NOTES OF THE PENSION FUND ANNUAL EMPLOYERS AND TRADE UNIONS MEETING HELD ON THURSDAY 12 JANUARY 2023 AT 10:30 AM.

COUNTY HALL, WEST BRIDGFORD, NOTTINGHAM, NG2 7QP

Present

Members of the County Council's Pensions Committee

Councillor Eric Kerry (Chair)
Councillor Mike Introna (Vice Chair)
Councillor Chris Barnfather – **apologies**
Councillor André Camilleri
Councillor John Clarke MBE
Councillor Bethan Eddy
Councillor Stephen Garner
Councillor Sheila Place
Councillor Francis Purdue-Horan
Councillor Tom Smith
Councillor Lee Waters

Representatives of Members, Employers and Trade Unions

Councillor Graham Chapman	Nottingham City Council
Councillor Sally Longford	Nottingham City Council
Councillor Gordon Moore	Rushcliffe Borough Council
Chris King	Trade Union representative
Sue Reader	Scheduled Bodies representative

Representatives of the Chief Executive's Department

Jon Clewes
Keith Palframan
Tamsin Rabbitts
Nigel Stevenson
Sarah Stevenson
Jo Toomey

Other Attendees

William Bourne – Adviser to the Committee
Barry McKay – Barnett Waddingham (in remote attendance)

1. WELCOME AND INTRODUCTION

Councillor Eric Kerry opened the meeting and welcomed Members of the Committee, those present and anyone viewing the stream to the Nottinghamshire Pension Fund's Annual Meeting.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from:

- Councillor Chris Barnfather – other County Council business
- Councillor Zafran Khan (Nottingham City Council)
- Yvonne Davidson (Trade Union representative)

3. DECLARATIONS OF INTEREST

No interests were disclosed.

4. NOTES OF THE ANNUAL MEETING HELD ON 17 JANUARY 2022

The notes of the Annual General Meeting held on 17 January 2022, having been circulated with the papers for the meeting, were noted.

5. ACTUARIAL ISSUES – BARNETT WADDINGHAM LLP PRESENTATION

The Chairman welcomed Barry McKay from Barnett Waddingham. Mr McKay gave a presentation that updated members about actuarial issues.

Mr McKay explained that over the last 6 to 9 months, work had been undertaken on the Fund's triennial valuation. Valuations covered the whole scheme with separate valuations for each employer. Valuations estimated the scheme's liability over the next 3 years and made assumptions about the value of its assets. Assessing the estimated outgoings against the Fund's projected value identified whether it was in surplus or deficit.

The actuary used modelling and estimates to calculate the primary and secondary rates of contributions, which employers within the scheme will pay over the next three years based on their funding position, individual circumstances including workforce profile, and whether they have a surplus or deficit.

Mr McKay also highlighted those steps that still needed completing before the valuation concluded. These included finalising the valuation report and Rates and Adjustment Certificate, and the Funding Strategy Statement.

The schedule of work led to a question about the timing of the valuation and its completion at a time when Councils' budget-setting processes had almost concluded. Members noted the timeline for collecting member data. The Pensions Administration Team validated the data before the actuary modelled assumptions and estimates. This meant there was little leeway in the timeline. The actuary shared a draft outcome in November 2022 which the Fund communicated to the main employers in the scheme.

The Pensions Administration Team hoped that delayed returns and issues with data quality would reduce with the introduction of monthly returns. It was also noted that delays in audit work had affected the 2022/23.

Members noted assumptions around CPI inflation, salary increases and the discount rate and their anticipated impact on Fund liabilities. This prompted a question about whether the mini budget had affected the valuation. Members were informed that it had had little impact on the valuation; assets and liabilities did not change greatly, and gilts were stable. Whilst there were market fluctuations, members noted that the valuation took account of market conditions for 6-months spanning the valuation date to try and smooth out volatility. This also helped ensure more stable contribution rates. One member highlighted recent increases in the FTSE and signs that inflation was starting to reduce. Members were assured that as the Fund was a long-term investor with a diversified portfolio, short-term market fluctuations did not have a significant impact.

A question was raised about the reconciliation of assumptions for inflation with public sector pay awards and then with pension contributions so that they were not disproportionate for scheme members. It was noted that as the employee contribution rate was set out in statue, the assumptions did not affect the cost to them.

The valuation had seen the Fund move from a small deficit to being fully funded. This was an 8% improvement on the previous valuation. Taking account of inflation, the average primary contribution rate would increase from 24.2% to 25.4%. Whilst funding levels across the LGPS were up, members noted that the long-term nature of the underlying assumptions meant that funding levels could go up and down over time.

Since the scheme was fully funded, members asked whether employer contributions might reduce. While some Funds had reduced employer contributions, their funding level had exceeded 100%. To further improve the funding level, Members needed to balance risk and return when agreeing the investment strategy.

Members of the Committee thanked officers, the Committee's adviser and its investment managers for the work they had done over the year to achieve a fully funded position. The Committee also expressed its thanks to the actuary for work that was undertaken on the valuation.

6. MANAGEMENT & FINANCIAL PERFORMANCE – FINANCIAL MANAGEMENT PRESENTATION

The Group Manager, Financial Services, Keith Palframan delivered a brief presentation. It highlighted key figures from the Fund's accounts including net additions and withdrawals, net returns on investments and net assets and their relationship with the actuarial funding level.

The report showed investment management expenses and provided an update on asset pooling.

Members noted that the LGPS Central pool was established on 1 April 2018. Through the LGPS Central, the Fund invested in corporate bonds, emerging market equities, passive global equities and debt, private equity, and infrastructure. LGPS Central also managed the Fund's gilts mandate. Responsibility for asset allocation remained with the Nottinghamshire Pension Fund Committee.

7. INVESTMENT PERFORMANCE – PENSIONS AND TREASURY MANGEMENT PRESENTATION

The Senior Accountant (Pensions and Treasury Management), Tamsin Rabbitts, gave a presentation on investment performance in 2021/22.

The presentation set out investment returns to 31 March 2022. It also showed Fund performance against the benchmarks for equities, property and bonds. Performance across these areas exceeded the 5.8% target return. The target return was set through the last valuation.

Tables within the presentation showed the portfolio's structure in 2021/22. It also broke down the Fund's strategic benchmark against its asset allocation. The strategic benchmark used a high-level market index for each asset class, helping inform asset management.

The presentation concluded that whilst recovery from the COVID-19 pandemic had continued, there were still areas of volatility.

The Fund's net assets had increased during 2021/22. Over the previous 5 years investment returns exceeded the actuary's assumed return. Members noted that asset allocation was key to driving long-term investment returns.

8. PENSIONS ADMINISTRATION – PENSIONS ADMINISTRATION TEAM PRESENTATION

The County Council's Pensions Manager, Jon Clewes delivered the meeting's final presentation.

From the presentation, members noted that the scheme membership continued to grow. Some other new employers had also joined the scheme. Officers shared the numbers of active members, deferred members and pensioners. This information covered each financial year from 2018/19 to 2021/22.

Throughout 2021/22, work continued on the Pension Regulator's requirements to improve data quality. In 2021/22 87% of employers provided their data by the submission deadline. 53.5% returns were accurate. Both the valuation and production of annual benefit statements relied on employer data.

Compliance was the responsibility of both the administering authority and scheme employers. The Pensions Employer Support and Compliance Team worked with employers to ensure the Fund met its statutory requirements. Its focus included continued improvements to data quality and the timeliness of submissions. It also provided support and advice to employers, sending notifications about compliance. One Fund employer highlighted the collaborative relationship enjoyed with Fund officers. They also welcomed the opportunity to receive feedback on their performance.

In 2021/22 extra resources were recruited to work on the McCloud national project with further planned recruitment. Nationally Funds were reporting difficulties in recruiting appropriate staff.

In 2021/22 the cost for each Fund member was £14.08. This compared to a benchmark figure of £21.05 which the Chartered Institute of Public Finance and Accountancy had calculated. Data for 2022 was still awaited.

Members asked whether the cost per member was below average because of efficient practices or a shortfall in the establishment. Members noted that efficient delivery was multi-faceted, relying both on adequate levels of staffing and making best use of technology.

The presentation provided members with an overview of the Fund's performance against key indicators. Highlighted areas where performance was below target were deferments and transfers. Both areas had benefited from extra resource to improve performance.

The presentation concluded with an overview of planned activities for 2022/23. These included continuing the McCloud National Project, rolling out monthly returns, data improvement, the National Pension Dashboard Programme and continued improvements to the Pension Administration System.

Members explored the increase in the number of pensioners and thus the Fund's liability, coupled with fewer active members. The Committee noted that the data reflected a moment in time. Members noted the consolidation of multi-academy trusts, including some from Leicestershire and Derbyshire. New employers were also joining the scheme as other employers closing and moving out. As the Local Government Pension Scheme matured, active members would reduce while pensioners increased. Members thus noted the importance of strategic asset allocation to offset the difference.

9. QUESTIONS

No questions had been submitted.

The meeting closed at 12:01pm

CHAIRMAN