

# **The Nottinghamshire Local Pension Board**

## **Pension Board Review 26 March 2015 to 31 March 2018**

### **A report by the Chair of the Board**

#### **Executive Summary**

This report reviews the establishment and activity of the Nottinghamshire Local Pension Board from its establishment by Nottinghamshire County Council on 26 March 2015 until the end of the 2017-18 Financial Year on 31 March 2018.

#### **Establishment of the Board**

Regulation 106(1) of the Local Government Pension Scheme 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.

Under the Local Government Pension Scheme (LGPS) Regulations a Local Pension Board is not a decision making body and the decision making function remains with the Administering Authority. In the case of the Nottinghamshire Fund the County Council has delegated this decision making function to the Pension Fund Committee.

In accordance with the LGPS Regulations and detailed “*Guidance on the creation and operation of Local Pension Boards in England and Wales*” issued by the (National) Shadow Scheme Advisory Board in February 2015 the County Council, on 26 March 2015 established the Nottinghamshire Local Pension Board including its Terms of Reference and membership and authorised the Monitoring Officer to finalise a Code of Practice for the Board.

Under its Terms of Reference, 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.

Regulation 107(2) of the LGPS Regulations 2013 (as amended) requires that the membership of a Local Pension Board consist of at least two Employer and two Employee representatives and that there be equal numbers of both types of representative. The County Council determined, however, that in order to facilitate diversity of representation the Board should consist of four Employer and four Employee representatives. To further enhance this diversity of representation the Council decided that the Employer representatives should be appointed on the following basis:

- a) 1 County Council Representative
- b) 1 City Council Representative
- c) 1 Large Employer Representative
- d) 1 Small Employer Representative

and that the 4 Employee representatives be appointed following a nomination and selection process from the following scheme members

- a) Trades Unions
- b) Staff Groups
- c) Scheme Pensioners
- d) Other Scheme members

Following the establishment of the Local Pension Board Nottinghamshire County Council put in place robust arrangements for the operation of the Board with the provision of support from Officers responsible for both Pensions Investment/Accounting and Pensions Administration thus giving the Board access to the range of staff responsible for the provision of advice to the Pension Fund Committee and the day to day operation of the Pension Fund. Given the role of the Board in “*assisting*” the Administering Authority it is also very pleasing to record that provision was also made, by the Council, for the Board to have access to independent professional advisory support in order that the Board could seek professional advice from a source independent of Nottinghamshire County Council. A competitive tendering exercise was undertaken resulting in the appointment of John Raisin Financial Services Limited as Advisor to the Board.

By the time of the first Board meeting which was held on 16 December 2015 the four Employer Representatives and one Employee Representative had been appointed. The process of appointing the Employee representatives was still, however in progress as the response to publicity seeking Employee representatives had been limited. There were two Employee representatives appointed (and attending) the second meeting of the Board held on 19 April 2016. All four Employee representatives had been appointed by and attended the third meeting of the Board held on 29 September 2016.

The Pension Board elected Councillor David Kirkham (County Council Employer representative) to Chair its first meeting held in December 2015. In accordance with the Pension Board Code of Practice a longer term Chair was appointed at the second meeting of the Board held in April 2016. James Lacey, who is Director of Finance at Nottingham Trent University and is the Large Employer representative was elected Chair and served in this role throughout the period covered by this review.

The Pension Board Code of Practice requires that the Board meet at least twice a year. Given the time needed, following establishment by the County Council on 26 March 2015, to put in place arrangements to support the Board (including appointing the external Advisor) and to appoint Board Members it was only practical to hold one meeting in 2015. During both 2016 and 2017 two meetings were held.

## **Training and Development**

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 and Section 248A of the Pensions Act 2004 (As amended) that members of Pension Boards have “knowledge and understanding” of pensions law and be “conversant” with the Scheme Regulations and Fund documents. The issue of training and development has been approached in a methodical and serious manner by both the Administering Authority and individual Board members.

Each of the five Board meetings held during 2015, 2016 and 2017 considered Pension Board Member training arrangements. The first Board meeting held on 16 December 2015 included a paper by the Fund Officers which outlined the knowledge and understanding requirements of Board members, included an outline of the CIPFA “*Local Pension Boards A Technical Knowledge and Skills Framework*,” and requested Board Members to complete a Training Needs Analysis to help determine a training plan.

At the 19 April 2016 meeting the Board received, discussed and accepted a paper prepared by the Advisor to the Pension Board (John Raisin Financial Services Limited) which proposed that before each Board meeting the Advisor provide training which would progressively cover the eight “core” areas of the LGPS specific CIPFA “*Technical Knowledge and Skills Framework*” for Pension Board Members and that all Pension Board members also complete the Pension Regulator’s “*Public Service Toolkit*” which is an on line toolkit concerned with the Governance and Administration of Public Service Pension Schemes in general and consists of seven modules which correspond to areas covered in the Pension Regulators Code of Practice No14 “*Governance and administration of public service pension schemes.*”

The Advisor’s paper further suggested that the Fund Officers and other organisations/persons connected to the Fund, including the Fund Actuary, provide such further training and presentations as appropriate and that appropriate external courses/events be made available to Board members. At the September 2016, April and September 2017 meetings Officers presented an Update report on Training for Pension Board Members.

Prior to the Board meetings held in April and September 2016 and April 2017 a two hour training session was presented by the Advisor to the Board covering the eight modules of the CIPFA Pension Board Knowledge and Skills framework as follows:

Pensions Legislation (April 2016)

Pensions Governance (April 2016)

Actuarial issues (April 2016)

Pensions Administration (September 2016)

Pensions Accounting & Auditing (September 2016)

Investment – Strategy, Asset Allocation & Products (April 2017)

Investment – Procurement & Relationship Management (April 2017)

Investment Performance & Risk Management (April 2017)

The above training sessions provided Board Members with a comprehensive overview of the major requirements, themes and issues facing the LGPS. They also emphasised the breadth of activity and responsibility involved in operating a LGPS Pension Fund.

In addition, at the September 2016 meeting Barnett Waddingham, the Actuary to the Nottinghamshire Pension Fund, presented a training session on the 2016 Actuarial Valuation of the Fund. This gave the Board an insight into the reasons for the Three Yearly Actuarial Valuation, the way in which Fund Liabilities are calculated and the implications of the Valuation results.

In terms of training and development undertaken by Pension Board Members it is pleasing to be able to report a very high level of attendance at the Knowledge and Skills sessions presented by the Advisor prior to the April 2016, September 2016 and April 2017 Board meetings. It is also clearly positive and demonstrates a personal commitment to developing understanding of pensions, that the seven remaining original Members of the Board successfully completed and passed the Pension Regulator's Public Service Toolkit during the period covered by this review.

## Board Meetings

Five meetings of the Board were held during the period covered by this review. The Agenda Items considered at each Board meeting are shown in the Table below:

	16/12/15	19/4/16	29/9/16	27/4/17	28/9/17
Election of Chair	/	/			
Minutes of Previous Meeting		/	/	/	/
Declarations of Interest	/	/	/	/	/
Membership of the Local Pension Board	/	/	/		
Introduction to Pension Board	/				
Nottinghamshire Pension Board Code of Practice	/				
Pension Board Training Arrangements/ Programme	/	/	/	/	/

Pension Board Work Programme	/	/	/	/	/
Pension Administration Arrangements		/	/		
Role and Approach of the Pensions Regulator		/			
Pension Administration Strategy				/	
Pension Administration – Improving Data Quality				/	
Pension Administration Performance Report and Data Quality					/
Pension Fund Investments		/			
DCLG Consultation – Investment Regulations		/			
Investment Strategy Statement				/	
Nottinghamshire Pension Fund – Independent (Investment) Advisor					/
LGPS Asset Pooling/Central Asset Pool		/	/		/
Pension Fund Annual Report & Accounts			/		/
Pension Funds and the role of Audit				/	
Minutes of the Pension Fund Committee & Sub-Committees				/	/

The Work Programme has been considered and progressively developed at each meeting, since the Board first met, in December 2015. At our first meeting we received an informative report from the Officers and suggestions from the Advisor in respect of potential issues and priorities for consideration by the Board.

At the first meeting we identified Pensions Administration including compliance with the LGPS Regulations and the Pensions Regulator’s Code of Practice No 14 as a clear priority. Given that the Board is made up of representatives of the Employers and Employees within the Fund it is clearly highly relevant that the Board received reports on and actively considered governance and performance issues relating to Pensions Administration. This is the area of the Fund where Employers are primarily involved as the Fund is dependent upon Employers for the provision of timely, accurate and updated member data. For Employees the primary concern is that records are accurate so that pension entitlements are properly recorded and in due course paid. Furthermore, the Pensions Regulator has laid out clear expectations in terms of Pensions Administration in its Code of Practice No 14.

During 2016 and 2017 we received reports on a wide range of Pensions Administration issues. This included a report, from the Advisor, at the April 2016, meeting on the role and approach of the Pensions Regulator to the LGPS and Officer briefings on the arrangements for Pensions Administration in Nottinghamshire at both the April and September 2016 meetings.

The Nottinghamshire Fund has been concerned that significant numbers of Employers have been failing to provide accurate data in a timely manner. The April 2017 meeting therefore received a report on “Improving Data Quality” together with a report on and copy of the new Pension Administration Strategy (prepared under Regulation 59 of the LGPS Regulations 2013) and approved by the Pension Fund Committee after consultation with Fund Employers. The Pension Administration

Strategy outlines the responsibilities and procedures to be followed by both the Pension Administration team and Employers who are jointly responsible for the operation of the pensions administration function. The Pension Administration Strategy demonstrates the commitment of the Nottinghamshire Fund to work positively with Employers to ensure both compliance with legislation and regulation and also the effective administration of the Scheme for the benefit of the individual members.

From 2016 the Board (with advice from its Advisor) had indicated a desire for the development of a detailed Performance Report in respect of Pensions Administration. In response the Officers proceeded to develop such a report which was received by the Board at its meeting held on 29 September 2017. This report provided clear evidence of the work being undertaken by the Fund, in liaison with Employers, to improve Data Quality and ensure compliance with legislation and regulation. In particular it was positive to receive statistics (to 31 July 2017) on compliance by the Nottinghamshire Pensions Administration Team with the Service Level Agreement contained within the Pension Administration Strategy and which came into effect on 1 April 2017. The Board will be monitoring the performance of the Pension Administration Team going forward. The Board will also be very interested to receive performance statistics in respect of Employers performance against their duties under the Service Level Agreement in the Pension Administration Strategy.

From the reports/briefings the Board has received in respect of Pensions Administration it has become well aware of the vital need for the Pensions Administration team to be both adequately resourced and that staff develop a deep knowledge of LGPS Pensions Administration. This is an issue which the Board will be mindful of when considering future reports on Pensions Administration.

The LGPS is a funded pension scheme. At the date of the 2016 Actuarial Valuation the Fund had, based on the Fund Actuary's Valuation Report, Assets (Investments) of approximately £4bn and Liabilities of approximately £4.6bn giving a Funding Level of 87%. The Board understands and accepts that matters of Investment Strategy and implementation are matters for the Pension Fund Committee. Given however the role of the Board includes "*assisting*" the Pension Fund Committee "*to ensure the effective and efficient governance*" of the Fund then assurance regarding Investment Governance should clearly be, and indeed has been, an area of interest to the Board.

At its April 2016 meeting the Board received Officer reports on Pension Fund investments including the role of the Pension Fund Committee and the Pensions Investment Team, and in respect of the Department for Communities and Local Government (DCLG) consultation on revising the LGPS Investment Regulations. The April 2017 meeting received a report from the Advisor which examined and explained the background, contents and implications of the LGPS (Management and Investment of Funds) Regulations 2016 which introduced a number of significant changes to the regulatory framework for LGPS Investment. At this meeting the Board also received a covering report and Officer presentation introducing the Funds newly approved "Investment Strategy Statement" approved under the new 2016 Investment Regulations. Board Members asked questions in respect of a number of issues including the role of the Independent (Investment) Advisor and requested a report on this for the next meeting.

An Officer report on the role of the Nottinghamshire Pension Fund Independent (Investment) Advisor was received and considered by the Board at its September 2017 meeting. The report detailed that in accordance with the requirement (in the LGPS Investment Regulations) that the Fund have access to proper advice the Fund has an arrangement with an Independent Investment Advisor and that the current contract (with Linchpin/William Bourne) was let following a full tender exercise. The specification for the role of Independent Advisor was also provided to the Board. In response to a question from a Board member it was confirmed that the Nottinghamshire Fund would continue to require an Independent (Investment) Advisor following the implementation of LGPS Investment Pooling as Investment Strategy (but not its implementation) would still be determined by the individual LGPS Funds.

The development and implementation of Investment Pooling is presently the highest profile development in the Local Government Pension Scheme (LGPS) and will have a significant effect on both the investment and governance arrangements of the LGPS. The Board received a briefing, at its April 2016 meeting, on the concept of Investment Pooling and the LGPS Central Pool which had been formed by Nottinghamshire and eight other LGPS Funds. Further updates on the progress of the LGPS Central Pool were provided by Officers at the 29 September 2016 and 28 September 2017 Board meetings. These reports resulted in a range of questions from Board members. The Board was also represented, by its Advisor, at a Stakeholder Away Day for Pension Fund Committees and Pension Boards held by the LGPS Central Pool in Wolverhampton on 21 September 2017. The Advisor reported his observations from this event to the Board at its 28 September 2017 meeting.

Since its first meeting in December 2015 the Board has progressively developed a focus on the overall Governance of the Nottinghamshire Pension Fund. This is exemplified by the Board having received and had the opportunity to comment on the Pension Fund Annual Report and Accounts for both 2015-16 (September 2016 meeting) and 2016-17 (September 2017 meeting). It is pleasing to note that with regard to both the 2015-16 and 2016-17 Annual Report and Accounts the External Auditor did not identify any material misstatements or uncorrected audit differences. At our April 2017 meeting the Board received a report and presentation from the Head of Internal Audit who explained the roles of both Internal and External Audit in relation to the Pension Fund, together with an explanation of the approach of Internal Audit and details of recent and planned Internal Audit coverage of Pension Fund issues. The Board anticipates receiving an annual update on Internal Audit work undertaken in respect of the Nottinghamshire Pension Fund as part of its role of assisting the Pension Fund Committee with the overall Governance of the Pension Fund.

### **Support for the Board by the Administering Authority 2015-March 2018**

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 extremely positive support, advice and guidance from the Officers of the Nottinghamshire Pension Fund. Meetings of the

Board were also supported and attended by the Advisor to the Board who provided independent support including advice on issues the Board might wish to consider and an external viewpoint on the Officers reports in addition to also personally preparing some reports and presenting training to the Board.

On Behalf of the Board I would wish to thank both the Officers of the Fund and the Board Advisor for their positive approach and their reports, guidance and advice which enabled us to commence and develop our task of seeking to genuinely assist the Administering Authority (Nottinghamshire County Council/ the Pension Fund Committee) in its stewardship of the Nottinghamshire LGPS Fund.

**James Lacey**

**Chair**

**Nottinghamshire LGPS Local Pension Board**

**10 May 2018**