

29 September 2022

Agenda Item: 9

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 Services Centre. This function covers:

- Pensions administration and employer's support
- Pensions administration systems
- Communications
- Technical/performance support

15. The Group Manager, Business Services Centre and the Pension Manager, who are 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:

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Constitutional Comments (KK 15/09/2022)

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 (KP15/09/2022)

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