The Work and Pensions Committee (WPC) published its report on the first part of their inquiry, Protecting pension savers — five years on from the pension freedoms: Pension scams. The WPC calls on the Government and regulators "to act quickly and decisively to protect pension savers". It warns that commonly cited figures of the scale of pension scamming are likely to substantially underestimate the problem, and says that the move online by pension scammers has been a recurring theme of its inquiry. It makes over 30 individual recommendations, under four main headings
- a. Recording and reporting
  - b. Prevention,
  - c. Enforcement
  - d. Supporting pension scam victims.
24. The Pension Scams Industry Group (PSIG) has produced an update to their voluntary code of good practice on combating pension scams. The code is based around three principles:
- a. They should raise awareness of pension scams for members and beneficiaries.
  - b. They should have robust, proportionate, and compliant processes for assessing whether a receiving scheme may be operating as part of a pension scam, and for responding to that risk.
  - c. They should generally be aware of the known current strategies of the perpetrators of pension scams in order to inform the due diligence they need to undertake and should refer to the warning flags set out in TPR guidance, FCA alerts and by Action Fraud. The code now comprises a framework document, practitioner guide (setting out the due diligence steps when schemes assess the scam risk of a requested transfer), resources pack and technical guide, plus a summary of the changes since the last version. The changes reflect developments from the Pensions Regulator (including its letter for members considering transferring from DB to DC schemes, and its guidance for trustees to highlight Pension Wise and encourage members to take regulated advice) and recent

initiatives from the Financial Conduct Authority, along with Pensions Ombudsman determinations and court rulings. The code suggests that scheme administrators consider using the phone to better engage with the member during the due diligence process and reminds them to maintain appropriate records and management information. PSIG expects to produce a further update later in the year when the new regulations are published.

## **Review of Resource Requirements**

25. The transfer scam prevention provision within the Pension Scheme Act 2021 builds on the already existing requirement for Pension Funds to carry out due diligence in relation to a transfer request.
26. An additional set of due diligence checks will be required to be undertaken by Pension Administration with transfers to be divided into four categories based on risk. For transfer to occupational pension schemes, Funds will need to confirm the members has demonstrated an employment link with the scheme before the transfer takes place.
27. Those wishing to transfer to a qualifying recognised overseas pension scheme (QROPS) will need to prove an employment link or demonstrate residency in the same financial jurisdiction as that of the scheme to which they wish to transfer.
28. All other schemes will be subject to a flag regime. Members will have to show they have taken guidance over the transfer in amber flag circumstances.
29. In order for the Nottinghamshire Pension Fund to ensure that it is able to implement the Regulations changes in respect of "Transfer Scam Prevention" in accordance with the Pensions Scheme Act 2021 and its obligations to protect its members from pension scams as detailed within the report, together with the delivery of the pension scam action plan at appendix 1 additional Technical and Regulations Office will be required.
30. This additional capacity within the Pension Technical and Regulations Team will ensure that the Nottinghamshire Pension Administration Team has sufficient resource
  - a. To fulfil its requirements to the Pension Regulators pledge to combat pension scams
  - b. Ensure that all due diligence checks are completed for all transfers. Enabling the production of transfer quotes and estimates to be undertaken by Pension Administration Team and all due diligence checks to be undertaken by the Technical and Regulations Team.
31. Funding for an additional 1 FTE Technical and Regulation Officer post at a Grade 5 up to £36,169 per annum including oncosts was approved by Pension Committee on 29 July 2021 and the establishment of this post was approved at Personnel Committee at their meeting on 15 September 2021.

## **Other Options Considered**

32. Do nothing. This is not considered to be a viable option and may potentially expose the Nottinghamshire Pension Fund and its members to undue risk, reputational damage, and action by the Pension Regulator.
33. Absorb the work required to “pledge to combat pension scams”, pension scam action plan and additional due diligence transfer checks resulting from the Pension Scheme Act 2021 into the Pension Administration Office. However, this is not considered to be a feasible option as it would have very significant implications for the time taken to complete a transfer.

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

34. Pension scams are an increasing issue and becoming ever more sophisticated.
35. The Nottinghamshire Pension Fund has a duty to protect its members and the reputation of the Fund

### **Statutory and Policy Implications**

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

### **Data Protection and Information Governance**

37. A Data Privacy Impact Assessment is not required.

### **Financial Implications**

38. The financial implications for the additional Technical and Regulations Officer is covered in paragraph 31.

### **Human Resources Implications**

39. Appointment to the additional Technical and Regulations Office post will be through the Council’s agreed recruitment and selection procedures.

## **RECOMMENDATION/S**

It is recommended:

- 1) That the Nottinghamshire Pension Board consider if there are any further actions it requires to be taken to support the Fund to combat pension scams.
- 2) That Pensions Board also support the Nottinghamshire Pension Fund committing to the Pension Regulators pledge to combat pension scams.

- 3) That Pensions Board also support the Nottinghamshire Pension Fund pension scam action plan shown in Appendix 1.

**Marjorie Toward**

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

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

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

**Constitutional Comments (KK 22/09/21)**

40. The proposals in this report are within the remit of the Nottinghamshire Local Pension Board.

**Financial Comments (KRP 20/07/2021)**

41. The financial implications are set out in the report. The additional costs are a valid charge to the Fund.

**HR Comments (JP 20/07/2021)**

42. The HR implications are set out in the body of the report including the establishment of an additional post identified at paragraph 33. Recruitment to the post will be undertaken in line with the Councils HR procedures including recruitment and redeployment policies

**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' or start list here

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

'All'

## Appendix 1 – Nottinghamshire Pension Fund – Pension Scam Action Plan

	Action	Timeframe	Owner
1.	<p><b>End to end review of the current pension transfer process</b> including review of all due diligence measures and <b>develop a checklist process</b> for completion for each transfer.</p> <p>Note: an initial review was undertaken at the start of the pandemic (March 2020). A further review is intended to ensure the process and procedures are in line with the “pledge to combat pension scams” and the scam provision within the Pension Scheme Act 2021.</p>	By the end of 2021	Pension Administration Office
2.	<p><b>Commit to the Pension Regulator Pledge to Combat Scams</b></p> <p>Step 1 - Complete all the required actions            Step 2 – Submit Self Certification to Pension Regulator            Step 3 – Confirmed by the Pension Regulator once self-certification has been submitted.</p>	Timeframe to be determined once additional Technical and Regulations Officer recruited.	Group Manager, Business Services Centre in conjunction with the BSC Pension Team Manager
3.	<b>Utilise the “Our Pledge to Combat Pension Scam” logo</b>	Linked to Action 2	Technical and Regulations Team supported by Pension Systems Team
3.	<p><b>Pension Scam online training module</b> via the Pension Regulator Trustee Toolkit is completed by</p> <ul style="list-style-type: none"> <li>• Pension Administration Staff</li> <li>• Pension Committee Members</li> <li>• Pension Board Members</li> </ul>	By the end of October 2021	BSC Pension Team Manager in conjunction with Demonstrate Services for Pension Committee and Pension Board Members.
5.	Review and develop on going <b>Pension Scam communication plan</b>	Ongoing – links to action 1,2 and 3.	Technical and Regulations Team
6.	Pension Scam section to be added to the <b>Pension Administration Annual Performance Report</b>	Next Report Due June 2022	BSC Pension Team Manager





**30 September 2021**

**Agenda Item: 7**

**REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE  
AND EMPLOYEES**

**THE LOCAL GOVERNMENT PENSION BOARD REVIEW 1 APRIL 2020 TO 31  
MARCH 2021.**

**Purpose of the Report**

1. To provide a report by the Advisor of the Board reviewing the activity of the Nottinghamshire Local Pension Board for the period 1 April 2020 to 31 March 2021.
2. That the Pension Board consider the report prior to the report to be presented at the next available Pension Committee meeting.

**Information**

3. The Local Government Pension Board was established on 26 March 2015 and is responsible for “assisting” to secure compliance with pension legislation, regulations and guidance to ensure the effective governance and administration of the Local Government Pension Scheme.
4. The Pension Board is not a decision making body and the decision making function remains with the Administering Authority and this in Nottinghamshire is delegated to the Pension Committee.
5. The Board has previously met twice a year and the last meeting was held on 30 March 2021, however the Pension Board will be moving to 4 Meetings a year
6. As part of the work activities of the Pension Board there is a requirement for the Chair of the Pension Board to provide a report to the Pension Committee updating the committee on the work of the Board and where appropriate to make recommendations to the Pension Committee.
7. The final report is attached in Appendix A. In drawing up the report the chair of the Pension Board commissioned the Independent Pension Board Advisor to write the report reviewing the activities of the Pension Board since for 1 April 2018 to 31 March 2019.

## **Other Options Considered**

8. There are no other options to be considered.

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

9. This report has been compiled to for the Pensions Board to consider the report prior to the report being presented to the next available Pension Fund Committee.

## **Statutory and Policy Implications**

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

## **Data Protection and Information Governance**

N/A

## **Financial Implications**

N/A

## **Human Resources Implications**

N/A

## **Implications for Service Users**

N/A

## **RECOMMENDATION/S**

It is recommended that:

1) The Nottinghamshire Local Pensions Board receives and considers the report of the advisor of the Pension Board. along with identifying any actions required.

**Marjorie Toward**

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

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

Jon Clewes, Pension Manager on 01159773434 or [Jon.Clewes@nottscc.gov.uk](mailto:Jon.Clewes@nottscc.gov.uk)

## **Constitutional Comments (KK)**

11. The proposals in this report are within the remit of the Nottinghamshire Local Pension Board.

**Financial Comments (KP15/09/2021)**

12. There are no financial implications identified within the report

**HR Comments**

N/A

**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' or start list here

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

- 'All' or start list here



# JOHN RAISIN FINANCIAL SERVICES LIMITED

## The Nottinghamshire Local Pension Board

### Pension Board Review 1 April 2020 to 31 March 2021

#### A report by the Advisor the Board

#### **Executive Summary**

This report reviews the activity of the Nottinghamshire Local Pension Board during the period 1 April 2020 to 31 March 2021.

#### **Purpose of the Nottinghamshire Local Pension Board**

Under its Terms of Reference, approved by the Nottinghamshire County Council on 26 March 2015, the purpose of the Nottinghamshire Local Pension Board is to assist the Nottinghamshire Pension Fund Committee. The Pension Fund Committee exercises the role of Scheme Manager for the Nottinghamshire Fund under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations 2013.

Regulation 106(1) of the LGPS Regulations 2013 (as amended) requires that each Administering Authority, which in the case of the Nottinghamshire Local Government Pension Fund is Nottinghamshire County Council, establish a Local Pension Board by 1 April 2015 responsible for “*assisting it*” to secure compliance with pension legislation, regulations and guidance; and “*to ensure the effective and efficient governance and administration*” of the Local Government Pension Scheme. The Nottinghamshire Local Pension Board is constituted, in accordance with Regulation 107(2) of the LGPS Regulations 2013 (as amended) of equal numbers of Employer and Employee representatives. The LGPS Regulations stipulate a minimum of 4 members for a Local Pension Board. Nottinghamshire County Council, however, determined that the Nottinghamshire Board should consist of 8 members. This provides additional opportunity for Employer and Employee participation in the governance of the Fund and may therefore be considered good practice.

Under its Terms of Reference (and in accordance with the LGPS Regulations 2013 (As amended)), the Board does not replace the Pension Fund Committee or make any decisions or carry out other duties which are the responsibility of that Committee. Rather, its first core function is to assist the Pension Fund Committee in securing compliance with the relevant legislation relating to the governance and administration of the LGPS in Nottinghamshire. The second core function is to ensure the effective and efficient governance and administration of the Fund. In accordance with its Terms of Reference the Board may, however, determine which areas it wishes to consider and the Board has authority to make a request for information with regard to any aspect of the operation of the Pension Fund. It may also make recommendations to the County Council or any relevant committees which must be considered, and a response made to the Board.

## Board Meetings

On 26 March 2015 Nottinghamshire County Council established the Nottinghamshire Local Pension Board and authorised the Council's Monitoring Officer to finalise a Code of Practice for the Board. The Code of Practice subsequently prepared and then approved by the Pension Board at its first meeting held on 16 December 2015 states (Section 24) *"The Board shall as a minimum meet two times each year."*

Two Board meetings were held, on 10 December 2020 and 30 March 2021, during the period covered by this review. In addition, an informal Pension Board Workshop was held on 4 February 2021 where there was a detailed debate involving Board Members, Officers, and the Advisor in relation to the governance, experience so far and possible future development of the Board.

The two meetings of the Board held during 2020-2021 were chaired by County Councillor Tony Harper (following the resignation of James Lacey, Director of Finance at Nottingham Trent University who served as Board Chair from 2016 to 2019). Councillor Harper who had been a Member of the Board since 2017, in his chairing of the Board encouraged engagement, participation and constructive questioning by all Board Members and developed a positive working relationship with the Officers and Advisor to the Board. Councillor Harper stood down from the Board following the meeting held in March 2021.

The Agenda Items considered at each formal Board meeting held during the financial year 2020-2021 are shown in the Table below:

	10/12/20	30/03/21
Minutes of Previous Meeting	/	/
Declarations of Interest	/	/
Risk Register	/	/
Pension Administration Performance Report	/	
Transforming Pension Administration	/	
Pension Administration System Update		/
Update on Age Discrimination in the LGPS (McCloud)	/	
Reform of Local Government Exit Payments	/	
LGPS Update	/	/
Pension Board Review 1 April 2019 to 31 March 2020	/	
Work Programme 2021-2022		/

## Principal Issues Considered at Board Meetings in 2020-2021

Consideration of the **Pension Fund Risk Register** has become a standing item on the agenda of Pension Board meetings. This is absolutely appropriate. Risk Management is fundamental to effective Pension Fund governance and operation as both CIPFA and the Pensions Regulator have made clear. It was positive that at the meetings held on both 10 December 2020 and 30 March 2021 the Fund Officers presented in addition to risks under the normal broad headings of Governance, Administration and Investment a separate Appendix specifically addressing Risks (both Administration and Investment related) arising/potentially arising or becoming possibly more serious due to the COVID-19 pandemic.

At the December 2020 meeting the Pensions Manager also briefed the Committee on actions taken in response to COVID-19 including the issue of ensuring the continuity of the payment of contributions by Employers. It was confirmed that the collection of data from Scheme Employers to facilitate the issuing of Annual Benefit Statements had been successfully achieved. In response to a Member question the Pensions Manager explained the approach to mitigating the risk of an Employer default. The Investments Officer confirmed that the Funds investment related activity had not been adversely affected by the necessity to work from home. At the March 2021 meeting the Pensions Manager and Group Manager Business Support provided a detailed oral briefing to the Board on Pensions Administration activity in the context of COVID-19 and an update on the resourcing of the Pensions Administration team including developments in relation to people, process and systems. The Officers responded to specific questions from the Board on resourcing and pension transfers including confirming that an additional review of staffing resources would be required in both the context of addressing the “McCloud case” and the likely introduction of new national performance indicators.

In terms of specific issues, as in previous years, Pensions Administration remained the primary area of focus by the Board. As stated in the previous Annual Pension Board review this is logical as the most direct link between both Employers and Employees (representatives of whom comprise the Board membership) and the Pension Fund is with Pensions Administration. Employers have a crucial role in both providing data to the Pensions Administration Team and working with the team to communicate with individual Employees who are members of the Scheme. From an Employee perspective their benefits are entirely dependent on the Pensions Administration Team having the correct pay and service details. The reports prepared by and the oral presentations made by both the Pensions Manager and Group Manager Business Support were extremely informative to the Board.

At the meeting held on 10 December 2020 the Board received a detailed report on the **scope, activity, and performance of the Pensions Administration service**. This included the (extensive) scope of the team’s responsibilities; resourcing; cost (absolute and comparative); data quality; liaison with and responsibilities of Employers; and a detailed set of performance statistics. This meeting also received a further and detailed update report on the **“Transforming pension administration through digital developments and new ways of working programme.”** This consists of 4 key phases – Data Audit and Improvement, Scheme Employer Portal, Hosting Options, Members Portal. The meeting held on 30 March 2021 received a report on the procurement process in respect of the provision of **the information technology system which is critical to the provision of the Pensions Administration Service**. A range of questions and comments relating to Pensions Administration issues were raised by Board Members and responded to by the Officers. A clear area of interest to the Board was the adequacy of resourcing in the context of both the clearly increasing volume and complexity of work.

There are major implications for the Nottinghamshire Fund (and all other LGPS Funds) arising from the fact that all the public service pension schemes covered by the Public Service Pensions Act 2013 have been deemed age discriminatory as a result of the decision of the Court of Appeal in **the McCloud case**. Therefore it was appropriate that at the meeting held on 10 December 2020 the Board received a report and oral presentation from Officers on both the Fund's response to the MHCLG Consultation (issued in July 2020) on remedying the present deficiencies in the Scheme and also the activities the Nottinghamshire Fund will be required to undertake to implement the proposed remedy. The report emphasised the major impact that resolving this issue will have on the Pension Administration function and that additional resourcing had been approved to meet this challenge and that going forward further additional resourcing may be needed.

In late 2020 the Treasury issued Regulations, which came into effect on 4 November 2020 restricting **exit payments to public sector employees**. These included restrictions on pension benefits forming part of employees exit packages. Additionally, there was a conflict between the requirements of these new Treasury Regulations and the LGPS Regulations 2013 as issued by MHCLG. This created a complex situation for Pensions Administration. Therefore, at the Board meeting held on 10 December 2020 the Board received a comprehensive report and presentation on this issue with a clear emphasis on the approach of the Nottinghamshire Pension Fund to this issue.

It is crucial that the Board is provided with information and explanation in respect of the various developments across the scope of LGPS activity both to enable it to fulfil its role under the LGPS Regulations and its Terms of Reference as set by Nottinghamshire County Council and also in order to assist Board Members meet their knowledge and skills obligations under the Public Service Pensions Act 2013 and CIPFA guidance. Therefore, at both the December 2020 and March 2021 Board meetings the Advisor to the Board provided an "LGPS Update" on a range of major issues not otherwise considered at that meeting of the Board.

The **LGPS update** to the meeting held on 10 December 2020 covered a broad range of issues – the Scheme Advisory Board Good Governance in the LGPS project; the Supreme Court ruling regarding the 2016 MHCLG Statutory Guidance on Preparing and Maintaining the Investment Strategy Statement; the MHCLG response to its Consultation of 2019 entitled "*Changes to the Local Valuation Cycle and the Management of Employer Risk*"; Investment Poling – the situation regarding national guidance. This paper also provided a briefing to the Board on the outcome of the 2019 Actuarial Valuation the report in respect of which had been issued by the Fund Actuary in March 2020 including as to why the Fund Actuary had determined that it was not appropriate to make adjustments "*to the valuation results or to the employer contributions previously agreed...*" in the light of "*the COVID-19 crisis.*" This LGPS Update, drawing on information provided to the Pension Fund Committee, informed the Board of the recovery in the Fund's investments between March and September 2020 and the (proactive) actions of the Fund's Investment Officers and Independent Advisor.



The **LGPS Update** presented on 30 March 2021 informed the Board of further developments relating to the restriction of public sector exit payments including the fact that on 12 February 2021 the Government had suddenly and unexpectedly revoked the November 2020 Treasury Regulations limiting such payments. The paper however stated that the Government had indicated an intention to introduce revised restrictions on public sector exit payments in due course. The primary emphasis of this LGPS Update was, however, to inform the Board that the Scheme Advisory Board (SAB) had now completed its Good Governance in the LGPS project and agreed, in February 2021, an Action Plan to be forwarded to MHCLG which “*consists of formal requests from SAB to MHCLG...to implement the project.*” As the paper to the Pension Board stated the Good Governance in the LGPS project seeks to fundamentally enhance and strengthen the governance of the individual LGPS Funds across England and Wales. The changes arising from this project, which the MHCLG will (almost certainly) implement through amendments to the LGPS Regulations and new Statutory Guidance will, in due course, require careful consideration by the Nottinghamshire Pension Fund and significant amendments to the Fund’s governance arrangements.

**A review of the activity of the Pension Board during the period 1 April 2019 to 31 March 2020** was prepared by the Advisor to the Board and presented at the meeting held on 10 December 2020. In the presentation of this review the Advisor commented that he had attended, on behalf of the Board, the meeting of the Pension Fund Committee held on 12 March 2020 and that the Committee had shown genuine interest in and appreciation of the work of the Pension Board.

At the meeting held on 30 March 2021 the Board received a report and paper proposing the **Pension Board Work Programme 2021-2022**. These proposed a draft work programme to assist in the management of the Pension Board’s agenda, the scheduling of the Board’s business and forward planning. The draft work programme was prepared as a result of discussions between the Board Chair, Officers, and the Advisor. As a result of discussion at the March 2021 Board meeting and Board Member suggestion it was agreed to add consideration of the Pension Fund Annual Report to the Pension Board Work Programme.

### **Pension Board Workshop, 4 February 2021**

On 4 February 2021, an informal Pension Board Workshop was held involving Board Members, Officers, and the Advisor. The purpose of this was to consider the governance, experience so far and possible future development of the Board. There was a broad ranging and diverse discussion involving the Board Members, Officers (Administration and Investment) and the Advisor. There was a clear view amongst Board Members (supported by Officers and the Advisor) that the Board should meet more regularly than on the two occasions per (financial) year as has been the practice since the Board’s creation in 2015 and that four meetings a year would be appropriate. An increase in the number of meetings would accord with practice as it has developed at some other Local Pension Boards and the Pensions Regulator’s, recommendation of September 2019 that LGPS Pension Boards “*should meet an appropriate number of times a year, at least quarterly.*”

There was a broad consensus that the scope of the Board activity could usefully expand going forward (which would be in accordance with the scope of the Board's Terms of Reference as approved by the County Council) – for example to include further consideration of investment governance. There was also a consensus that there should be regular attendance by Board Members at relevant LGPS education events/seminars/conferences to further broaden knowledge and perspective. It was also discussed that periodic training needs assessment was necessary and there should ideally be some formal induction process for new Board Members. There was agreement that there was a desirability to further develop the relationship with the Pension Fund Committee. Joint training sessions and joint briefing of the Committee and Board Chairs were suggested.

### **Training and Development**

Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding are specifically required of Pension Board Members by the Public Service Pensions Act 2013.

As pointed out earlier in this report there were LGPS Updates presented by the Advisor on both occasions that the Board met in 2020-2021 and specific reports and presentations by Officers which provided individual Board members with knowledge and understanding on a range of significant national LGPS issues across Governance, Pensions Administration and Investment issues. The training provided in 2020-21 sought to build upon the strong foundations of the significant and broad ranging training provided to the Board in previous years

### **Support for the Board by the Administering Authority 1 April 2020 - 31 March 2021**

The effectiveness of the Board is dependent not only on the approach and contribution of its Members but also that of the Administering Authority. Throughout the period covered by this review the Board received positive support, advice, and guidance from the Officers of the Nottinghamshire Pension Fund with responsibility for both the Administration and Investment aspects of the Pension Fund.

Meetings of the Board were also supported and attended by the Advisor to the Board who provided independent support and an external viewpoint on the Officers reports, in addition to presenting papers to the Board.

### **John Raisin**

**Advisor to the Nottinghamshire LGPS Local Pension Board  
9 September 2021**

**30 September 2021**

**Agenda Item: 8**

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

### **TRAINING PLAN UPDATE REPORT**

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

1. The purpose of this report is to provide the Nottinghamshire Local Pension Board with a Training Plan for 2021-2022 and going forward.

#### **Background**

2. The Pensions Act 2004 as amended by the Public Service Pensions Act 2013 requires members of Pension Boards to have knowledge and understanding of pensions law and be conversant with the Scheme Regulations and Fund documents.
3. There is a statutory duty under legislation, on Pension Board Members to undergo ongoing training and updating.
4. The Pension Regulator Code of Practice No14 Governance and Administration of Public Service Pension Schemes requires that Scheme Managers should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support Pension Board Members to enable the Board to meet its statutory obligations.

#### **The Training Plan**

5. In developing the training plan Board Members should reflect on the statutory requirement of the Pension Board.
6. Pension Board members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Board is given. The Board should be able to challenge any information or advice they are given and understand how that information impacts on any decision relating to the Board's duty to assist the Nottinghamshire Pension Fund.
7. Attached in Appendix 1 is the Training Plan prepared by the Pension Board Advisor.

8. Members are asked to consider Training needs through the rest of 2021/2022 to fit into the working cycle of the Board

### **Other Options Considered**

24. There were no other options considered

### **Reasons for Recommendation**

25. The Pension Board is required to undertake training in line with the outlined statutory requirements.

### **Statutory and Policy Implications**

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

### **Data Protection and Information Governance**

27. There are none arising directly for the Nottinghamshire Fund as a result of the contents of the report as this is for Member information only.

### **Financial Implications**

28. Any costs related to Board Training will be met by the Pension Fund.

### **RECOMMENDATION**

It is recommended:

- 1) That the Nottinghamshire Local Pension Board consider the Training Plan as outlined in Appendix 1, and to consider training needs on an ongoing basis.

**Marjorie Toward**  
**Service Director – Customers and HR**

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

Jonathan Clewes, Pension Manager on 01159773434 or [Jon.Clewes@nottsc.gov.uk](mailto:Jon.Clewes@nottsc.gov.uk)

### **Constitutional Comments (KK)**

29. The proposal in the report is within the remit of the Nottinghamshire Pension Board.

### **Financial Comments (KP15/09/2021)**

30. Any training costs are a legitimate cost to the Pension Fund..

**Human Resources Comments ([initials and date xx/xx/xx])**

31. N/A

**Background Papers and Published Documents**

None

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

All



The Nottinghamshire Local Pension Board

Pension Board Training Programme

A paper by the Advisor to the Pension Board  
September 2021

Purpose

This paper makes proposals in respect of the Pension Board Training programme for 2021-2022 and going forward.

Background

**The Pensions Act 2004** as amended by the **Public Service Pensions Act 2013** requires that Members of Pension Boards have “*knowledge and understanding*” of pensions law and be “*conversant*” with Scheme Regulations and Fund documents. Therefore, there is a statutory duty, under primary legislation, on Pension Board members to undergo ongoing training and updating. The Pensions Regulator in **Code of Practice No14 Governance and administration of public service pension schemes** (Section 38) includes the statement that Scheme Managers “*should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members...*”

This training requirement is not only a statutory requirement (as important as that is) but also an essential practical requirement. This has been clearly stated in the newly revised **CIPFA Code of Practice on LGPS knowledge and skills** issued in June 2021. The Code includes as one of its five key principles (page 15) the statement “*Administering authorities responsible for the administration of the LGPS recognise that effective management, decision making, governance and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.*”

In July 2015 CIPFA issued **Local Pension Boards A Technical Knowledge and Skills Framework**. This sets out eight “core” areas of Knowledge and Skills for Pension Board members. CIPFA has recently completed a thorough review of its pensions knowledge and skills guidance and has determined in its 2021 **Code of Practice on LGPS knowledge and skills** that the 2015 Framework for Local Pension Boards remains appropriate and “*in force.*”

In relation to the **Local Pension Boards A Technical Knowledge and Skills Framework** (and the revised 2021 “Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers) the 2021 **CIPFA Code of Practice on LGPS knowledge and skills** states (page 19) *“These frameworks attempt to determine what constitutes the right skill set for those in the administering authority responsible for pension scheme management, governance and decision making”* and *“...The frameworks provide the minimum set of standards that LGPS administering authorities are expected to achieve...”*

The **CIPFA Local Pension Boards A Technical Knowledge and Skills Framework** (July 2015) sets out eight “core” areas of Knowledge and Skills for Pension Board members These are:

- Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions accounting & auditing standards
- Financial markets and products knowledge (including understanding of the importance of the investment strategy)
- Procurement and relationship management
- Investment performance & risk management
- Actuarial methods, standards, and practices

### **Proposed Methods and Sources of Training**

It is fundamental that training across all eight of the core areas in the CIPFA Knowledge and Skills Framework are made available to all Pension Board members. During 2016 and 2017 the Advisor to the Board presented Training sessions covering all eight core areas to the then Members of the Board. On 8 June 2021, the Advisor to the Board presented a two hour training session covering Legislation and Governance which was attended by four of the current Members of the Board. Given the turnover in Board membership since 2017 and the fact that there are currently three vacancies it would, I suggest, be appropriate for the Advisor to the Board to present training covering the eight “core” areas commencing as soon as practical. This will take several sessions to deliver and will therefore not be completed during the 2021-2022 financial year.

The training proposed above is vital but will provide only a foundation for Members in terms of their knowledge and understanding requirements. There is an absolute need for training in respect of the constant developments (and ever increasing complexity) across all areas of LGPS activity. Although the Advisor has in the past and will in the future provide both training sessions and Board papers covering LGPS developments there is clearly an absolute need for training from a range of sources and perspectives to be made available to the Members of the Pensions Board.



The desirability of a broad range of training opportunities for Board Members was a theme of the discussions involving Members, Officers and the Advisor at the Pension Board Workshop held on 4 February 2021. Not only would this facilitate broader learning and diversity of perspective, but it should also encourage information sharing and discussion between Board Members.

Clearly training to the Board, with a focus on Nottinghamshire, could also be provided by the Fund Officers and other advisors to the Fund. Accounting, Investment and Actuarial issues are areas where the Board Members may particularly benefit from training in the context of the Nottinghamshire Fund. In particular given that the next full Actuarial Valuation of the Fund will commence shortly it would, I suggest, be highly appropriate for the Fund to ask its Actuary - Barry McKay of Barnett Waddingham - to provide a training session, during 2021 or early 2022, to the Board on Actuarial issues with a particular focus on the 2022 Actuarial Valuation process.

At the February 2021 Pension Board Workshop (some) joint training events with the Pension Fund Committee were suggested as a possible means of both providing training and further positively developing the relationship between the Committee and Board. Clearly there may be practical issues in arranging such events but from both an educational and relationship perspective there would appear to be clear advantages. Such an approach would also facilitate, where appropriate, consistency in terms of training and updating of the Members of both the Committee and the Board.

There are a range of external educational events/seminars/conferences which could be made available to Board Members. A clearly relevant example is the CIPFA Seminar Programme for LGPS Pension Board Members (run in conjunction with Barnett Waddingham) which consists annually of a Spring (half day), Annual full day Summer, and Autumn (half day) seminars. The CIPFA/Barnett Waddingham events provide updates on developments in the LGPS, training on specific topics and opportunities for discussion and networking with Members of Pension Boards from other Funds. It is suggested that attendance at each of the Spring, Summer and Autumn events is made available to one/two Board members on a rotational basis. There are other potentially relevant events which the Fund may wish to make available to a representative(s) of the Board as they arise.

Existing Pension Board Members will be aware that the Pensions Regulator has developed an online "Public Service Toolkit" which may be accessed at [www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes](http://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes) This online toolkit is concerned with governance and administration and consists of seven modules which correspond to areas covered in the Pensions Regulators Code of Practice No 14 "**Governance and administration of public service pension schemes.**" These modules are:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

Completion of all seven modules results in the award of a “Development record” certificate. The modules give a broad introduction and understanding of these areas of governance and pensions administration and it is clearly advisable that Members of the Pension Board complete the toolkit. In April 2016 the Nottinghamshire Pension Board resolved that *“members of the Pension Board undertake the seven modules of the Pension Regulator’s Public Service Toolkit by the time of the next Board meeting and forward their development record certificate to Board officers on completion.”* I would strongly suggest that in respect of existing Board Members who have not completed the Toolkit they be required to do so by 31 March 2022 and to provide their certificate to Board officers. In respect of Members appointed in the future I would suggest they be required to complete, and provide evidence of completion, of the Pension Regulator’s Toolkit within six months of the first Board meeting they are eligible to attend.

### **Training Needs Analysis and Training Records**

All Members of the Board need to receive initial and ongoing training to satisfy the areas within and requirements of the **CIPFA Local Pension Boards A Technical Knowledge and Skills Framework** of 2015. To help facilitate the delivery of this Members of the Board should both on appointment and annually complete a Training Needs Analysis covering the seven “core” areas in the CIPFA Framework.

Clearly records need to be maintained by the Pension Fund of training undertaken by Board Members. Indeed, the **Pension Regulator’s Code of Practice No14** (2015) and the **CIPFA Code of Practice on LGPS knowledge and skills** (2021) are clear that appropriate records/reporting arrangements should be maintained by the Scheme Manager/Administering Authority.

### **Summary of Training Proposals**

It is proposed that Pension Board training be provided in the following ways:

1. The Advisor to the Pension Board to provide introductory and overview training commencing in 2021 covering all eight “core” areas of Knowledge and Skills for Pension Board Members as identified in the CIPFA Knowledge and Skills Framework for Local Pension Boards (2015).

2. As appropriate the Advisor to the Pension Board provide training on LGPS developments.
3. As appropriate the Fund Officers and other advisors to the Fund provide training to the Pension Board.
4. The Actuary to the Pension Fund be requested to provide a training session, during 2021 or early 2022, on Actuarial issues with a focus on the 2022 Actuarial Valuation process.
5. Consideration be given by the Fund Officers as to the possible benefit and practicality of some joint Pension Fund Committee and Pension Board training events.
6. Appropriate external events/seminars/conferences be made available (on a rotational basis) to the Members of the Board.
7. Specifically, attendance at the CIPFA/Barnett Waddingham Pension Board Seminars be made available (on a rotational basis) to the Members of the Board.
8. Existing Members of the Pension Board who have not already completed the Pensions Regulator's Public Service Toolkit be required to do so by 31 March 2022 and to provide their certificate to Board officers.
9. New Members appointed to the Board be required to complete, and provide evidence of completion, of the Pension Regulator's Toolkit within six months of the first Board meeting they are eligible to attend.
10. All Members of the Board on appointment and annually complete a Training Needs Analysis covering the seven "core" areas in the CIPFA Local Pension Boards Technical Knowledge and Skills Framework.
11. Members be required to provide to Board Officers details of any relevant training undertaken and the Fund maintain records of the learning activities of individual Pension Board Members and the Board as a whole.

**John Raisin**  
**10 September 2021**

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**30 September 2021**

**Agenda Item: 9**

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

### **UPDATE ON TOPICS AND DEVELOPMENTS RELATING TO THE LOCAL GOVERNMENT SCHEME INCLUDING THE SCHEME ADVISORY BOARD**

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

1. The purpose of this report is to provide the Nottinghamshire Local Pension Board with a high level summary the main topics and Developments relating to the Local Government Pension Scheme (LGPS).

#### **Information**

2. The Local Government Scheme Advisory Board is a body set up under section 7 of the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations (LGPS).
3. The purpose of the board is to be both reactive and proactive, and seeks to encourage best practice, increase transparency and co-ordinate technical and standards issues. It will consider items passed to it from the Ministry for Housing, Communities, & Local Government ("MHCLG"), the board's sub-committees and other stakeholders as well as items formulated within the board. Recommendations may be passed to the MHCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.
4. The board will from time to time be asked by the local government minister to develop options for scheme developments.
5. As well as responding to requests from government the board can also develop options and recommendations of its own in order to improve the efficiency and effectiveness of the scheme. This has included recommendations to clarify regulations and initiatives outside of the regulations such as investment cost transparency.
6. Finally the board can play a vital role in providing a route for ideas for development from the various stakeholders in the LGPS and a conduit for feedback from government to those ideas. In doing so it seeks to work closely with existing LGPS forums such as CIPFA Pensions Panel, the LGPS Technical Group and the Local Authority Pension Fund Forum.

## **Current Work Activities of the Scheme Advisory Board and MHCLG**

7. The Scheme Advisory Board Website is: [www.lgpsboard.org/](http://www.lgpsboard.org/)
8. Attached in Appendix 1 is a report prepared by the Pension Board Advisor highlighting the main topics being considered.

## **Other Options Considered**

24. It was agreed that the Nottinghamshire Local Pension Board be updated on Topics affecting the LGPS in Nottinghamshire.

## **Reasons for Recommendation**

25. This report has been compiled to inform the Nottinghamshire Pension Board of the activities of the LGPS Scheme Advisory Board and how they impact on the work of the Administration Authority in its governance of the Nottinghamshire Pension Fund. The implications of the work of the Scheme Advisory Board can then be considered and reflected in the work of the Pension Board in its work plan.

## **Statutory and Policy Implications**

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

## **Data Protection and Information Governance**

27. There are none arising directly for the Nottinghamshire Fund as a result of the contents of the report as this is for Member information only.

## **Financial Implications**

28. There are no direct financial implications of the issues outlined in the report.

## **RECOMMENDATION**

It is recommended:

- 1) That the Nottinghamshire Local Pension Board consider the activities of the Scheme Advisory Board and is appropriate update its work programme to reflect the recommendations of the Scheme Advisory Board.

**Marjorie Toward**  
**Service Director – Customers and HR**

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

Jonathan Clewes, Pension Manager on 01159773434 or [Jon.Clewes@nottscc.gov.uk](mailto:Jon.Clewes@nottscc.gov.uk)

**Constitutional Comments (KK)**

29. The proposal in the report is within the remit of the Nottinghamshire Pension Board.

**Financial Comments (KP15/09/2021)**

30. There are no direct financial implication contained within the report.

**Human Resources Comments ([initials and date xx/xx/xx])**

31. N/A

**Background Papers and Published Documents**

None

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

All





# JOHN RAISIN FINANCIAL SERVICES LIMITED

## Nottinghamshire Local Pension Board

### LGPS Update

#### A paper by the Advisor to the Pension Board

September 2021

#### Introduction

This paper updates the Board on some developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

1. Awaited LGPS investment related Consultations
2. Age Discrimination in the LGPS (commonly referred to as “McCloud”)
3. The Pension Regulators (TPR) Consultation on new Code of Practice
4. Increase in the Normal Minimum Pension Age from 6 April 2028

Each issue will be addressed in terms of both the LGPS generally and the Nottinghamshire Pension Fund in particular.

#### 1. Awaited LGPS investment related Consultations

Two significant LGPS investment related Consultations are awaited from the Ministry of Housing Communities and Local Government (MHCLG). Firstly, on updated Investment Pooling Guidance and secondly a Consultation on TCFD (Task Force on Climate Related Financial Disclosures) reporting by the LGPS.

In November 2015, the government issued guidance entitled “Local Government Pension Scheme Investment Reform Criteria and Guidance.” This set out criteria for the (then) 89 LGPS Funds in England and Wales to form Asset Pools whose fundamental role is to select asset managers to implement the investment strategy determined by each individual LGPS Fund. This resulted in the creation of 8 Asset Pools across the LGPS. Crucially all Asset Pools are creations of their constituent LGPS Funds and are ultimately accountable to them. Furthermore, all assets continue to belong to the individual LGPS Funds not the Pools. The Nottinghamshire Fund, along with seven other LGPS Funds formed the LGPS Central Asset Pool.

The 8 Asset Pools across England and Wales are truly diverse in their structure, resourcing, and approach. In addition, the original Government Guidance of 2015 has not been updated. In November 2020, the Government announced that it would “consult” in 2021 “on next steps” to implement “a strengthened framework for LGPS investment and pooling.” As at 9 September 2021 the MHCLG has yet to issue this Consultation. The MHCLG, however, clearly stated earlier in 2021 that the Consultation will be issued this year.

The Consultation when issued will certainly set a more defined framework for the future progress of investment pooling across the LGPS. For the Nottinghamshire and other individual LGPS Funds it will be crucial to respond to this Consultation as it will more clearly define the relationship between individual LGPS Funds and their Asset Pool. For individual LGPS Funds it is, I suggest, vital that they ensure they collectively retain strategic control of their Asset Pool and that there is absolutely no further drift of responsibility from Funds to Pools over and above the initial function of Asset Pools which was to select asset managers to implement the investment strategy determined by each individual LGPS Fund.

The Department for Work and Pensions (DWP) has consulted upon and issued final Regulations on TCFD (Task Force on Climate Related Financial Disclosures) reporting by private sector pension schemes. These set out how private sector schemes are required to report against the TCFD framework which has four key elements – Governance, Strategy, Risk Management, Metrics and Targets for the assessment and management of climate risks and opportunities by Pension Funds.

The DWP Regulations do not apply to the LGPS. However, the MHCLG will, this year, issue a Consultation to amend the LGPS Regulations to apply TCFD reporting to Local Government Pension Funds. This will seek to apply the principles of TCFD reporting in the specific context of the LGPS. It is important that the Nottinghamshire Fund carefully considers, and responds as it considers appropriate, to this Consultation when issued as the MHCLG have stated (to the Scheme Advisory Board Investment Governance and Engagement Committee) that the regulatory requirement to report on TCFD will lie with individual LGPS Funds not their Asset Pool.

## **2. Age Discrimination in the LGPS (commonly referred to as “McCloud”)**

At the meeting held on 10 December 2020 the Board received an Officer report which included commentary on the Government Consultation issued on 16 July 2020 to address age discrimination relating to transitional protection arrangements introduced as part of the 2014 reforms of the LGPS. This issue is commonly referred to as “McCloud.” The report included a link to the Consultation and a copy of the Nottinghamshire response to it.

On 11 May 2021, the Government confirmed that a Public Service Pensions and Judicial Offices Bill will introduce amendments to incorporate the McCloud judgment into public service pension schemes. This Bill is now in the process of passing through the Parliamentary approval process.

On 13 May 2021 in a Ministerial Statement Luke Hall MP, the Minister of State with responsibility for the LGPS, confirmed that it is intended that remedial regulations will come into force on 1 April 2023 but “*will be retrospective to 1<sup>st</sup> April 2014.*” Luke Hall MP referred to the Consultation issued in July 2020 and stated “*...The Government received responses from a variety of stakeholders. These were detailed and varied, and the Government is grateful for the consideration and thought given to the issues covered in the consultation. Responses were largely supportive of the key elements of the proposals.*”

*After consideration of the responses, we can now confirm the key elements of the changes to scheme regulations which will be made in due course. The overarching aim is that the changes will address the findings of the Courts and provide protection to all qualifying members when their benefits are drawn from the scheme. The key points are:*

- *Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31<sup>st</sup> March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.*
- *The period of protection will apply from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2022 but will cease earlier where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31<sup>st</sup> March 2022.*
- *Where a member stays in active membership beyond 31<sup>st</sup> March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.*
- *Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.*
- *A ‘two stage process’ will apply for assessing the underpin so that, where there is a gap between a member’s last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.*
- *Scheme regulations giving effect to the above changes will be retrospective to 1<sup>st</sup> April 2014.*

*A full Government response, containing further detail on the matters addressed above, and on other issues which were covered in the consultation, will be published later this year...It is anticipated that regulations giving effect to these changes will be made after new primary legislation in relation to public service pensions has completed its passage through Parliament and the Government’s intention is that regulations will come into force on 1<sup>st</sup> April 2023...”*

It is clearly very positive that the Government has now confirmed proposals to remedy the existing Age Discrimination in the LGPS and is putting a Bill through Parliament to make the necessary changes to primary legislation required before the LGPS Regulations can be amended. The Nottinghamshire, and all LGPS Funds, will need to carefully consider the full Government response to the 2020 Consultation, on remedying Age Discrimination in the LGPS, when issued.

### **3. The Pension Regulator (TPR) Consultation on a new Code of Practice**

By virtue of the Public Service Pensions Act (PSPA) 2013 the Pensions Regulator (TPR) has, since April 2015, had an oversight role in relation to the Administration of Benefits and (to a lesser extent) Governance of public service pension schemes including the LGPS. The remit of TPR does not extend to LGPS investment issues which remain solely the responsibility of MHCLG.

As a result of the extension of its remit to public service pension schemes TPR issued in 2015 its Code of Practice No14 "Governance and Administration of Public Service Pension Schemes." This is one of the 15 Codes of Practice issued by TPR with the others covering various issues as they relate to private sector pension schemes/arrangements.

On 17 March 2021 TPR issued a Consultation which sought to combine 10 of the existing 15 Codes of Practice, including Code No14, into one consolidated Code. TPR drew themes from the 10 separate Codes to form 51 modules which were shorter than the previous 10 Codes. Overall, the proposed consolidated Code was a rearrangement of existing content into thematic sections but with updating where appropriate. The proposed consolidated Code built on the content of Code 14 as well as referencing aspects of other codes relevant to the public sector. The proposed new Code did not (and could not) extend the Regulator's powers to include LGPS investment. Therefore, none of the modules covering investment apply directly to the LGPS.

The Consultation which closed on 26 May 2021 received 103 responses from a broad range of stakeholders across private and public service schemes and those providing services to schemes. TPR issued an interim response on 24 August 2021. In this response TPR indicated that they intend to carefully consider the extensive responses received stating "*We are carrying out a full review of the comments received on each of the modules and will consider each carefully. In considering our next steps, and preparing the final version of modules, we may contact stakeholders to examine whether our proposals address the issues they identified. We would particularly like to thank those organisations who have already volunteered to assist in this way.*"

*We do not currently have a firm final publication date for the new code. However, we do not expect to lay the new code in Parliament before spring 2022. It is, therefore, unlikely to become effective before summer 2022."*

Therefore it appears that the Pension's Regulator will be looking very carefully at the responses it has received to ensure the Code meets the diverse circumstances of all those schemes, including the LGPS, to which the consolidated Code when issued in its final form will have applicability. From the perspective of the LGPS it is noteworthy that the Scheme Advisory Board for England and Wales issued a detailed response to the Consultation which may be accessed at <http://www.lgpsboard.org/images/Responses/TPRCCJune2021.pdf>

When the Pensions Regulator issues the final version of the new consolidated Code the Nottinghamshire Fund should, I suggest, as a matter of urgency, assess whether it fully, partially, or does not comply with each element of the Code applicable to an LGPS Fund.

#### **4. Increase in Normal Minimum Pension Age (NMPA) from 6 April 2028**

On 20 July 2021, following a HM Treasury Consultation, the Government announced that with effect from 6 April 2028 the Normal Minimum Pension Age (NMPA) will increase from 55 to 57. On the same day HMRC published a policy paper and draft legislation which will be part of the next Finance Bill and will amend the Finance Act 2004. The NMPA is the minimum age when members of most pension schemes (including the LGPS) can usually access their pension benefits. The primary reason for this change (from the Government's perspective) is to ensure pension savings are only used to provide income in later life and to maintain the earliest (normal) retirement age as 10 years earlier than state retirement age (which will increase to 67 from March 2028). The Government has indicated that it will issue further advice on any transitional arrangements (including in respect of individuals who have reached age 55 but not 57 by 6 April 2028) in due course.

For all LGPS Funds including the Nottinghamshire Fund the minimum age at which a member will, in normal circumstances, be able to access their benefits will increase (subject to any transitional or exceptional arrangements the Government may introduce/permit) from 55 to 57 on 6 April 2028. This is a matter each Fund will need to address (including in terms of communication with employers and individual members) taking account of changes (consequent to the new Finance Act when passed) to the LGPS Regulations, any relevant Statutory Guidance and the guidance provided in LGPC (Local Government Pensions Committee) Bulletins issued on behalf of the Local Government Association. Given the changes do not come into effect for another six and a half years there should be ample time for the Fund to prepare effectively.

**John Raisin**  
**Advisor to the Nottinghamshire Local Pension Board**  
**9 September 2021**

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**30 September 2021**

**Agenda Item: 10**

## **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 Manager, Pension Administration  
on 01159773434 or jonclewes@nottscc.gov.uk

## **Constitutional Comments (KK)**

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 (KP 16/09/2021)**

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.

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

<b>IMPACT:</b>		
<b>1</b>	Insignificant	0 to 5% effect
<b>2</b>	Minor	6 to 20% effect
<b>3</b>	Moderate	21 to 50% effect
<b>4</b>	Significant	51 to 80% effect
<b>5</b>	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

<b>Relative Impact</b>	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
		<b>Relative Likelihood</b>				

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		
<b>Risk Gov4</b> Inadequate resources are available to manage the pension fund.	20	VERY HIGH	↔	12	HIGH	↔
<b>Risk Adm1</b> Standing data & permanent records are not accurate.	16	VERY HIGH	↔	9	HIGH	↔
<b>Risk Inv3</b> Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	↔	9	HIGH	↔
<b>Risk Inv6</b> LGPS Central incurs net costs or decreases investment returns	12	HIGH	↓	9	HIGH	↓
<b>Risk Adm2</b> Inadequate controls to safeguard pension fund records	15	VERY HIGH	↔	6	MEDIUM	↔
<b>Risk Adm4</b> 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	↔
<b>Risk Adm5</b> 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	↔
<b>Risk Inv4</b> Significant variations from assumptions used in the actuarial valuation	12	HIGH	↔	9	HIGH	↔
<b>Risk Inv7</b> Financial risk of climate change	12	HIGH	↔	8	MEDIUM	↔
<b>Risk Inv1</b> Inappropriate investment strategy is adopted.	12	VERY HIGH	↔	6	MEDIUM	↔
<b>Risk Inv5b</b> Custody arrangements	12	VERY HIGH	↔	6	MEDIUM	↔
<b>Risk Gov5</b> Failure to adhere to relevant legislation and guidance.	12	HIGH	↔	6	MEDIUM	↔
<b>Risk Gov3</b> An effective performance management framework is not in place.	9	HIGH	↔	6	MEDIUM	↔
<b>Risk Gov1</b> Pension Fund governance arrangements are not effective	9	HIGH	↔	6	MEDIUM	↔

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



<b>Governance</b>				
<b>Risk description: Gov1 - Pension Fund governance arrangements are not effective</b>				
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>	
<b>Inherent Risk:</b>	3	3	<b>9</b>	<b>HIGH</b> ↔
<b>Current Risk:</b>	2	3	<b>6</b>	<b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee.</li> <li>• Under the LGPS Regulations the Administering Authority has established a Pension Board</li> <li>• The terms of reference of the Nottinghamshire Pension Fund Committee are agreed.</li> <li>• The terms of reference of the Nottinghamshire Pension Board are agreed.</li> <li>• 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.</li> <li>• 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.</li> <li>• Nottinghamshire Pension Board Members are also required to undertake training</li> <li>• Officers of the Council attend meetings of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board.</li> <li>• 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.</li> <li>• The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Nottinghamshire Pension Board</li> </ul>			
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Confirmation of Pension Board meetings</li> <li>• Pension Board Vacancies to be filled</li> </ul>			
<b>Responsibility:</b>	Group Manager (Financial Services) Group Manager (BSC) Group Manager (Legal Services) Pension Manager Senior Accountant - Pensions & TM		<b>Timescale:</b>	On-going

<b>Governance</b>			
<b>Risk description: Gov2 - Pension Fund objectives are not defined and agreed</b>			
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>
<b>Inherent Risk:</b>	3	3	9 <b>HIGH</b> ↔
<b>Current Risk:</b>	2	3	6 <b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>		
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>		
<b>Responsibility:</b>	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services)	<b>Timescale:</b>	On-going

<b>Governance</b>			
<b>Risk description: Gov3 - An effective performance management framework is not in place.</b>			
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>
<b>Inherent Risk:</b>	3	3	9 <b>HIGH</b> ↔
<b>Current Risk:</b>	2	3	6 <b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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</li> <li>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.</li> <li>Performance of the administration function is managed through an Administration Strategy</li> </ul>		
	<ul style="list-style-type: none"> <li>Performance of the Administration function is managed through a set of performance indicators and reported to Pension Committee and Pension Board</li> </ul>		
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>Continue to review the performance monitoring framework for Fund Administration.</li> </ul>		
<b>Responsibility:</b>	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going

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

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

	<ul style="list-style-type: none"> <li>• Continue to monitor resources to ensure adherence to legislation and guidance.</li> <li>• Update Breaches Policy</li> </ul>			
<b>Responsibility:</b>	<table border="1"> <tr> <td>Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions &amp; TM Pension Manager</td> <td><b>Timescale:</b></td> <td>On-going</td> </tr> </table>	Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions & TM Pension Manager	<b>Timescale:</b>	On-going
Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions & TM Pension Manager	<b>Timescale:</b>	On-going		

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

<b>Investments</b>				
<b>Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.</b>				
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>	
<b>Inherent Risk:</b>	3	3	9	<b>HIGH</b> ↔
<b>Current Risk:</b>	2	3	6	<b>MEDIUM</b> ↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Fund cash flow is monitored daily and a summary fund account is reported to the Nottinghamshire Pension Fund Committee each quarter</li> <li>• Annual accounts are produced for the pension fund and these show the movements in net cash inflow</li> </ul>			

	<ul style="list-style-type: none"> <li>Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.</li> <li>The Fund's Investment and Funding Strategies are regularly reviewed</li> </ul>		
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>		
<b>Responsibility:</b>	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going

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

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

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

### Investments

**Risk description: Inv5 - Inadequate controls to safeguard pension fund assets.**

#### Inv5a - Investment managers

	Likelihood:	Impact:	Risk Rating:	
<b>Inherent Risk:</b>	3	3	9	<b>HIGH</b> ↔
<b>Current Risk:</b>	2	3	6	<b>MEDIUM</b> ↔

<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Investment objectives are set, and portfolios must be managed in accordance with these</li> <li>AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for main managers.</li> <li>Internal decisions have a robust framework in place which is tested by internal audit</li> <li>Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.</li> </ul>
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**Action Required:** • Continue to monitor via existing processes.

<b>Responsibility:</b>	Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going
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#### Inv5b - Custody arrangements

	Likelihood:	Impact:	Risk Rating:	
<b>Inherent Risk:</b>	3	4	12	<b>VERY HIGH</b> ↔
<b>Current Risk:</b>	2	3	6	<b>MEDIUM</b> ↔

<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>Complete and authorised agreements are in place with the external custodian.</li> <li>AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian.</li> <li>Regular reconciliations carried out to check external custodian records.</li> <li>Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.</li> </ul>
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**Action Required:** • Continue to monitor via existing processes.

<b>Responsibility:</b>	Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going
<b>Inv5c - Accounting arrangements</b>			
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>
<b>Inherent Risk:</b>	3	2	6 <b>MEDIUM</b> ↔
<b>Current Risk:</b>	2	2	4 <b>LOW</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.</li> <li>• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.</li> <li>• Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers.</li> <li>• Internal Audits are carried out regularly.</li> <li>• External Audit review the Pension Fund's accounts annually.</li> </ul>		
<b>Action Required:</b>	• Continue to monitor via existing processes.		
<b>Responsibility:</b>	Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going
<b>Inv5d - Financial Administration</b>			
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>
<b>Inherent Risk:</b>	3	3	9 <b>HIGH</b> ↔
<b>Current Risk:</b>	2	3	6 <b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• The Pension Fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.</li> <li>• Daily cash settlements are made with the external custodian to maximise returns on cash.</li> <li>• Investment transactions are properly authorised, executed and monitored.</li> <li>• 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.</li> <li>• The Pension Fund maintains a bank account which is operated within regulatory guidelines.</li> </ul>		
<b>Action Required:</b>	• Continue to monitor via existing processes.		
<b>Responsibility:</b>	Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going
<b>Inv5e – Stewardship -</b>			
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>
<b>Inherent Risk:</b>	3	2	6 <b>MEDIUM</b> ↔



<b>Current Risk:</b>	2	2	4	LOW	↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• The Pension Fund aims to be a long term responsible investor.</li> <li>• 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</li> <li>• The Fund has a Climate Stewardship Plan which is implemented and reported on with the support of LGPS Central</li> <li>• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement.</li> <li>• 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.</li> </ul>				
<b>Action Required:</b>	• Continue to monitor via existing processes.				
<b>Responsibility:</b>	Group Manager (Financial Services); Senior Accountant - Pensions & TM		<b>Timescale:</b>	On-going	
<b>Inv6 - LGPS Central incurs net costs or decreases investment returns</b>					
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>		
<b>Inherent Risk:</b>	4	3	12	HIGH	↓
<b>Current Risk:</b>	3	3	9	HIGH	↓
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF</li> <li>• Costs and performance will be monitored</li> </ul>				
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>• Continue to attend meetings relevant meetings</li> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility:</b>	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		<b>Timescale:</b>	On-going	
<b>Inv7 – Climate change affects the financial returns of the Fund.</b>					
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>		
<b>Inherent Risk:</b>	4	3	12	HIGH	↔
<b>Current Risk:</b>	4	2	8	MEDIUM	↔
<b>Current Controls:</b>	• 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"> <li>• 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.</li> </ul>			
	<ul style="list-style-type: none"> <li>• Climate change risks are already considered as part of the purchasing and holding decision</li> </ul>			
	<ul style="list-style-type: none"> <li>• Climate risk analysis undertaken on an annual basis with the assistance of LGPS Central.</li> </ul>			
	<ul style="list-style-type: none"> <li>• The Fund has a Climate Risk strategy and a Climate Stewardship plan</li> </ul>			
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>• The current impacts of climate change are affecting particular industries and regions and the Pension Fund will look to reduce exposure to these.</li> <li>• Continued move towards our long term asset allocation.</li> </ul>			
<b>Responsibility:</b>	<table border="1"> <tr> <td>Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions &amp; TM</td> <td><b>Timescale:</b></td> <td>On-going</td> </tr> </table>	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going
Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	<b>Timescale:</b>	On-going		

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

<b>Action Required:</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Improve monitoring of returns from major fund employers</li> <li>• Implementation of Data Improvement plan</li> <li>• Update Breaches Policy.</li> <li>• Progress GMP rectification</li> <li>• Progress Mc Cloud project</li> </ul>		
<b>Responsibility:</b>	Group Manager (BSC) Pension Manager	<b>Timescale:</b>	On-going

<b>Administration</b>				
<b>Risk description: Adm2 - Inadequate controls to safeguard pension fund records.</b>				
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>	
<b>Inherent Risk:</b>	3	5	15	<b>VERY HIGH</b> ↔
<b>Current Risk:</b>	2	3	6	<b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• ICT Disaster Recovery Plan and Security Plan are agreed and in place</li> <li>• 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.</li> <li>• New back up arrangements are in place</li> <li>• Software is regularly updated to meet LGPS requirements.</li> <li>• Audit trails and reconciliations are in place.</li> <li>• GDPR awareness training and documentation is in place</li> <li>• Pension Administration Documentation is maintained in line with agreed policies.</li> <li>• Physical records are held securely in the Pension Office.</li> <li>• Pensions and other related administration staff undertake data management training as required.</li> </ul>			
<b>Action Required:</b>	• Continue to monitor via existing processes.			
<b>Responsibility:</b>	Group Manager (BSC) Pension Manager	<b>Timescale:</b>	On-going	

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

<b>Administration</b>				
<b>Risk description: Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk)</b>				
<b>Potential data quality issues.</b>				
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>	
<b>Inherent Risk:</b>	3	5	15	<b>VERY HIGH</b> ↔
<b>Current Risk:</b>	2	3	6	<b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• Clear communication of requirements to scheme employers.</li> <li>• Employer data is being reviewed as part of the data improvement plan.</li> <li>• Planned roll out of the employer portal to improve the transfer of data to the Pension Fund.</li> <li>• Actuary makes prudent assumptions at valuation.</li> </ul>			
<b>Action Required:</b>	• Continue to monitor via existing processes.			

<b>Responsibility:</b>	Group Manager (BSC) Pension Manager	<b>Timescale:</b>	On-going
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<b>Administration</b>				
<b>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.</b>				
	<b>Likelihood:</b>	<b>Impact:</b>	<b>Risk Rating:</b>	
<b>Inherent Risk:</b>	3	5	15	<b>VERY HIGH</b> ↔
<b>Current Risk:</b>	2	3	6	<b>MEDIUM</b> ↔
<b>Current Controls:</b>	<ul style="list-style-type: none"> <li>• Information Governance oversee policies and procedures</li> <li>• Data breach procedure in place</li> <li>• Assurance obtained from third party providers and contractors on compliance with relevant legislation.</li> <li>• Identified Data Protection Officer</li> <li>• Appropriate access levels in the Pension Administration system.</li> </ul>			
<b>Action Required:</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>			
<b>Responsibility:</b>	Group Manager (BSC) Pension Manager	<b>Timescale:</b>	On-going	

**30 September 2021**

**Agenda Item: 11**

## **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 2020-21.

#### **Information**

2. The draft 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 30 March 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 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:**

Jon Clewes  
Pension Admin Manager  
T: 0115 977 3434  
E: Jon.Clewes@nottsc.gov.uk

### **Constitutional Comments (KK)**

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

### **Financial Comments (KP15/09/2021)**

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 2021-22**

<b>REPORT TITLE</b>	<b>BRIEF SUMMARY OF AGENDA ITEM</b>	<b>LEAD OFFICER</b>	<b>REPORT AUTHOR</b>
<b>30 September 2022</b>			
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 Jon Clewes
Risk Register	Regular Review	Jonathan Clewes/ Tamsin Rabbits	Jon Clewes Tamsin Rabbits
Pension Board Review 2020-2021	Annual Review		The Advisor to the Pension Board
Pension Fund Investment Strategy Statement	Update to the Pension Board in respect of the development of the Pension Fund Investment Strategy Statement	Keith Palframan	
Pension Board Training Programme	Annual Report		Pension Board Training Programme Jon Clewes
<b>December 2021</b>			
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		The Pensions Regulator Single Modular Code
Triannual Valuation	Update the Board on the Triannual Valuation	Jonathan Clewes/	

REPORT TITLE	BRIEF SUMMARY OF AGENDA ITEM	LEAD OFFICER	REPORT AUTHOR
	Invite the Scheme Actuary	Tamsin Rabbitts	
The Pension Regulator's Governance and Administration Survey	Annual Report/Update (Depends on the date of the Survey)	Jonathan Clewes	Jonathan Clewes
Pension Fund –Update on Internal Audit reviews	To update the Pension Board on work relating to the Pension Fund undertaken by Internal Audit		
LGPS Transforming Pension Administration Update Report	Periodic Update	Sarah Stevenson	Sarah Stevenson
LGPS Update Report	Regular Update on national LGPS issues		The Advisor to the Pension Board
Update on LGPS Central Pool	Update on the LGPS Investment Pooling agenda in the specific context of the Nottinghamshire Fund	Keith Palframan	
Introduction to the 2022 LGPS Actuarial Valuation	Introduction to the Board of the three yearly actuarial Valuation of the Nottinghamshire Pension Fund	Keith Palframan	The Actuary to the Nottinghamshire Pension Fund
Mortality Report	Update the Board on Mortality report produced by the scheme Actuary	Jonathan Clewes	The Actuary to the Nottinghamshire Pension Fund
Risk Register	Regular Review		
<b>17 March 2022</b>			
LGPS Update Report	Regular Update on national LGPS issues	John Raisin	Advisor To The Board
Risk Register	Regular Review		
<b>23 June 2022</b>			
LGPS Update Report	Regular Update on national LGPS issues		The Advisor to the Pension Board
Risk Register	Regular Review		





