

JOHN RAISIN FINANCIAL SERVICES LIMITED

The Nottinghamshire Local Pension Board

Pension Board Review 1 April 2021 to 31 March 2022

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 2021 to 31 March 2022.

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 perform 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 1 April 2021 to 31 March 2022

In March 2015, the County Council established the Local Pension Board and authorised the Monitoring Officer to finalise a Code of Practice for the Board. The Code approved by the Pension Board on 16 December 2015 states (Section 24) *“The Board shall as a minimum meet two times each year.”* The Board Members (supported by Officers and the Advisor) expressed the view, at an informal Board Workshop in February 2021, that the Board should meet more regularly than the two occasions per (financial) year that had been the practice since 2015. There was a clear consensus that four meetings a year would be appropriate. The year 1 April 2021 to 31 March 2022 saw progress towards this with three meetings taking place for the first time in a year.

The three Board meetings during the financial year 2021-2022 were held on 30 September 2021, 16 December 2021, and 17 March 2022. On 30 September 2021, the role of **Board Chair** was filled when Thulani Molife, a Scheme Member (Employee) representative since 2016, was elected unanimously. Thulani Molife who has actively contributed to the proceedings of the Board since 2016 is the first Employee representative to be elected as Chair since the creation of the Board in 2015. The Chair and other Members present at Board meetings actively contributed through both constructive questioning and constructive observations on the reports, papers, and presentations.

The Agenda Items considered at each Board meeting held during the financial year 2021-2022 are shown in the Table below:

	30/9/21	16/12/21	17/3/22
Election of Chair	/		
Minutes of Previous Meeting	/	/	/
Declarations of Interest	/	/	/
Pension Fund Risk Register	/	/	/
Pensions Administration Performance Report	/		
Pension Scams	/		
Transforming Pensions Administration		/	
Breaches Log Report		/	
Revision of Fund Strategy Documents		/	
Presentation & Training by Fund Actuary		/	
LGPS Pooling Update by LGPS Central Pool			/
LGPS Update by Advisor to the Board	/		/
LGPS Governance Conference report			/
Pension Fund Annual Report & Accounts 2020-2021			/
Pension Board Review 2020-2021	/		
Work Programme	/	/	/
Training Plan Update	/		

Principal Issues Considered at Board Meetings in 2021-2022

Risk Management is fundamental to effective Pension Fund governance and operations. Both CIPFA and the Pensions Regulator have made absolutely clear the critical role and importance of effective risk management in the context of the LGPS.

Therefore, it was appropriate and indeed necessary that the **Pension Fund Risk Register**, together with an informative covering report explaining the Purpose and Objectives of the Fund, the Risk Management Strategy of the Fund, the Key Parties involved in the Fund and their responsibilities, was presented to, and actively considered by the Board at each of its three meetings during 2021-2022. Throughout the year the resourcing of the Pension Fund remained the highest Current Risk on the Risk Register with a score of “12” and rating of “HIGH.”

As in previous years, the Board maintained a clear focus on Pensions Administration an area which is not only wide ranging, complex and continuously evolving but which is of particular direct relevance to Employer and Employee Members of the Board. During the year, the Board received four reports focussed on different aspects of Pensions Administration.

On 30 September 2021 the Board received a **Pension Administration Performance Report** detailing the work and performance of the Pension Administration Team for the Year 1 April 2020 to 31 March 2021. The report detailed the extensive range of the Team’s responsibilities and activities; resourcing; cost (absolute and comparative against the CIPFA Benchmarking Club); Data Quality; Fund Membership statistics; Complaints (including in relation to the Fund’s Additional Voluntary Contribution Provider Prudential) and Internal Disputes Resolution Procedure Appeals; Pensions Administration System update including progress/plans relating to the Employer (on line) portal rollout; Performance Data. The Pensions Manager provided the Board with an in-depth presentation further explaining the report. This resulted in a number of questions from Board Members including in respect of the implications of the transfer of Employers into the Nottinghamshire Fund; Additional Voluntary Contribution Providers; costs and benchmarking; the adequacy of the resourcing of the Pensions Administration Team.

A report on **Pension Scams** was presented to the meeting held on 30 September 2021. This report explained the seriousness and extent of pension scamming in the UK; the Pension Schemes Act 2021 and the Pension Regulators response to pension scamming; the Nottinghamshire Pension Fund’s obligations in respect of and response to pension scamming including the County Council decision to approve the establishment of an additional post in the Pensions Administration Team to focus specifically at protecting scheme members from pension scams. In response to a question from a Board Member Officers stated that work has been undertaken, in liaison with a law firm, to ensure that due diligence on requests to transfer out from individual Scheme Members is robust.

As in previous years the Board was updated (at its December 2021 meeting) on the progress of the **“Transforming pension administration through digital development and new ways of working programme.”** The report and Officer briefing to the Board emphasised the progress in the Data Audit and Improvement phase including the allocation of additional funding by the Pension Fund Committee to meet data quality requirements. The report also provided an update in relation to the Employer portal rollout. Board Members made observations/raised questions with the Pensions Manager regarding online data security and also the nature of the proposed Scheme Members self-service portal.

The Board received, on 16 December 2021, an important report on the Nottinghamshire Pension Fund's approach to identifying, recording, and reporting breaches of the law as covered in the Pension Regulator's Code of Practice No 14 "Governance and Administration of Public Service Pension Schemes." This report entitled **Breaches Log Report** included the Fund's formal policy and procedure for monitoring and reporting breaches of the law. In response to a question from a Board Member it was confirmed that information from the Breaches Log would be included in future Pension Administration Performance Reports.

The Local Government Pension Scheme (LGPS) Regulations require the Fund to prepare, maintain and publish a number of strategy statements (including for example the Funding Strategy Statement and Communications Policy) which must then be kept under review and as necessary revised. In addition, the Fund produces other strategies as best practice (for example the Climate Strategy). These strategies and policies are essential to the good governance and operation of the Fund. Therefore, the Board received a report entitled **Revision of Fund Strategy Documents** at its December 2021 meeting advising the Board of the recent review (by the Pension Fund Committee in September 2021) of a number of major Fund strategies/policies which provided a summary of these and a link to them.

In accordance with the LGPS Regulations 2013 the Nottinghamshire Pension Fund along with all other LGPS Funds in England and Wales is required to undergo a full Actuarial Valuation every three years. The next such Valuation will determine Fund assets and liabilities as at 31 March 2022. Therefore at the Board meeting on 16 December 2021 the Fund Actuary Barry McKay of Barnett Waddingham provided a detailed **Actuary Report and Presentation** to the Board covering the nature of a Valuation; how Liabilities are valued; how Assets are valued; how Employer Contribution rates are set; key issues affecting the LGPS including "McCloud," Cost Management, Exit Reform, Covid, Climate, Future Inflation. Following the presentation there were a number of observations/questions to the Fund Actuary including in respect of events since the last Valuation in 2019, and possible future circumstances.

The Board had previously received a number of reports and training sessions that have been concerned in whole or part with LGPS Investment Pooling. These have however been concerned primarily with the context and overall approach to investment pooling within the LGPS. Therefore, it was most helpful and appropriate that at its meeting on 17 March 2022 the Board received a presentation entitled **LGPS Pooling Update – Presentation by LGPS Central**. The LGPS Central Pool is part owned by Nottinghamshire County Council and is the organisation that provides investment pooling services to the Nottinghamshire Fund. This presentation from Colin Pratt, Investment Director and Lee White, Communications Manager at LGPS Central included an overview of the background to pooling and its principles; the role of LGPS Central and the products it offers; developments in Responsible Investment and Engagement. Colin Pratt emphasised that the purpose of the LGPS Central Pool is to meet the investment needs of the eight LGPS Funds, including Nottinghamshire, that are co-owners of the pool. Colin Pratt responded to a range of questions from Board Members including in relation to returns, responsible investment and engagement, and the Russian invasion of Ukraine.

As in previous years the Advisor to the Board provided **LGPS Update** reports to the Board on major developments across the LGPS to help enable the Board to fulfil its role under the LGPS Regulations and its Terms of Reference as set by the County Council and also to assist Board Members meet their knowledge and skills obligations under the Public Service Pensions Act 2013 and CIPFA guidance. At the meeting held on 30 September 2021 an Update was provided in respect of:

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

At the meeting held on 17 March 2022 the Update covered the following issues:

1. Creation of the Department for Levelling Up, Housing and Communities (DLUHC) and appointment of new Minister responsible for the LGPS
2. Levelling Up White Paper and the LGPS in England & Wales
3. LGPS Consultations and responses
4. Cost Control mechanism
5. Review of 2019 Actuarial Valuations by the Government Actuary

These Update reports explained the nature, context, implications, and progress in relation to the issues covered which spanned Governance, Pensions Administration, Investment and Actuarial related matters.

A report providing an outline of the **Pension Fund Annual Report and Accounts 2020-21** which included a link to the full document was presented to the 17 March 2022 meeting of the Board. Board Members raised questions as to whether changes in the investment value of the Fund had been reflected by the Actuary, and also regarding how close the Fund was to being fully (100%) funded.

A review of the activity of the Pension Board during the period 1 April 2020 to 31 March 2021 was prepared by the Advisor to the Board and presented at the meeting held on 30 September 2021. This report and the presentation by the Advisor both emphasised the main activity at Board meetings during 2019-20 and the significance of the informal Pension Board Workshop held on 4 February 2021. This had resulted in a clear consensus that the number of Board meetings should ideally increase from 2 to 4 a year, that there should be an increased focus on training, and the desirability of greater interaction with the Pension Fund Committee.

At each of the three meetings of the Board held during 2021-2022 a **Pension Board Work Programme** was prepared by Officers/the Advisor to the Board. Each version of the Work Programme reflected previous observations and suggestions from Board Members and resulted in further observations and suggestions for the future.

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.

At the September 2021 Board meeting the Advisor to the Board presented a paper entitled **Pension Board Training Programme**. This provided the background to the requirements and expectations in relation to Knowledge and Understanding of Pension Board Members before proposing a broad ranging approach to the future provision of training. This updated approach included proposals for each Board member to undertake an annual Training Needs Analysis and for the future utilisation of a broader range of sources of training than previously. Whereas the Board had primarily relied on the Fund Officers and Advisor to provide training the new approach will also include opportunities for Board Members to attend external training events and in particular those (for example provided/facilitated by CIPFA) targeted specifically at Pension Board Members.

On 8 September 2021, the Advisor to the Board presented a Board training session on **Legislation, Governance, Roles & Responsibilities** which covered the first two of the eight “core” areas of Knowledge and Skills for Board Members as set out in the “CIPFA Local Pension Boards A Technical Knowledge and Skills Framework.” This was an updated version of training first provided in 2016.

In addition, during 2021-22 the Board received a detailed presentation on Actuarial Valuations by the Fund Actuary, a presentation from LGPS Central on investment pooling, two broad ranging LGPS Updates from the Advisor, as well as reports/presentations from Officers in respect of Governance, Administration, and Investment issues. These all provided Board Members with knowledge and understanding of LGPS Governance, Administration, Investment and Actuarial issues from both a national (England and Wales) and Nottinghamshire specific perspective.

Attendance by Chair of the Pension Fund Committee

The Board was pleased to welcome Councillor Eric Kerry Chair of the Nottinghamshire Pension Fund Committee to the Board meeting held on 17 March 2022. The Board is keen to promote closer working with the Pension Fund Committee which is the decision-making body for the Nottinghamshire Fund. It was therefore both positive and appreciated that Councillor Eric Kerry attended the March 2022 Board meeting. The Board hopes that the Chair of the Committee will attend the Board again in the future and that further links between the Board and Committee can be developed going forward.

Support for the Board by the Administering Authority 1 April 2021 - 31 March 2022

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 the Governance, Administration, and Investment aspects of the 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

8 June 2022