

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**