

2017 - 18

# Annual Report



**The Nottinghamshire  
Local Government Pension Scheme**

administered by



# Contents

Chair's Foreword	<b>Page 2</b>
Management and Financial Performance	<b>Page 3</b>
Investment Policy and Performance	<b>Page 5</b>
Scheme Administration Arrangements	<b>Page 11</b>
Statement by the Actuary	<b>Page 13</b>
Pension Funds Accounts, Net Assets Statements and Notes	<b>Page 15</b>
The Pension Fund Accounts	<b>Page 16</b>
Notes to the Accounts	<b>Page 18</b>
Governance Compliance Statement	<b>Page 46</b>
Funding Strategy Statement	<b>Page 50</b>
Investment Strategy Statement	<b>Page 57</b>
Communications Strategy Statement	<b>Page 67</b>
Risk Management Strategy	<b>Page 73</b>
Risk Register	<b>Page 77</b>
Administration Strategy Statement	<b>Page 93</b>
List of Active Fund Employers	<b>Page 110</b>

# Chair's Foreword

Following the previous year's exceptional returns, 2017/18 returned to more moderate performance, with an equity market correction in the last quarter which reduced the Fund's overall annual return to 3.9%. There has been moderate growth and increased investment over the year, especially in infrastructure and property. Over the last three years, the Fund has returned 8% p.a., keeping pace with the assumed long-term returns.

The new contribution rates set by the triennial revaluation at 31 March 2016 were introduced from 1st April 2017. A number of large employers made an up-front contribution of three years of secondary contributions to offset their deficit as calculated by the Actuary. Consequently the Employer contributions for the year were exceptionally high, generating a net addition to the fund from dealings with members.

From a fund governance perspective the last financial year has been very busy. LGPS Central Ltd, the multi-asset investment pool Nottinghamshire has formed with eight other Midlands based funds, started trading on 1st April 2018. This followed significant development work during the previous year which saw the recruitment of senior management and the registration of the company by the FCA (Financial Conduct Authority). The £40 billion pool aims to be a regional centre of excellence in investment management and a collaborative platform for the participating funds, delivering long-term cost savings through economies of scale, mandate rationalisation, fee negotiations and more use of direct management.

The Pension Board has continued to develop the overall governance of the Fund in its role of assisting the Administering Authority in ensuring compliance within the LGPS regulations, along with the administration of the Fund. One of the main priorities of the Board has been improving the administration of the fund through the development of performance data to ensure the fund meets its statutory requirements.

In terms of fund administration, over the last year the Nottinghamshire Pensions Office has continued to build on the implementation of the scheme administration strategy by supporting scheme employers to meet their statutory requirements. The Strategy was implemented in April 2017 and outlines the responsibilities and procedures to be followed by employers and the administration team. The delivery of the administration service is not the responsibility of just the administering authority but is dependent on effective joint working with all scheme employers. Timeliness and accuracy are an important element of delivering a high quality service to scheme employers and scheme members. Legislation dictates minimum standards that pension schemes should meet and over the coming year the Pensions Regulator will be requiring all Administration Authorities to evidence good practice by reporting on various activities including data quality, which is essential in the administration of pension benefits to members. In addition work commenced to fulfil the requirements of HMRC's guaranteed minimum pension (GMP) reconciliation.

In accordance with the Investment Strategy Statement, the Fund continues a long-term responsible investment approach, actively voting its equity holdings and engaging with companies through its investment managers and membership of the Local Authority Pension Fund Forum (LAPFF). This engagement approach continues to highlight and improve the resilience of corporate strategies at global resource companies in the wake of climate change agreements.

**Cllr Eric Kerry**

*Chair of the Nottinghamshire Pension Fund Committee*

# Management and Financial Performance

## Scheme management and advisers

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme within Nottinghamshire for which it invests and administers funds with over 330 contributing employers and over 47,000 contributing members. The Governance Compliance Statement (page 46) sets out the governance arrangements of the pension fund and covers:

- the delegation of authority to the Nottinghamshire Pension Fund Committee

- the functions and responsibilities of this committee
- the representation of members, employers and trade unions
- stakeholder engagement
- compliance with best practice.

The Local Government Pension Scheme within Nottinghamshire is managed by and receives advice from a number of different organisations/individuals, as listed below:

## Nottinghamshire officers responsible for the fund

Service Director – Finance, Infrastructure & Improvement	Nigel Stevenson
Group Manager – Financial Strategy & Accounting	Keith Palframan
Senior Accountant – Pensions & Treasury Management	Tamsin Rabbitts
Service Director – Customers and HR	Marjorie Toward
Group Manager – Business Support Centre	Sarah Stevenson
Pensions Manager	Jon Clewes

## Other organisations/individuals

Main Investment Managers used by the fund	Schroders Kames Capital Aberdeen Standard Investments
Fund custodian	State Street
Fund AVC providers	Prudential Scottish Widows
Fund actuary	Barnett Waddingham Public Sector Consulting
Banker to the fund	Barclays Bank
The fund auditor	KPMG
Independent adviser	William Bourne

## Risk management

The Pension Fund's Risk Management Strategy (page 73) is to:

- identify key risks to the achievement of the Fund's aims
- assess the risks for likelihood and impact
- identify mitigating controls
- allocate responsibility for the mitigating controls
- maintain a risk register detailing the risk features in a)-d) above
- review and update the risk register on an annual basis
- report the outcome of the review to the Nottinghamshire Pension Fund Committee annually.

The latest approved risk register is on page 77.

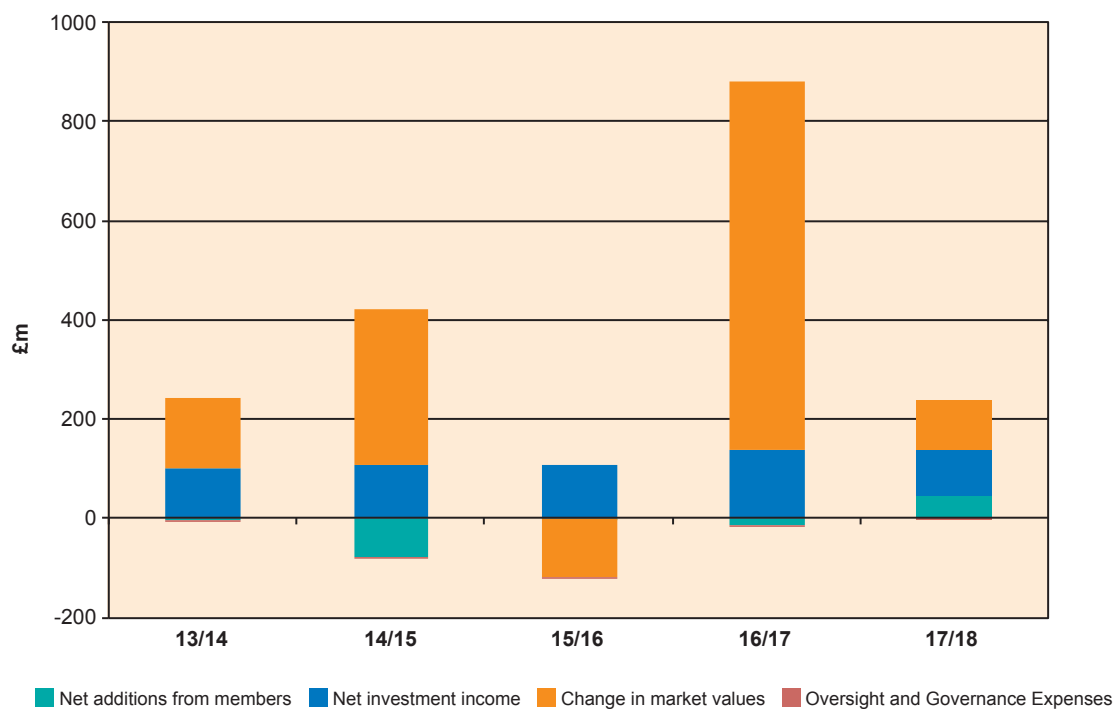
## Financial Performance

The pension fund accounts are shown in detail on pages 16 to 45.

The Fund Account shows a net inflow of £46.2m from dealings with members. Investment income for the year was £150m, an increase on the previous year. Added to this is a net income of £51m from sales and/or increases in the market value of the Fund's investments (though these market values could change in future), so the overall return on investments for the year is £195m.

Overall, the value of the fund has increased by £239m over the year to stand at £5,172m. The chart below shows how the 3 main components have contributed to the Fund's value over the last 5 years.

## Change in Market Value of the Fund



# Investment Policy and Performance

## Investment Policy

The members of the Nottinghamshire Pension Fund Committee are drawn from the County Council, and they have responsibility for determining the investment strategy, asset allocation and management arrangements for the Fund in order to meet the long-term funding objective of achieving and then maintaining sufficient assets to cover 100% of the Fund's projected accrued liabilities.

The Nottinghamshire Pension Fund Committee separately approves the following policy statements governing the investments made by the Pension Fund:

The Funding Strategy Statement (page 50) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme. Its purpose is to explain:

- How the costs of the benefits provided under the Local Government Pension Scheme (the "Scheme") are met through the Fund.
- The objectives in setting employer contribution rates.
- The funding strategy that is adopted to meet these objectives.

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.

It is recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers. The Investment Strategy Statement (page 57) sets out detailed responsibilities relating to the overall investment strategy of the fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the fund's approach to responsible investment and corporate governance issues.

The following principles underpin the Fund's investment activity:

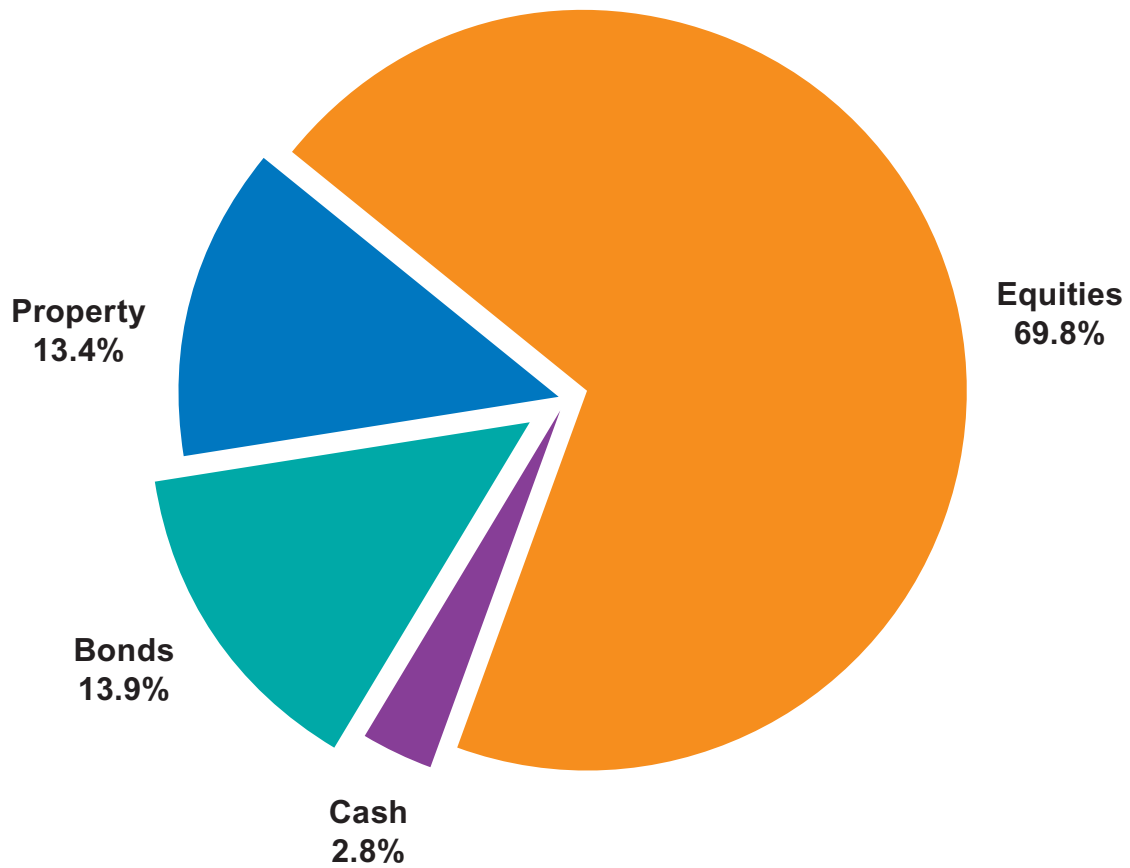
- The Fund will aim to be sufficient to meet all its obligations on a continuing basis.
- The Fund will be invested in a diversified range of assets.
- Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
- The Fund will aim to conduct its business and to use its influence in a long term responsible way.

The Nottinghamshire Pension Fund Committee is responsible for deciding the asset allocation of the fund. The asset allocation currently favours "growth assets" (equities and property) over "defensive assets" (bonds and cash) as the former are expected to outperform the latter over the long term. As the Fund receives significant investment income, it is unlikely to need to sell assets to pay benefits for at least 20 years. This allows the Fund to continue to implement a long term investment strategy.

The agreed asset allocation ranges are those aimed at achieving best returns within acceptable risk parameters. These are shown below.

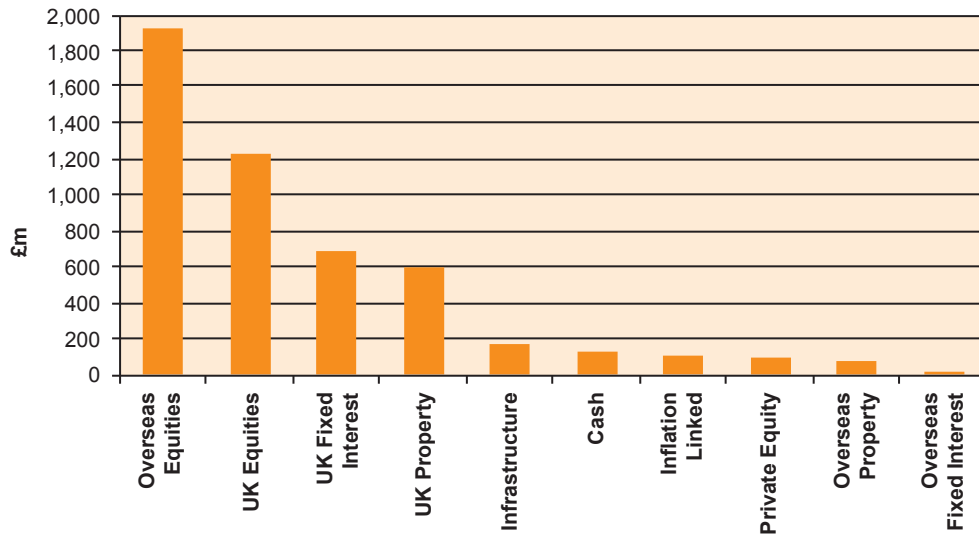
Equities	55% to 75%
Property	5% to 25%
Bonds	10% to 25%
Cash	0% to 10%

At the end of the financial year 2017/18 the actual asset allocation was as shown in the chart below. These allocations are within the agreed ranges.

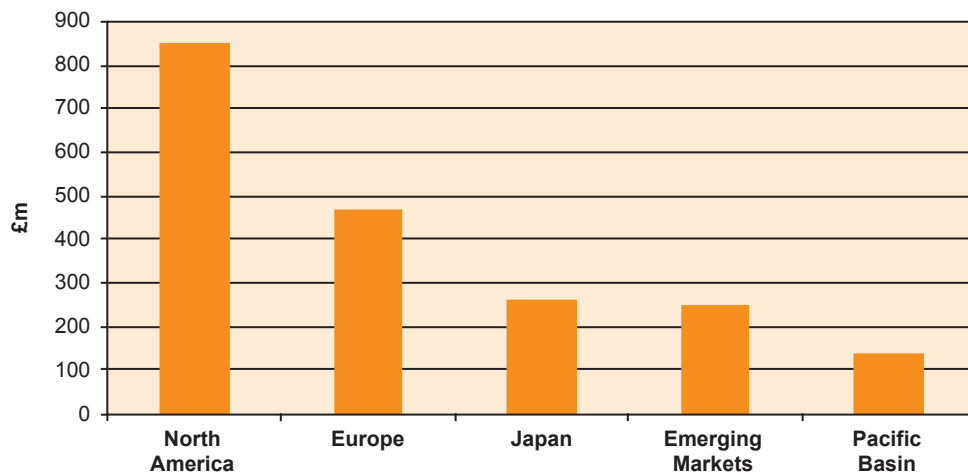


More detail on the actual asset allocation is shown in the following charts.

## Asset Allocation of the Fund 31 March 2018



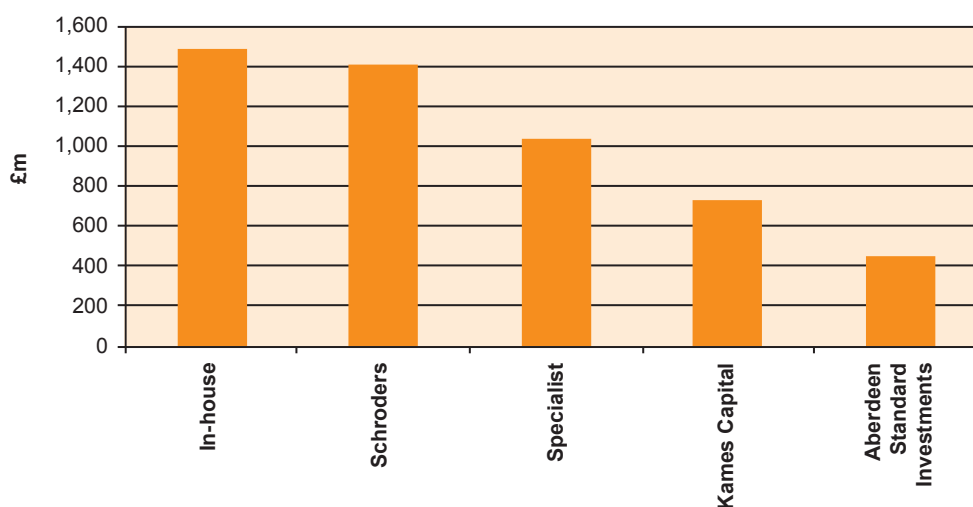
## Breakdown of Overseas Equities





The Pension Fund Committee also determines the investment management arrangements to implement the agreed strategy. The assets of the Fund are managed within five portfolios and a breakdown of these as at 31 March 2018 is shown below:

## Management of Funds 2017/18



The in-house team of five, led by the Senior Accountant (Pensions and Treasury Management), manages the bulk of the In-house portfolio and monitors all externally managed investments. The team also records and accounts for all the pension fund investments, producing quarterly valuations for Pension Fund Committee as well as the annual report and accounts.

## Investment Performance

In 2017/18, the Fund achieved an overall return from its investments of 3.9% compared with its strategic benchmark return of 2.7%.

The Fund retains a higher weighting to UK equities than the global benchmark as these are expected to provide less volatile returns over time with a higher proportion of dividends. In-house equities provided a return of 2.2% over the year, whereas externally managed equities returned 2.5%. Bonds continued to return relatively low but positive growth of 0.9%, largely in line with the benchmark. The Fund's investment in the UK property market made a relatively good return of 9.9% for the year (compared with the 7.5% benchmark).

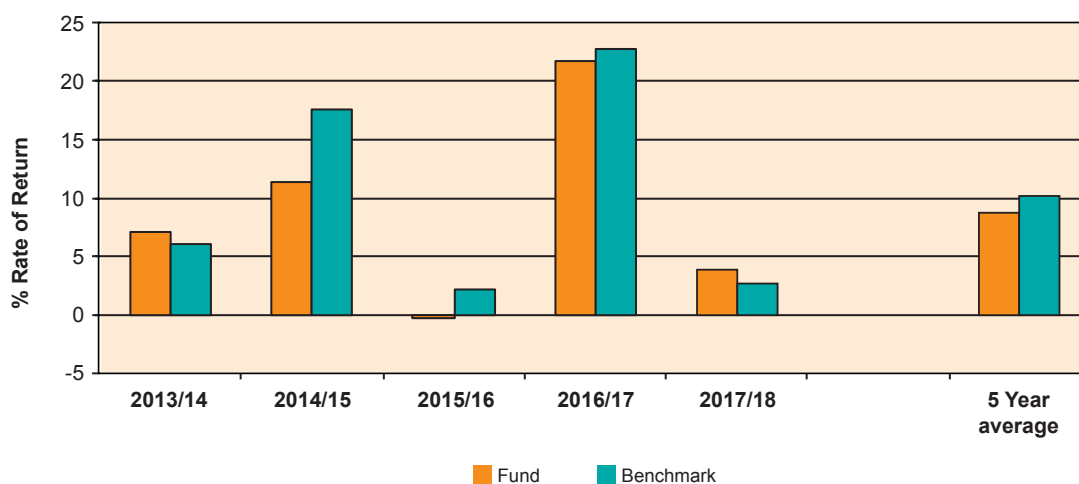
Detailed performance figures are shown in the table on page 9.

## Fund returns achieved over 1, 3, 5 and 10 years by asset class

To 31 March	1yr	3yrs	5yrs	10yrs
	%	%	%	%
Equities (Schroders)	2.5	7.8	9.1	8.7
Equities (In house)	2.2	8.7	9.0	8.2
Bonds (Kames)	0.9	3.5	4.1	6.4
Property (Aberdeen)	9.9	9.1	12.4	-
<b>Total</b>	<b>3.9</b>	<b>8.0</b>	<b>8.5</b>	<b>7.4</b>

Information on returns is provided by State Street.

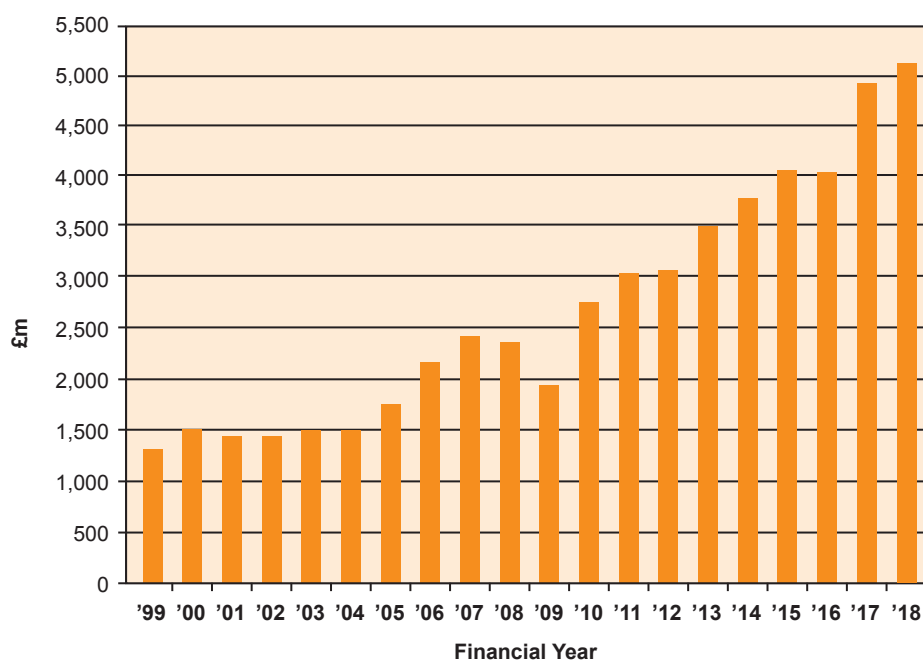
## Investment Performance of the Fund over the last 5 years



## TOP 20 HOLDINGS AS AT 31 MARCH 2018

Holding	£m
SGST Schroder North American Equity Fund	399,306,205
RWC Euro Focus Fund Class 3SR - 2018	163,552,812
Kames Diversified Growth Fund (Class B ACC)	129,010,925
Legal & General Japan Equity Index	101,369,170
Legal & General Asia Pac Ex Jap Dev Eqty Index	97,499,672
Royal Dutch Shell EUR0.07 'B' (UK)	91,989,388
Schroder Instl Dev Mkts Fund A Units	88,792,298
RWC Japan Stewardship Fund Perf Fee Class 2 (2017)	80,793,997
Standard Life European Property Growth - Harmonisd	79,051,924
HSBC Holdings PLC Ord US\$0.50	64,830,431
BP PLC Ord US\$0.25	55,953,356
Glaxosmithkline PLC Ord 25P	52,136,464
British American Tobacco Ord 25P	51,205,852
Legal & General UK Smaller COS Fund	46,159,093
Legal & General Global Emerging Mkts Index	40,691,291
Rio Tinto PLC Ord 10P	40,620,356
Schroder UT Ltd Instit Pacific Fund Inc	38,852,809
Lloyds Banking Group PLC Ord 10P	37,362,096
Unilever Ord GBP0.0311	36,441,942
Vodafone Group US\$0.2095238	34,650,977

## FUND VALUATION OVER LAST 20 YEARS



# Scheme Administration Arrangements

## The Pensions Office

The Pensions Office is the part of the Nottinghamshire Pension Fund responsible for the administration of the Nottinghamshire Local Government Pension Scheme (LGPS), including the Councillors' LGPS. The Pensions Office undertakes the 'nuts and bolts' of pensions work from setting up new members and updating their records during membership to making payment of their retirement benefits. This work is undertaken in line with the statutory LGPS Regulations. In addition, the office also undertakes some of the employer related work of the LGPS on behalf of Nottinghamshire County Council.

The Office is currently separated into the following areas of work:

- Pensions Administration
- Employer Support and Compliance
- Technical/Communications
- Technical/Performance

## Pensions Administration System

Over the last year a number of developments have been progressed in order to support employers with their Pensions Administration. An Employer portal is in the development stage which will support larger employers manage their data, and provide access to some pension information. Updates are continually being planned and implemented, these developments include; automated bulk data uploads, bulk data processing, statutory changes, performance reporting, document imaging, a workflow system which assists with the distribution and prioritisation of work and a contact manager facility linked to pension records which can be utilised to assist Pensions Office staff to answer telephone enquiries.

## Benchmarking

The Pensions Office, as part of measuring its administration cost and performance against other Administering Authorities, belongs to the Pensions Administration Benchmarking Club. This Club is run by the Chartered Institute of Public Finance Limited and we have been a member of it since 2000. Our performance in terms of cost per member has always been lower than the national average, and we continue to remain one of the cheaper cost-per-member authorities for administration in the country.

## Communications

The Communications Strategy Statement (see page 67) details the overall strategy for involving stake holders in the pension fund. A key part of this strategy is a dedicated pension fund website. This is available at [www.nottspf.org.uk](http://www.nottspf.org.uk) and includes all of the policy statements as well as a great deal more information about the investments and benefits of the pension fund.

## Benefit Statements

The Pensions Office is required each year to send annual benefits statements to its active and deferred members. The statement is intended to inform the scheme member of the value of their benefits, and provide an overview of when they may become payable.

## Website Development

The new pension's website was launched in September 2016, ([www.nottspf.org.uk](http://www.nottspf.org.uk)) and covers all aspects of the LGPS and has information for all different types of stakeholders including active members, councillor members, deferred members, pensioners, their dependants and employers. There is also a section which gives details on the investment performance of the Fund and related matters.

The key benefits of the website have been to improve functionality to pensioners, members of the scheme and employers.

The website has been designed to answer questions, and provide up to date information on the LGPS, and support communication with the Pensions administration team. The website that meets modern website design criteria, and is accessible via multiple devices, that will encourage members and pensioners to use the site, making it easy to find the information that they need. A future development will be to provide members with restricted access to their own pension record enabling them through secure access to update personal details such as address, complete online forms and against certain criteria simulate pension estimates. This will have the advantage of reducing direct administration contact to more priority cases, and therefore reducing administration costs.

### Employer Support and Compliance function

The Pensions Office's Employer Support and Compliance function is responsible for liaison with scheme employers on a range of matters in relation to their responsibilities under the LGPS Regulations. This includes:

- Supporting employers in undertaking their responsibilities;
- Communicating Regulation and process changes to LGPS employers;
- Resolving problems in relation to the quality of information supplied by LGPS employers;
- The development of improved communication methods between the Pensions Office and LGPS employers;
- The review and improvement of information and administrative systems.

We also have the following contact with our LGPS Scheme Employer representatives:

- Year-end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end;
- Meetings with employer representatives to communicate changes to the LGPS Regulations and the impact on employer responsibilities;

- Ad hoc individual or group support and training sessions with LGPS Employers.

The administration strategy has now been in circulation with scheme employers since May 2017 and has supported the work of the Administration Team and Scheme Employers. The Strategy has helped in providing a framework to ensure that the administering authority, and scheme employers work together for the benefit of members to ensure statutory compliance and efficiency in the administration of the scheme.

### Membership

The majority of employees of our scheme employers will be brought into the pension scheme automatically, whether through 'contractual enrolment' under the schemes rules or under the Governments 'auto-enrolment' rules. Members can though elect to opt out of the scheme after their first day of employment if they wish.

The membership of the fund over the past three years has been:

	31/03/16	31/03/17	31/03/18
Contributors	47,272	43,184	47,405
Deferred Benefits	41,509	49,897	53,677
Pensioners	33,112	34,240	35,835
<b>Total</b>	<b>121,893</b>	<b>127,321</b>	<b>136,917</b>

# Statement by the Actuary

## Introduction

The last full triennial valuation of the Nottinghamshire County Council Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2017.

## Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £4,028m.
- The Fund had a funding level of 87% i.e. the assets were 87% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £621m.

## Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 14.5% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

## Assumptions

The key assumptions used to value the benefits at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	5.4% p.a.
Pension increases	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post retirement mortality assumptions adopted are the S2PA tables with a multiplier of 100% for males and 90% for females, making allowance for CMI 2015 projected improvements and a long term rate of improvement of 1.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.

## Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased slightly due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly higher than at 31 March 2016 although the ongoing cost is likely to have increased due to lower real discount rates.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020.



**Graeme Muir FFA**

**Partner, Barnett Waddingham LLP**

# Pension Fund Accounts, Net Assets Statement and Notes

Nottinghamshire County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The LGPS is a statutory scheme administered by individual pension funds. The benefits within the scheme are determined by regulation and are guaranteed by statute. The pension fund exists to help defray the cost of paying the pension benefits. Members make contributions to the Fund as specified in the regulations and employers make contributions as determined by the Fund's actuary as part of the triennial valuation of the Fund. All new employees are brought into the scheme automatically, unless a positive election not to participate is received from the employee.

The Authority administers the pension fund for over 400 participating employers and over 136,000 members. The employers include the County Council, the City Council, District Councils and organisations which used to be part of local government (such as Nottingham Trent University, Colleges, Police civilian staff and Academies). They also include organisations which satisfy the conditions to participate in the LGPS and have been admitted to the Fund by the Authority. In general, these organisations are non-profit making, or are undertaking a service which was, or could be, carried out by a local authority.

The operation of the Fund is set out in a number of published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the Fund are delegated to the Nottinghamshire Pension Fund Committee.

The Funding Strategy Statement sets out the aims and purpose of the Fund and details the responsibilities of the administering authority as regards funding the scheme.

The Investment Strategy Statement sets out more detailed responsibilities relating to the overall investment strategy of the Fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the Fund's approach to responsible investment and corporate governance issues.

The Communications Strategy Statement details the overall strategy for involving stakeholders in the Fund. A key part of this strategy is a dedicated Fund website (available at [www.nottspf.org.uk](http://www.nottspf.org.uk)).

A separate annual report for the Fund is also produced and this, along with previous years' reports, will be accessible via the the pension fund website. The annual report includes the accounts and the published policies as well as information on the performance of the fund.

The accounts of the fund are set out over the following pages. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires:

- a fund account showing the changes in net assets available for benefits
- a net assets statement showing the assets available at the year end to meet benefits
- supporting notes.



# Pension Fund Accounts 2017-18

## FUND ACCOUNT FOR YEAR ENDED 31 March 2018

	Notes	2016/17 £000	2017/18 £000
<b>Contributions</b>	<b>4</b>		
Employer contributions		(135,650)	(193,459)
Member contributions		(43,495)	(45,176)
		<b>(179,145)</b>	<b>(238,635)</b>
Transfers in from other pension funds		(4,068)	(9,813)
<b>Benefits</b>	<b>5</b>		
Pensions		146,132	153,122
Commutation of pensions and lump sum retirement benefits		31,093	27,700
Lump sum death benefits		4,726	4,741
		<b>181,951</b>	<b>185,563</b>
Payments to and on account of leavers	<b>6</b>	14,746	16,713
<b>Net (additions)/withdrawals from dealings with members</b>		<b>13,484</b>	<b>(46,172)</b>
Administration expenses	<b>7</b>	1,703	1,953
Oversight and governance expenses	<b>8</b>	806	488
Investment Income	<b>9</b>	(142,281)	(149,816)
Profits & losses on disposal of investments & changes in value		(744,384)	(51,189)
Taxes on income		593	620
Investment management expenses	<b>10</b>	4,381	4,895
<b>Net Returns on Investments</b>		<b>(881,691)</b>	<b>(195,490)</b>
<b>Net (increase)/decrease in net assets available for benefits during the year</b>		<b>(865,698)</b>	<b>(239,221)</b>
Opening net assets of the Fund		4,066,670	4,932,368
<b>Net assets available to fund benefits</b>		<b>4,932,368</b>	<b>5,171,589</b>

There were no group transfers to or from the scheme during the year.

## NET ASSETS STATEMENT FOR THE YEAR ENDED 31 March 2018

	Notes	31 March 2017 £000	31 March 2018 £000
<b>Investment Assets</b>	<b>11 &amp; 15</b>		
Fixed Interest Securities		745,298	716,004
Equities		1,998,629	2,032,516
Pooled Investment Vehicles		1,681,780	1,807,298
Property		367,175	438,470
Forward Foreign Exchange		-	103
Cash deposits		102,267	146,032
Other Investment Balances	<b>13</b>	34,094	31,062
Investment liabilities	<b>13</b>	(3,289)	(3,772)
		<b>4,925,954</b>	<b>5,167,713</b>
Current assets	<b>14</b>	10,614	11,773
Current liabilities	<b>14</b>	(4,200)	(7,897)
		<b>6,414</b>	<b>3,876</b>
<b>Net assets of the fund available to pay benefits at the year end</b>		<b>4,932,368</b>	<b>5,171,589</b>

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18*, is shown at note 2c.

# Notes to the Accounts

## 1 ACCOUNTING POLICIES

### a) Basis of Preparation

The Pension Fund accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to *Financial Reports of Pension Schemes: a Statement of Recommended Practice 2015* (the Pensions SORP) or to individual International Accounting Standards (IAS). Disclosures in the Pension Fund accounts have been limited to those required by the Code.

### b) Debtors and Creditors

The accruals concept is applied to these accounts in compliance with the Code.

### c) Investments

Pension fund investments are carried at fair value in accordance with the Code. Fair value is defined as 'the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction'. Where an active market exists, the quoted market price is used. Where there is no active market, fair value is established by using valuation techniques.

Specific details on the valuation methods for particular classes of assets are listed below:

- Equities traded through a stock exchange are valued at the latest quoted price. Where more than one price is quoted the 'bid' price is used.
- Unit Trusts and managed funds are valued at the closing single price or the bid price where applicable. These reflect the market value of the underlying investments.
- Unquoted securities and pooled private equity investments are valued at fair value by the fund managers at the year end in accordance with industry accepted guidelines.

- The market value of fixed interest investments is based on the 'clean price', i.e. excludes income accrued at 31 March but not yet due for payment.

Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date.

Transaction costs arising on all investment purchases and sales are charged to the Fund Account within 'Profits & losses on disposal of investments & changes in value' by adding to purchase costs and netting against sale proceeds, as appropriate, for all investment types. This achieves consistency between asset classes and ensures all transaction costs are charged to the Fund Account. It also ensures that the financial statements faithfully represent the economic substance of the transactions. The economic substance of purchases and sales of all asset types is to generate returns for the Fund to help mitigate the cost to employers of providing pensions. Transaction costs are ancillary to this purpose.

The change in fair value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Forward foreign exchange contracts are "over the counter contracts" under which two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. These are used to manage the economic exposure to bond markets and hedge against foreign currency movements. These contracts are included at fair value by determining the gain or loss that would arise from closing out the contract at the Net Assets Statement date by entering into an equal and opposite contract at that date. The movements on these contracts during the year are shown in the reconciliation of opening and closing balances of investments at note 10(b).

#### **d) Investments Income**

Income is accounted for on an accruals basis for the following:

- interest on cash deposits and fixed interest securities is accrued on a daily basis
- dividends from equities are accrued when the stock is quoted ex-dividend
- rents from property are accrued in accordance with the terms of the lease.

#### **e) Taxes on Income**

UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not recognised (in accordance with the Pensions SORP). Overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are adjusted at the year end by outstanding claims.

#### **f) Foreign Currencies**

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at the rate ruling on the date of the transaction. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

#### **g) Contributions**

Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for on an accruals basis.

#### **h) Benefits Payable**

Under the rules of the Scheme, members can receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised. Other benefits are accounted for on the date the member leaves the Scheme or on death.

#### **i) Transfers to and from Other Schemes**

Transfer values represent the capital sums either receivable (in respect of members from other pension schemes of previous employers) or payable (to the pension schemes of new employers for members who have left the Scheme). They take account of transfers where the trustees (or administering authority) of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

#### **j) Other Expenses**

Management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and the Fund. Fees and charges within pooled investment vehicles have the effect of reducing the fair value of those investments. These embedded costs are disclosed at note 9.

#### **k) Property related income**

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

## 2 OPERATION OF THE FUND

### a) Contributions and Solvency

With effect from 1 April 2008 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were introduced. The principal changes from the 1997 regulations were: the replacement, for future service, of the existing benefits structure (based on a pension of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump sum of three times this amount) by one based on 1/60th of pensionable pay for each year of pensionable service and no automatic lump sum. Under the 2008 scheme, employees were required to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary.

From 1 April 2014 the new Local Government Pension Scheme was introduced for service accruing after that date. This is a career average revalued earnings (CARE) scheme with an accrual rate of 1/49th of pensionable pay and a retirement age linked to the state retirement age. Employee contribution rates in the new scheme range from 5.5% to 12.5% depending on salary.

Employers are required to make such balancing contributions, determined by the Actuary, as will maintain the fund in a state of solvency, having regard to existing and prospective liabilities.

### b) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2016. The market value of the Fund's assets at the valuation date was £4,067 million. The Actuary has estimated that the value of the Fund was sufficient to meet 87% of its expected future liabilities in respect of service completed to 31 March 2016. The certified contribution rates are expected to improve this to 100% within a period of 20 years. The full actuarial valuation report is available on the Fund's website at [www.nottspf.org.uk](http://www.nottspf.org.uk)

The Actuarial Valuation was carried out using the projected unit method and the assumptions used within the valuation are shown below.

	<b>31 March 2016</b> <b>% pa</b>
Expected investment returns:	
Equities	7.4
Gilts	2.4
Property	5.9
Discount Rate	5.4
Retail price inflation (RPI)	3.3
Consumer price inflation (CPI)	2.4
Long term pay increases	3.9
Pension Increases	2.4

The 2016 valuation produced an average employer contribution rate of 20.4%. Employer contributions were certified by the actuaries for the years 2017/18 to 2019/20. For the majority of employers, the rate for future service accrual was certified as a percentage of salary with an additional cash amount specified for deficit recovery. The following list shows the contributions payable by the main employers:

<b>Certified employer contributions</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Nottinghamshire County Council		15.4%	15.4%	15.4%
	Plus:	£13,454,000	£13,776,000	£14,105,000
Nottingham City Council		13.7%	13.7%	13.7%
	Plus:	£12,009,000	£12,296,000	£12,590,000
Ashfield District Council		14.4%	14.4%	14.4%
	Plus:	£1,919,000	£1,965,000	£2,012,000
Bassetlaw District Council		16.2%	16.2%	16.2%
	Plus:	£1,880,000	£1,159,000	£1,187,000
Broxtowe Borough Council		14.4%	14.4%	14.4%
	Plus:	£691,000	£707,000	£724,000
Gedling Borough Council		15.1%	15.1%	15.1%
	Plus:	£575,000	£588,000	£602,000
Mansfield District Council		16.7%	16.7%	16.7%
	Plus:	£2,298,000	£2,353,000	£2,409,000
Newark and Sherwood District Council		14.5%	14.5%	14.5%
	Plus:	£1,299,000	£1,330,000	£1,362,000
Rushcliffe Borough Council		14.7%	14.7%	14.7%
	Plus:	£1,198,000	£1,227,000	£1,256,000

A number of employers have made accelerated payments for their future years deficit recovery amounts.

### c) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits has been calculated by the Fund's actuaries in accordance with IAS 19. To do this, the actuaries rolled forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2016 allowing for the different financial assumptions required under IAS19. The assumptions used for the purposes of the IAS 19 calculations are as follows:

	31 March 2016		31 March 2017		31 March 2018	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases	3.3	-	3.6	-	3.3	-
CPI Increases	2.4	(0.9)	2.7	(0.9)	2.3	(0.9)
Salary Increases	4.2	0.9	4.2	0.6	3.8	0.5
Pension Increases	2.4	(0.9)	2.7	(0.9)	2.3	(0.9)
Discount Rate	3.7	0.4	2.8	(0.8)	2.6	0.8

The net liability under IAS 19 is shown below.

	31 March 2016	31 March 2017	31 March 2018
	£000	£000	£000
Present value of funded obligation	6,665,990	8,332,963	8,442,517
Fair value of scheme assets	4,034,292	4,895,150	5,132,636
<b>Net Liability</b>	<b>2,631,698</b>	<b>3,437,813</b>	<b>3,309,881</b>

The present value of funded obligation consists of £8,147.4 million in respect of vested obligation and £295.1 million in respect of non-vested obligation.

**These figures are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.**

#### d) Investment Strategy

The investment strategy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The current investment policy is set out in the Fund's Investment Strategy Statement, a copy of which is available on the pension fund website ([www.nottspf.org.uk](http://www.nottspf.org.uk)).

During 2017/18 the Nottinghamshire Pension Fund Committee, was responsible for determining the investment strategy of the Fund and the type of investment management to be used. The Pension Fund Committee consisted of nine elected County Councillors (voting members), three representatives of Nottingham City Council, two representatives of the District Councils, two representatives of the Trade Unions, a representative elected by the other

scheduled and admitted bodies and two appointed pensioner representatives (non voting members). Meetings were also attended by an independent adviser and representatives of the Chief Financial Officer.

The investments were managed by officers of the Authority or by organisations specialising in the management of pension fund assets. The Pension Fund Committee was responsible for monitoring performance of the fund and met on a quarterly basis to review the Fund's main investment managers and their performance.

#### e) External Audit

A separate fee is payable to KPMG LLP for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2017/18 is £29,926 (£33,442 for 2016/17).

### 3 CONTRIBUTORS AND PENSIONERS

#### Members at 31 March 2018

	County Council	City Council	District Councils	Others	Total
Contributors	17,102	7,968	3,141	19,194	47,405
Deferred Beneficiaries	23,441	12,137	4,301	13,798	53,677
Pensioners	16,521	7,152	4,797	7,365	35,835
					<b>136,917</b>

#### Members at 31 March 2017

	County Council	City Council	District Councils	Others	Total
Contributors	15,268	8,153	3,163	16,600	43,184
Deferred Beneficiaries	21,985	11,542	4,214	12,156	49,897
Pensioners	16,299	6,865	4,667	6,409	34,240
					<b>127,321</b>



#### 4 ANALYSIS OF CONTRIBUTIONS

	Employers		Members		Total	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
County Council	39,984	70,101	11,937	11,894	51,921	81,995
Scheduled Bodies	88,994	116,383	29,192	30,713	118,186	147,096
Admitted Bodies	6,672	6,975	2,366	2,569	9,038	9,544
	<b>135,650</b>	<b>193,459</b>	<b>43,495</b>	<b>45,176</b>	<b>179,145</b>	<b>238,635</b>

#### 5 ANALYSIS OF BENEFITS

	2016/17	2017/18
	£000	£000
Pensions	146,132	153,122
Commutation and lump sum	31,093	27,700
Lump sum death benefits	4,726	4,741
	<b>181,951</b>	<b>185,563</b>
Comprising of:		
County Council	71,648	71,902
Scheduled Bodies	99,843	105,158
Admitted Bodies	10,460	8,503
	<b>181,951</b>	<b>185,563</b>

## 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2016/17 £000	2017/18 £000
Refunds to members leaving the fund	405	484
Payments for members joining state scheme	137	59
Group transfers to other funds	-	-
Individual transfers to other funds	14,204	16,170
	<b>14,746</b>	<b>16,713</b>

## 7 ADMINISTRATION EXPENSES

	2016/17 £000	2017/18 £000
Printing and stationery	14	8
Legal fees	16	6
Other external fees	36	313
Administering Authority Costs	1,637	1,626
	<b>1,703</b>	<b>1,953</b>

## 8 OVERSIGHT AND GOVERNANCE EXPENSES

	2016/17 £000	2017/18 £000
Training and conferences	14	10
Printing and stationery	1	1
Subscriptions and membership fees	43	42
Actuarial fees	66	23
Audit fees	33	30
Legal fees	11	3
Other external fees	238	(28)
Administering Authority Costs	400	407
	<b>806</b>	<b>488</b>

## 9 INVESTMENT INCOME

Analysis by type of investment	2016/17 £000	2017/18 £000
Interest from fixed interest securities	(19,796)	(31,194)
Income from index-linked securities	-	-
Dividends from equities	(72,747)	(67,735)
Income from pooled investment vehicles	(23,888)	(27,049)
Income from property pooled vehicles	(7,201)	(4,971)
Net rents from property	(16,048)	(16,950)
Interest on cash deposits	(813)	(580)
Other	(1,788)	(1,337)
	<b>(142,281)</b>	<b>(149,816)</b>

Directly held property		
Rental income	(17,746)	(18,810)
Less operating expenses	1,698	1,860
<b>Net rents from property</b>	<b>(16,048)</b>	<b>(16,950)</b>

The future minimum lease payments receivable by the fund are as follows:

	2016/17 £000	2017/18 £000
Within one year	16,974	18,890
Between one and five years	61,717	71,609
Later than five years	170,303	203,342
<b>Total future lease payments due under existing contracts</b>	<b>248,994</b>	<b>293,841</b>

## 10 INVESTMENT MANAGEMENT EXPENSES

	2016/17 £000	2017/18 £000
Custody fees	377	352
Investment management fees	3,823	4,365
Other external fees	160	161
Administering Authority Costs	18	18
Legal fees	3	-
	<b>4,381</b>	<b>4,895</b>

The investment management fees shown above are those fees attributable to external managers and charged directly to the Fund. Additional fees and charges are incurred through pooled investment vehicles. These have the effect of reducing the fair value of the investments. The estimated embedded costs within pooled investment vehicles were £10.5 million in 2017/18 (£10.6 million in 2016/17).

## 11 INVESTMENTS

### a) Investment Analysis

	31 March 2017	31 March 2018
	£000	£000
<b>Fixed Interest Securities</b>		
UK Public Sector	155,841	125,381
UK Other	576,684	564,823
Overseas Other	12,773	25,800
<b>Equities</b>		
UK	1,177,651	1,188,878
Overseas	815,967	836,114
Unlisted	5,011	7,524
<b>Pooled Investment Vehicles</b>		
Unit Trusts	711,405	761,045
Other Managed Funds	766,303	793,502
<b>Pooled Vehicles Invested in Property</b>		
Property Unit Trusts	115,737	152,051
Other Managed Funds	88,335	100,700
<b>Property</b>	367,175	438,470
<b>Forward Foreign Exchange</b>	-	103
<b>Cash and Currency</b>	102,267	146,032
<b>Investment Liabilities</b>	-	-
<b>Total Investments</b>	<b>4,895,149</b>	<b>5,140,423</b>

The original values of investments are based on purchase cost plus transaction costs. If any investments have been held since 1 April 1974 (when the Authority was given the responsibility for the Fund) these are included at the market value as at that date.

	<b>31 March 2017</b> <b>£000</b>	<b>31 March 2018</b> <b>£000</b>
Market Value	4,895,149	5,140,423
Original Value	3,337,794	3,719,836
<b>Excess/ (Deficit) of Market Value over Original Value</b>	<b>1,557,355</b>	<b>1,420,587</b>

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 contain a number of restrictions on investments. The limits that are relevant to the Fund are specified in the Fund's Statement of Investment Principles as follows:

- a) Not more than 10% of the Fund to be invested in unlisted securities.
- b) Not more than 10% of the Fund to be invested in a single holding.
- c) Not more than 25% of the Fund to be invested in securities which are managed by any one body, i.e. in a unit trust type arrangement.
- d) Not more than 15% of the Fund to be invested in partnerships, with not more than 2% in any one partnership.

No investments have been made contrary to these limits.

**b) Reconciliation of Opening and Closing Values of Investments 2017/18**

	<b>Value at 1 April 2017 £000</b>	<b>Purchases at Cost £000</b>	<b>Proceeds of Sales £000</b>	<b>Change in Market value £000</b>	<b>Value at 31 March 2018 £000</b>
Fixed Interest Securities	745,298	128,873	(133,315)	(24,852)	716,004
Equities	1,998,629	256,950	(184,836)	(38,227)	2,032,516
Pooled Investment Vehicles	1,477,708	330,379	(333,498)	79,958	1,554,547
Property Pooled Vehicles	204,072	38,212	-	10,467	252,751
Property	367,175	60,044	(10,739)	21,990	438,470
	<b>4,792,882</b>	<b>814,458</b>	<b>(662,388)</b>	<b>49,336</b>	<b>4,994,288</b>
Forward Foreign Exchange	-	110,364	(112,114)	1,853	103
	<b>4,792,882</b>	<b>924,822</b>	<b>(774,502)</b>	<b>51,189</b>	<b>4,994,391</b>
Cash deposits	102,267				146,032
	<b>4,895,149</b>				<b>5,140,423</b>

## Reconciliation of Opening and Closing Values of Investments 2016/17

	Value at 1 April 2016 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market value £000	Value at 31 March 2017 £000
Fixed Interest Securities	421,376	422,114	(119,178)	20,986	745,298
Equities	1,885,900	269,143	(560,761)	404,347	1,998,629
Pooled Investment Vehicles	1,025,118	269,665	(118,370)	301,295	1,477,708
Property Pooled Vehicles	169,618	33,009	(11,151)	12,596	204,072
Property	343,314	29,810	(12,995)	7,046	367,175
	<b>3,845,326</b>	<b>1,023,741</b>	<b>(822,455)</b>	<b>746,270</b>	<b>4,792,882</b>
Forward Foreign Exchange	168	64,680	(62,962)	(1,886)	-
	<b>3,845,494</b>	<b>64,680</b>	<b>(885,417)</b>	<b>744,384</b>	<b>4,792,882</b>
Cash deposits	193,339				102,267
	<b>4,038,833</b>				<b>4,895,149</b>

For Forward Foreign Exchange contracts, the purchase cost and sale proceeds represent the sterling value of the currency purchases and sales at the settlement dates specified in the contracts.

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £3.9 million in 2017/18 (£2.8 million in 2016/17). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.



### c) Management Arrangements

The assets of the Fund are managed within five portfolios and a breakdown of these as at the Net Assets Statement date is shown below:

	31 March 2017		31 March 2018	
	£000	%	£000	%
In-house	1,552,181	31.6%	1,489,164	29.0%
Schroder Investment Management	1,375,020	28.2%	1,409,787	27.4%
Kames Capital	755,278	15.4%	741,001	14.4%
Aberdeen Property Investors	379,860	7.8%	452,933	8.8%
Specialist	832,810	17.0%	1,047,538	20.4%
<b>Total</b>	<b>4,895,149</b>	<b>100.0%</b>	<b>5,140,423</b>	<b>100%</b>

A breakdown of material pooled holdings managed by external managers within the In-house and Specialist portfolios is shown below:

	31 March 2017	31 March 2018
	£000	£000
<b>In-house</b>		
Legal & General	332,354	315,215
<b>Specialist</b>		
Kames Capital	157,879	189,494
RWC Capital	204,874	244,347
Aberdeen Standard	81,843	97,525

#### d) Asset Allocation

The asset allocation of the Fund as at the Net Assets Statement date is shown below:

	31 March 2017		31 March 2018	
	£000	%	£000	%
UK Fixed Interest	732,525	15.0%	690,204	13.4%
Overseas Fixed Interest	12,773	0.3%	25,800	0.5%
UK Equities	1,294,167	26.4%	1,227,158	23.9%
Overseas Equities:				
US	888,602	18.2%	857,461	16.7%
Europe	388,945	7.9%	469,744	9.1%
Japan	194,767	4.0%	257,278	5.0%
Pacific Basin	135,346	2.8%	136,352	2.7%
Emerging Markets	252,095	5.1%	246,446	4.8%
UK Property	495,597	10.1%	611,444	11.9%
Overseas Property	75,650	1.5%	79,777	1.6%
Private Equity	83,402	1.7%	94,394	1.8%
Infrastructure	118,219	2.4%	169,219	3.3%
Multi-Asset	120,794	2.5%	129,011	2.5%
Forward Foreign Exchange	-	-	103	-
Cash	102,267	2.1%	146,032	2.8%
<b>Total</b>	<b>4,895,149</b>	<b>100.0%</b>	<b>5,140,423</b>	<b>100.0%</b>

### e) Property

Direct property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Savills Commercial Limited. The analysis of property is:

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
Freehold	350,775	406,370
Leasehold more than 50 years	16,400	32,100
	<b>367,175</b>	<b>438,470</b>
Original Value	302,860	351,889

Details of movement on directly owned properties is as follows:

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance</b>	<b>343,314</b>	<b>367,175</b>
Additions:		
Purchases	24,353	45,973
New construction	5,246	13,157
Subsequent expenditure	211	913
Disposals	(13,725)	(8,031)
Net increase in market value	7,776	19,283
Other changes in fair value	-	-
<b>Closing balance</b>	<b>367,175</b>	<b>438,470</b>

**f) Analysis of Pooled Investment Vehicles**

The underlying economic exposure of pooled investment vehicles is shown below:

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
UK Equities	168,846	110,937
Overseas Equities:		
US	420,577	399,306
Japan	101,558	163,553
Europe	134,213	185,510
Pacific Basin	135,346	136,352
Emerging Markets	224,745	215,828
UK Property	128,422	172,974
Overseas Property	75,650	79,777
Private Equity	78,390	86,871
Infrastructure	93,239	127,179
Multi-Asset	120,794	129,011
<b>Total</b>	<b>1,681,780</b>	<b>1,807,298</b>

## g) Private Equity and Infrastructure Funds

The Fund has made commitments to a number of private equity and infrastructure funds. The original commitment amounts are shown below in the fund currencies:

	Currency	Commitment millions
<b>Private Equity Funds</b>		
Wilton Private Equity Fund LLC	USD	14
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	5
Coller International Partners IV	USD	10
Schroders Private Equity Fund of Funds III	EUR	22
DCM Private Equity Fund II	USD	18
Pantheon Europe Fund V	EUR	15
Coller International Partners V	USD	18
Catapult Growth Fund LP	GBP	4
Altius Associates Private Equity Fund	USD	10
Partners Group Secondary 2008	EUR	13
DCM Private Equity Fund III	USD	16
Coller International Partners VI	USD	16
Altius Associates Private Equity Fund II	USD	15
Foresight Nottingham Fund LP	GBP	10
Aberdeen SVG Private Equity	USD	15
DCM Private Equity Fund IV	USD	16
Coller International VII	USD	16
Pantheon Multi-Strategy	EUR	14
Capital Dynamics CPEV 15-16	GBP	10
Capital Dynamics CPEV 16-17	GBP	10
Capital Dynamics CPEV 17-18	GBP	10
YFM Equity Partners 2016 LP	GBP	10
<b>Infrastructure Funds</b>		
Partners Group Global Infrastructure	EUR	12
Altius Real Assets Fund I	USD	15
Hermes GPE Infrastructure Fund LP	GBP	25
AMP Capital Global Infrastructure Fund	USD	21
SL Capital Infrastructure LP	GBP	15
JP Morgan IIF UK 1	USD	22
Green Investment Bank Offshore Wind Fund	GBP	15
MacQuarie European Infrastructure Fund 5 LP	EUR	30
Equitix Fund IV LP	GBP	20
Hermes GPE Infrastructure II LP	GBP	25

These commitments are drawn by the funds over time as investments are made in underlying companies or assets. The undrawn commitments as at 31 March 2018 were £141.4 million (£141.5 million at 31 March 2017). Of the funds above, the following were new commitments made during 2017/18:

	Currency	Commitment millions
Equitix Fund IV LP	GBP	20
Hermes GPE Infrastructure II LP	GBP	25

#### h) Analysis of derivatives

Open Forward Foreign Exchange contracts at 31 March 2018

Settlement	Currency Bought	Local Value £000	Currency Sold	Local Value £000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	5,743	EUR	(6,500)	31	-
Up to 3 months	GBP	25,156	USD	(35,300)	72	-
					103	-
<b>Total net forward foreign exchange contracts</b>					<b>103</b>	

Open Forward Foreign Exchange contracts at 31 March 2017

Settlement	Currency Bought	Local Value £000	Currency Sold	Local Value £000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	-	EUR	-	-	-
Up to 3 months	GBP	-	USD	-	-	-
					-	-
<b>Total net forward foreign exchange contracts</b>					<b>-</b>	

## 12 CONTINGENT LIABILITIES

The fund has 33 private equity and infrastructure funds which have undrawn commitments as at 31 March 2018 of £141.4 million (£141.5 million at 31 March 2017).

### 13 OTHER INVESTMENT BALANCES AND LIABILITIES

	31 March 2017 £000	31 March 2018 £000
<b>Other investment balances</b>		
Outstanding investment transactions	-	-
Investment income	34,094	31,062
	<b>34,094</b>	<b>31,062</b>
<b>Contingent Liabilities</b>		
Outstanding investment transactions	(325)	(230)
Investment income	(2,964)	(3,542)
	<b>(3,289)</b>	<b>(3,772)</b>

### 14 CURRENT ASSETS AND LIABILITIES

	31 March 2017 £000	31 March 2018 £000
<b>Current Assets</b>		
Contributions due from employers	9,521	10,010
Other	1,093	1,763
	<b>10,614</b>	<b>11,773</b>
<b>Current Liabilities</b>		
Payments in advance	-	-
Sundry creditors	(4,000)	(7,553)
<b>Other</b>	(200)	(344)
	<b>(4,200)</b>	<b>(7,897)</b>

## 15 FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS

a) The various financial instruments held by the Fund are valued at fair value. The following tables analyse liabilities by asset class.

31 March 2018

	Designated at Fair Value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	Totals £000
<b>Financial Assets</b>				
Fixed Interest Securities	716,004	-	-	716,004
Equities	2,032,516	-	-	2,032,516
Pooled Investment Vehicles	1,554,547	-	-	1,554,547
Property Pooled Vehicles	252,751	-	-	252,751
Forward Foreign Exchange	103	-	-	103
Cash deposits	-	146,032	-	146,032
Other investment balances	-	31,062	-	31,062
Current Assets	-	11,773	-	11,773
	<b>4,555,921</b>	<b>188,867</b>	<b>-</b>	<b>4,744,788</b>
<b>Financial Liabilities</b>				
Investment Liabilities	-	-	(3,772)	(3,772)
Current Liabilities	-	-	(7,897)	(7,897)
	-	-	<b>(11,669)</b>	<b>(11,669)</b>
	<b>4,555,921</b>	<b>188,867</b>	<b>(11,669)</b>	<b>4,733,119</b>



31 March 2017

	Designated at Fair Value through profit and loss  £000	Loans and Receivables  £000	Financial liabilities at amortised cost  £000	Totals  £000
<b>Financial Assets</b>				
Fixed Interest Securities	745,298	-	-	745,298
Equities	1,998,629	-	-	1,998,629
Pooled Investment Vehicles	1,477,708	-	-	1,477,708
Property Pooled Vehicles	204,072	-	-	204,072
Forward Foreign Exchange	-	-	-	-
Cash deposits	-	102,267	-	102,267
Other investment balances	-	34,094	-	34,094
Current Assets	-	10,614	-	10,614
	<b>4,425,707</b>	<b>146,975</b>	<b>-</b>	<b>4,572,682</b>
<b>Financial Liabilities</b>				
Investment Liabilities	-	-	(3,289)	(3,289)
Current Liabilities	-	-	(4,200)	(4,200)
	-	-	<b>(7,489)</b>	<b>(7,489)</b>
	<b>4,425,707</b>	<b>146,975</b>	<b>(7,489)</b>	<b>4,565,193</b>

No financial assets were reclassified during the accounting period.

## b) Valuation of financial instruments and Property Investments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

- Level 1** Fair values derived from quoted market price.  
- this includes all quoted equity, fixed interest and index linked instruments.
- Level 2** Fair values derived from valuation techniques based significantly on observable inputs.  
- this includes all pooled property investments.
- Level 3** Fair values derived from valuation techniques where at least one significant input is not based on observable market data.  
- this includes unlisted shares and investments in private equity funds.  
- following guidance from IFRS13 Property is included in level 3 from 2016/17.

<b>As at 31 March 2018</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Fair value through profit and loss	-	-	-	-
Financial instruments	4,201,252	252,751	101,918	4,555,921
Freehold and leasehold property	-	-	438,470	438,470
Loans and receivables	188,867	-	-	188,867
<b>Total</b>	<b>4,390,119</b>	<b>252,751</b>	<b>540,388</b>	<b>5,183,258</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(11,669)	-	-	(11,669)
<b>Total</b>	<b>(11,669)</b>	<b>-</b>	<b>-</b>	<b>(11,669)</b>
<b>Net</b>	<b>4,378,450</b>	<b>252,751</b>	<b>540,388</b>	<b>5,171,589</b>

**As at 31 March 2017**

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit and loss	-	-	-	-
Financial instruments	4,133,222	204,072	88,413	4,425,707
Freehold and leasehold property	-	-	367,175	367,175
Loans and receivables	146,975	-	-	146,975
<b>Total</b>	<b>4,280,197</b>	<b>204,072</b>	<b>455,588</b>	<b>4,939,857</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(7,489)	-	-	(7,489)
<b>Total</b>	<b>(7,489)</b>	<b>-</b>	<b>-</b>	<b>(7,489)</b>
<b>Net</b>	<b>4,272,708</b>	<b>204,072</b>	<b>455,588</b>	<b>4,932,368</b>

**Sensitivity of assets valued at level 3**

Having analysed historical data and current market trends, and consulted with independent investment advisers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Freehold and leasehold property	5%	438,470	460,394	416,547
Private equity and unlisted shares	15%	101,918	117,206	86,630
<b>Total</b>		<b>540,388</b>	<b>577,600</b>	<b>503,177</b>

### c) Nature and extent of risks arising from financial instruments

The aims of the Fund are to:

- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due
- maximise the returns from investments within reasonable risk parameters
- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies.

The key risks to the achievement of these aims, as well as measures to mitigate those risks, are set out in the various Fund policies (available at [www.nottspf.org.uk](http://www.nottspf.org.uk)) including:

- Investment Strategy Statement
- Funding Strategy Statement
- Governance Compliance Statement
- Risk Management Strategy and Risk Register

The Risk Register identifies the highest risks as arising from:

- Fund assets are assessed as insufficient to meet long term liabilities
- Standing data and permanent records are not accurate
- Significant variations from assumptions used in the actuarial valuation
- Actions have been agreed to mitigate these risks.

The Fund's primary risk is that its assets fall short of its long term liabilities. The Funding Strategy Statement states that 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.

The most significant effect on the funding level arises from changes in the discount rate used by the actuaries. The sensitivity analysis below (prepared by the Fund's actuaries) shows the impact of a movement of 0.1% in the discount rate.

<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
<b>Present Value of Total Obligation (£000)</b>	<b>8,279,564</b>	<b>8,442,517</b>	<b>8,608,840</b>

The Fund deficit at the last triennial valuation was £621 million.

For the first time in 2013/14 there was a net withdrawal from dealings with members. The net withdrawal in 2014/15 would have been marginal but for the transfer out in respect of the Nottinghamshire Probation Trust. The net withdrawal in 2015/16 was again marginal, but in 2016/17 is somewhat larger, but still more than covered by investment income. In 2017/18 a number of employers made lump sum deficit contributions, and for this reason there was a net addition to the fund from dealings with members.

The Fund continues to receive significant investment income and is therefore unlikely to need to sell assets in order to meet pension benefits. This allows the Fund to implement a long term investment strategy and minimise the impact of short term fluctuations in investment and currency markets. The strategy, and the assumptions that underpin it, are reviewed on a regular basis and cash flows are monitored closely to ensure there is sufficient liquidity to meet forecast cash flows.

The investment strategy is aimed at achieving best returns in line with the requirements of the triennial valuation whilst minimising risk and overall variability in future employers' contribution rates. A key part of managing the investment risk is by ensuring an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets. The level of risk in the equities block is managed by a balance between passive and active management.

Policies are reviewed regularly to reflect changes in activity and in market conditions. Responsibility for reviewing and revising the policies rests with the Nottinghamshire Pension Fund Committee.

## 16 MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Nottinghamshire Fund provides an additional voluntary contribution (AVC) scheme to enable members to purchase additional benefits. Contributions are paid over to, and invested separately by, the two scheme providers, Prudential and Scottish Widows. The contributions are not included in the Fund's accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The value of the separately invested AVCs is shown below:

	31 March 2017 £000	31 March 2018 £000
Prudential	34,085	34,088
Scottish Widows	4,261	3,486
	<b>38,346</b>	<b>37,574</b>

## 17 RELATED PARTY TRANSACTIONS

Under IAS 24, a party is related to an entity if:

- the party is a member of the key management personnel
- the party is a post-employment benefit plan for the benefit of employees of the entity.

The purpose of related party disclosures is to provide information on transactions and balances that could have an effect on the operations or financial position of an entity. For example, related parties may enter into transactions that unrelated parties would not and transactions between related parties may not be made at the same amounts as between unrelated parties.

Disclosures are required for:

- the nature of the related party relationship
- key management personnel compensation
- information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Nottinghamshire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Nottinghamshire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

No services were provided by LGPS Central Ltd during 2017/18 as operation only commenced in April 2018.

£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central during the year. These are the balances at year end.

£400,664 has been spent on setting up LGPS Central during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £499,260 is due to be refunded to Nottinghamshire Pension Fund by LGPS Central reflecting the cost of setting up the enterprise to the end of March 2018.

# Governance Compliance Statement

## 1 Introduction

- 1.1 This is the governance compliance statement of the Nottinghamshire pension fund which is part of the Local Government Pension Scheme and administered by Nottinghamshire County Council (the council). The statement has been prepared as required by the Local Government Pension Scheme (Administration) Regulations 2013.

## 2 Governance Arrangements

- 2.1 Under the terms of the council's constitution, the functions of the council as administering authority of the pension fund are delegated to the Nottinghamshire Pension Fund Committee. This is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 2.2 The Nottinghamshire Pension Fund Committee meets eight times a year and its members act in a quasi-trustee capacity. Under the constitution, it is responsible for Administering the Nottinghamshire Pension Fund, including investments by and management of pension funds.
- 2.3 The Committee also has responsibility for investment performance management of the Fund Managers. It may appoint a working party to consider future policy and development.
- 2.4 The Committee has the further responsibility for matters relating to the administration of the Pension Fund.
- 2.5 The number of voting members of the Nottinghamshire Pension Fund Committee is determined by the Council at its annual meeting.

## 3 Functions and Responsibilities

- 3.1 The Nottinghamshire Pension Fund Committee separately approves the pension fund's Funding Strategy Statement, Investment Strategy Statement, Risk Management Strategy, Administration Strategy Statement and Communications Strategy Statement.
- 3.2 The Funding Strategy Statement sets out the aims and purpose of the pension funds and the responsibilities of the administering authority as regards funding the scheme. Funding is the making of advance provision to meet the cost of accruing benefit promises and the long term objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities. These responsibilities are delegated to the Nottinghamshire Pension Fund Committee.
- 3.3 The Investment Strategy Statement sets out more detailed responsibilities relating to the overall investment strategy of the funds including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also covers the fund's policy on trustee training and expenses and states the fund's approach to socially responsible investment and corporate governance issues. These responsibilities are delegated to the Nottinghamshire Pension Fund Committee.
- 3.4 Financial Regulations specify that the Service Director (Finance, Infrastructure & Improvement) 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).

3.5 The Risk Management Strategy aims to reduce or eliminate risks which may jeopardise the achievement of the Fund's key objectives. It includes a risk register that identifies and prioritises the main risks to the operation of the fund. Responsibility for the Risk Management Strategy is delegated to the Nottinghamshire Pension Fund Committee.

3.6 The Communications Strategy Statement details the overall strategy for involving stakeholders in the pension funds. The stakeholders identified are:

- trustees
- current and prospective scheme members
- scheme employers
- administration staff
- other bodies.

Responsibility for the communications strategy is delegated to the Nottinghamshire Pension Fund Committee.

## 4 Representation

4.1 The Nottinghamshire Pension Fund Committee has 9 voting members all of whom are current county councillors. The political make-up of the committee is in line with the current council and the chair is normally appointed by Council. These members have full voting rights.

4.2 In addition the Committee also has 10 members consisting of the following representatives:

- Nottingham City Council (3)
- Nottinghamshire Local Authorities' Association (2)
- scheduled and admitted bodies (1)
- trade unions (2)
- Pensioner representatives (2)

4.3 Meetings of the Committee are also attended by officers of the County Council and an independent adviser. This ensures the Committee has access to "proper advice" as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Proper advice is defined as the advice of a person who is reasonably believed to be qualified by their ability in and practical experience of financial matters. This includes any such person who is an officer of the administering authority.

## 5 Stakeholder Engagement

5.1 An annual meeting of the pension funds is held in October to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the pension funds.

5.2 A number of other initiatives to involve stakeholders are currently in place including:

- regular employers meetings
- meetings between employers and actuaries
- Nottinghamshire Finance Officers meetings
- the annual report for the pension fund
- Pensions road shows at various venues around the County
- dedicated pension fund website.

## 6 Review and Compliance with Best Practice

6.1 This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the pension funds.

6.2 The regulations required a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. The guidance contains best practice principles and so are shown below with the assessment of compliance.



<b>Ref.</b>	<b>Principles</b>	<b>Compliance and Comments</b>
<b>A</b>	<b>Structure</b>	
<b>a.</b>	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	<b>Fully compliant</b>
<b>b.</b>	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<b>Fully compliant</b>
<b>c.</b>	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>Not applicable</b>
<b>d.</b>	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<b>Not applicable</b>
<b>B</b>	<b>Representation</b>	
<b>a.</b>	That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include: <ul style="list-style-type: none"> <li>i employing authorities (including non-scheme employers, eg, admitted bodies);</li> <li>ii scheme members (including deferred and pensioner scheme members),</li> <li>iii independent professional observers, and</li> <li>iv expert advisors (on an ad-hoc basis).</li> </ul>	<b>Fully compliant</b>
<b>b.</b>	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	<b>Fully compliant</b>
<b>C</b>	<b>Selection and role of lay members</b>	
<b>a.</b>	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	<b>Fully compliant</b> All members of the Nottinghamshire Pension Fund Committee are aware of their responsibilities for the oversight of the funds.
<b>D</b>	<b>Voting</b>	
<b>a.</b>	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<b>Fully compliant</b>

<b>Ref</b>	<b>Principles</b>	<b>Compliance and Comments</b>
<b>E</b>	<b>Training/facility time/expenses</b>	
<b>a.</b>	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	<b>Fully compliant</b> Members are encouraged to receive suitable training to help them discharge their responsibilities including attending training courses, conferences and meetings. Travel and subsistence arrangements are those which prevail for the County Council.
<b>b.</b>	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<b>Fully compliant</b>
<b>F</b>	<b>Meetings (frequency/quorum)</b>	
<b>a.</b>	That an administering authority's main committee or committees meet at least quarterly.	<b>Fully compliant</b> The Nottinghamshire Pension Fund Committee meets 8 times a year.
<b>b.</b>	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<b>Not applicable</b>
<b>c.</b>	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	<b>Not applicable</b>
<b>G</b>	<b>Access</b>	
<b>a.</b>	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	<b>Fully compliant</b>
<b>H</b>	<b>Scope</b>	
<b>a.</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>Fully compliant</b>
<b>I</b>	<b>Publicity</b>	
<b>a.</b>	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	<b>Fully compliant</b> The governance compliance statement is published on the pension fund website and is included with the relevant committee report (available on the County Council website).

# Funding Strategy Statement

## Introduction

- 1 This is the Funding Strategy Statement (FSS) for the Nottinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”) and describes Nottinghamshire County Council’s strategy, in its capacity as Administering Authority, for the funding of the Nottinghamshire County Council Pension Fund (“the Fund”).
- 2 This statement has regard to the guidance set out in the document “Preparing and Maintaining a Funding Strategy Statement” published by CIPFA in February 2016. The statement also has regard to the Investment Strategy Statement published by the Administering Authority in March 2017.
- 3 The Statement describes a single strategy for the Fund as a whole. The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

## Purpose of the Funding Strategy Statement

- 4 The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:
  - How the costs of the benefits provided under the Local Government Pension Scheme (the “Scheme”) are met through the Fund.
  - The objectives in setting employer contribution rates.
  - The funding strategy that is adopted to meet these objectives.

## Aims and Purpose of the Fund

- 5 The aims of the Fund are to:
  - Manage employers’ liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
  - Achieve and maintain Fund solvency and long-term cost efficiency at reasonable cost to taxpayers, scheduled, resolution and admitted bodies, and enable contribution rates to be kept as nearly constant as possible where practical.
  - Seek returns on investment within reasonable risk parameters.
- 6 The purpose of the Fund is to:
  - Pay pensions, lump sums and other benefits provided under the Regulations.
  - Meet the costs associated in administering the Fund.
  - Receive contributions, transfer values and investment income.

## Key Parties

- 7 The key parties involved in the funding process and their responsibilities are as follows.

### The Administering Authority

- 8 The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:
  - Collect employee and employer contributions.
  - Invest the Fund’s assets, while ensuring cash is available to meet liabilities as and when they fall due.
  - Pay the benefits due to Scheme members.
  - Take measures to safeguard the Fund against the consequences of employer default.

- Manage the actuarial valuation process in conjunction with the Fund Actuary, and enable the Local Pensions Board to review the valuation process as they see fit.
- Prepare and maintain this FSS and the Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate.
- Monitor all aspects of the Fund's performance and funding.
- Effectively manage any potential conflicts of interest arising from its dual role as both Administering Authority and Scheme employer.

### Scheme Employers

9 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 certified by the Fund Actuary to the Administering Authority within the statutory timescales, including any exit payments on ceasing participation in the Fund.
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly.
- Develop a policy on certain discretions and exercise those discretions as 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

10 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, and in particular, set contribution rates in order to secure the Fund's solvency and long-term cost efficiency, having regard to the desirability of maintaining as nearly constant a primary contribution rate as possible.
- Advise on other actuarial matters affecting the financial position of the Fund, including bulk transfers, employer exit valuations, etc.
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

### Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

#### Funding Objectives

- 11 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 as they fall due.
  - Ensure the solvency and long-term cost efficiency of the Fund, while having regard to the desirability of maintaining as nearly constant employer contribution rates where practical.
  - Set contributions to target a 100% funding level over an appropriate time period using appropriate actuarial assumptions.

## Funding Strategy

- 12 The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.
- 13 The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.
- 14 The last actuarial valuation was carried out as at 31 March 2016 with the assets of the Fund found to be 87% of the accrued liabilities of the Fund.

## Funding Method

- 15 The key objective in determining employer's contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.
- 16 The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

- 17 For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:
  - The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit.
  - The future service funding rate which is the level of contributions required from the individual employers which, in combination with employee contributions, is expected to support the cost of benefits accruing in future.
- 18 The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.
- 19 For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

## Valuation Assumptions and Funding Model

- 20 In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover.

21 The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid.
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value. The base market statistics used for the financial assumptions are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the three months before and the three months after the valuation date.

### Future Investment Returns/Discount Rate

- 23 To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values. The discount rate that is adopted will depend on the funding target adopted for each employer.
- 24 For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate.

Assumption	Derivation	Value at 31 March 2016
Future Price Inflation (RPI)	Smoothed 20 year point on the Bank of England implied Retail Price Index inflation curve as at 31 March 2016.	3.3% p.a.
Future Price Inflation (CPI)	RPI less 0.9% per annum to reflect the differences in the indices.	2.4% p.a.
Salary increases	Assumed to be in line with CPI until 31 March 2020 and then CPI plus 1.5% p.a. thereafter.	2.4% p.a. until 31 March 2020 then 3.9% p.a.
Discount rate	Based on the long-term investment strategy of the Fund, with deductions for expenses and prudence.	5.4% p.a.
Post-retirement mortality	S2PA tables with a multiplier of 100% for males and 90% for females, projected into the future with the 2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	n/a

22 A summary of the key assumptions is included in the following table and can be found in the actuarial valuation report as at 31 March 2016. Further details regarding the derivation of these assumptions can be found in the Fund Actuary’s initial results and assumptions advice to the Fund dated 5 October 2016.

25 For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected “termination date”), the employer becomes an exiting employer under Regulation 64. The Fund Actuary may incorporate such an adjustment after consultation with the Administering Authority.

26 The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

### Asset Valuation

27 For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

### Deficit Recovery/Surplus Amortisation Periods

28 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different from the value of accrued liabilities, depending on how the actual experience of the Fund differs from the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

29 Where the actuarial valuation reveals a deficit in respect to a particular employer then the levels of required employer contributions will include an adjustment to fund the deficit over a specified period. Each employer’s recovery period is considered individually, unless they are part of a pool (see Pooling of Individual Employers). Past service deficit contributions are generally paid as monetary amounts but may be paid as a percentage of payroll, subject to the Administering Authority agreeing this approach.

30 At the 2016 actuarial valuation, no employers’ deficit recovery periods were greater than 20 years.

31 Where an employer’s funding position has improved in the inter-valuation period, but the employer is still in deficit, the employer may be required to maintain the previous total contribution level so that the expected deficit recovery period reduces.

32 Incremental phasing-in (stepping) of contribution increases may be considered for some employer types where proposed increases are large, with target rates to be achieved in no later than 3 years. Where stepping is agreed to, employers are instructed that the difference between the employer contributions with stepping and the employer contributions without stepping will need to be repaid later in the recovery period.

33 Employers in surplus on their funding method will generally pay the future service rate although the surplus may be released back to the employer through an adjustment to their contribution rate. The Fund Actuary will consider each employer separately when deciding whether surplus amortisation is appropriate.

### Pooling of Individual Employers

34 The general policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

35 However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

36 The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

37 Currently, other than Scheme employers that are already legally connected, there are the following pools:

- Small Scheduled Bodies pool
- Grouped Admission Bodies pool
- Fund Academies pool

## Cessation Valuations

38 On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment, as required by the Regulations. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

39 In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions from those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

## Links to Investment Policy

40 The investment strategy and the funding strategy are linked by the strategic asset allocation of the Fund, which has been set following advice from the Fund's investment adviser and with regard, amongst other considerations, the maturity profile of the Fund.

41 The actuarial valuation involves a projection of future cashflows from the Fund and these cashflows are discounted to the current time, using the discount rate, to obtain a single figure for the value of the past service liabilities. This figure is the amount of money, which if invested now, would be sufficient to make those payments in future provided that the assumptions made during the valuation

were borne out in practice (in particular, if the future investment return was equal to the discount rate used).

42 The discount rate is based on the expected long-term future investment return, using the long-term strategic allocation set out in the Investment Strategy Statement, with a deduction for expenses and for prudence.

## Risks and Counter Measures

43 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

44 The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

### Financial Risks

45 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

46 The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the valuation of the liabilities by 2%, and decrease/increase the required employer contribution by around 1% of payroll.

47 However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from officers and independent advisers on investment strategy.



48 The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary may provide funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

### Demographic Risks

- 49 Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.
- 50 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.
- 51 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements. However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

### Regulatory Risks

- 52 The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. Regulations also place certain limitations on how the assets can be invested. The tax status of the invested assets is also determined by the Government.
- 53 The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

54 However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

### Employer Risks

- 55 Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:
- Structural changes in an individual employer's membership.
  - An individual employer deciding to close the Scheme to new employees.
  - An employer ceasing to exist without having fully funded their pension liabilities.
- 56 The Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.
- 57 In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

### Monitoring and Review

- 58 This FSS is reviewed formally, in consultation with the key parties as appropriate, at least every three years to tie in with the triennial actuarial valuation process.
- 59 The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

# Investment Strategy Statement

## Introduction

- 1 The County Council is an administering authority of the Local Government Pension Scheme (the “Scheme”) as specified by the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations). It is required by Regulation 53 of the LGPS Regulations to maintain a pension fund for the Scheme.
- 2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Investment Regulations”) govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review and if necessary revise its investment strategy at least every 3 years.
- 3 The investment strategy statement must include:
  - a) a requirement to invest fund money in a wide variety of investments
  - b) the authority’s assessment of the suitability of particular investments and types of investments
  - c) the authority’s approach to risk, including the ways in which risks are to be assessed and managed
  - d) the authority’s approach to pooling investments, including the use of collective investment vehicles and shared services
  - e) the authority’s policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

- f) the authority’s policy on the exercise of the rights (including voting rights) attaching to investments.

## Purpose of the Principles

- 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 following principles underpin the Fund’s investment activity:
  - The Fund will aim to be sufficient to meet all its obligations on a continuing basis
  - The Fund will be invested in a diversified range of assets
  - Proper advice on diversification and the suitability of types of investment will be obtained and considered
  - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

## Key Parties

- 6 The key parties involved in the Fund’s investments and their responsibilities are as follows.

## The Administering Authority

- 7 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.

8 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.

### Committee Members

9 The Committee Members recognise their full responsibility for the oversight of the Fund, and operate to a Code of Conduct. They shall:

- Determine the overall asset allocation and investment strategy of the Fund
- Determine the type of investment management to be used and appoint and dismiss portfolio fund managers
- Receive regular 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.

### Chief Finance Officer

10 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).

11 Authorised signatories for operational matters relating to pension fund investments are:

- Service Director (Finance, Procurement & Improvement)
- Group Manager (Financial Strategy & Accounting)
- Group Manager (Financial Management)
- Senior Accountant (Pensions & Treasury Management)
- Investments Officer

12 Representatives of the Service Director (Finance, Infrastructure & Improvement) provide advice to Committee members and attend meetings of the Pension Fund Committee as required.

### Independent Adviser

13 The Fund has an Independent Adviser who attends meetings of the Pension Fund Committee and Pensions Working Party as required. This is considered best practice in accordance with the requirements for "proper advice" in the governing regulations.

14 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.

## LGPS Central

15 LGPS Central is the asset pool in which the Nottinghamshire Fund is participating in order to meet the government's criteria for investment reform issued in November 2015. The County Council jointly owns LGPS Central Ltd, the operating company which is FCA regulated and which manages collective investment vehicles on behalf of the participating funds.

## Asset Allocation

16 It is widely recognised that asset allocation is the most important factor in driving long term investment returns. The balance between different asset classes depends largely on the expected risk/return profile for each asset class and the target return for the Fund. It is also recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers.

17 Employers' contributions are determined as part of the triennial actuarial valuation of the Fund. The actuarial valuation involves a projection of future cash flows to and from the Fund and its main purpose is to determine the level of employers' contributions that should ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. This is the main funding objective as set out in the Funding Strategy Statement.

18 The Fund Actuary estimates the future cash flows which will be paid from the Fund for the benefits relating to service up to the valuation date. They then discount these projected cash flows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.

19 The discount rate is based on the expected long term future investment returns from various asset classes. At the latest valuation, these were as follows:

Asset Class	Expected Return (pa)
Equities	7.4%
Gilts	2.4%
Other Bonds	3.3%
Property	5.9%
Cash	1.8%
<b>Discount Rate</b>	<b>5.4%</b>
<b>Fund Target Return</b>	<b>6.0%</b>

20 At the latest valuation, the Fund was assessed to have a deficit of £621m and a funding level of 87%. Deficit recovery contributions have been certified for the majority of employers but any returns in excess of the discount rate will help to recover the Fund to a fully funded position. The Fund will therefore target an annual return rate of 6%.

21 The agreed asset allocation ranges for the Fund are shown below along with the Fund's strategic benchmark and liability based benchmark.

Asset Class	Allocation Ranges	Strategic Benchmark	
Equities	55% to 75%	FTSE All Share World	65.0%
Property	5% to 25%	IPD annual	15.0%
Bonds	10% to 25%	FTSE UK All Stock	17.5%
Cash	0% to 10%	LIBID 7 Day	2.5%
<b>Liability Based Benchmark</b>		FTSE UK Gilts 5 Yrs	100.0%

- 22 These ranges are aimed at achieving appropriate returns to meet the funding objective within acceptable risk parameters. The Fund will vary between the asset classes according to market circumstances, relative performance and cash flow requirements. The ranges will be kept under regular review and, if it appears likely that these limits might be breached because of market movements, reference will be made to a meeting of the Pensions Working Party for advice.
- 23 The asset allocation currently favours “growth assets” (equities and property) over “defensive assets” (bonds and cash) as the former are expected to outperform the latter over the long term. Although net additions from members (contributions received less benefits paid) are now expected to be negative for the foreseeable future, the Fund receives significant investment income and a recent report by the Fund Actuary shows that the Fund is unlikely to need to sell assets to pay benefits for at least 20 years. This allows the Fund to continue to implement a long term investment strategy.
- 24 As the funding level approaches 100%, the asset allocation will be reviewed to consider whether it is appropriate to change the mix of growth versus defensive assets.

## Investment Strategy

### Requirement to invest fund money in a wide variety of investments

- 25 The Fund will be invested in a diversified range of assets. The Fund will be diversified across multiple asset classes with different risk return expectations and correlations to deliver the targeted return of the Fund. The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, infrastructure and commodities either directly or through pooled funds. These asset classes are only examples of the types of investments that may be held, and are not intended to be an exhaustive list.

### Types of investments

- 26 Subject to the LGPS regulations on allowable investments the Fund may invest in a wide range of assets and strategies including quoted equity, Government and Non-Government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies, private equity and debt markets, Infrastructure and Property. Investment may be made in-house, indirectly (via funds) in physical assets or using derivatives. The fund will also use external managers to carry out stock lending ensuring suitable controls/risk parameters are put in place to prevent losses. Where an asset class/strategy is not expected to help in delivering the risk adjusted investment return required it will not be held.

### Approach to risk, including the ways in which risks are to be assessed and managed

- 27 The risk tolerance of the Fund is agreed with the Pension Fund Committee, the investment team and independent adviser through the setting of investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to meet the target return (set out in paragraph 19) of 6%.

28 The Fund is exposed to investment, operational, governance and funding risks. These risks are identified, measured, monitored and then managed. This is carried out using risk registers with section responsibility and oversight from the Head of Governance/CRO.

### Approach to pooling investments

29 The Fund is entering the LGPS Central pool with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability and access to more uncorrelated asset classes. Becoming an FCA registered investment manager will lead to improved governance, transparency and reporting giving the Pension Fund assurance that its investments are being carried out effectively.

30 It is expected that most of the Fund's assets will be transferred to the Pool over time, as it will take some time for the Pool to restructure the assets into appropriate sub-funds within the Pool. These sub-funds are likely to be set-up over a period of 2 – 3 years, with the timing being dependent on market conditions and operational circumstances.

31 The detailed business case for LGPS Central demonstrates how the proposal will meet the four key assessment criteria laid down by the government:

- Asset pool(s) that achieve the benefits of scale (>£25billion)
- Strong governance and decision making
- Reduced costs and value for money
- Improved capacity and capability to invest in infrastructure

32 The business case outlined the proposed governance, oversight and management structure of the pool and this has been reviewed by Eversheds, the legal advisers appointed by the pool.

33 The structure will allow participating funds to exercise control (both individually, and collectively) over the new arrangements, not only as investors in the pooled funds, but also as shareholders of the operator company, LGPS Central Ltd.

34 Whilst assets will be managed on a pooled basis, each fund will be able to exercise their investor rights independently, although benefits of scale will be most effectively harnessed where parties work together in a co-ordinated way to align their decision making. An important example of this is responsible investment and voting policies where cross-voting between funds within the same pool would be both costly to administer and counterproductive.

35 The Shareholders Forum, governed by a Shareholders Agreement and operating under company law, will have formal decision making powers. Nottinghamshire County Council will have equal voting rights alongside the other participating funds, and unanimous decisions will be required on key strategic matters. These are specified in the Shareholders Agreement and Articles of Association and include the appointment and dismissal of the company's senior executives, approval of the company's strategic plan and any significant financial transactions, such as major acquisitions, lending or borrowing.

36 The degree of control to be exercised by the Shareholders through their reserve powers will be greater than is generally the case, in order to satisfy the Teckal exemption criteria and allow the company to undertake services on behalf of the investor funds without a formal procurement process.

- 37 The Joint Committee, established by an Inter-Authority Agreement, will be the forum for dealing with common investor issues, and for collective monitoring of the performance of the pool against the agreed objectives of LGPS Central. It will however, have no formal decision making powers and recommendations will require the approval of individual authorities, in accordance with their local constitutional arrangements.
- 38 The government has made clear their expectation that pooled entities should be regulated by the Financial Conduct Authority (FCA) to ensure appropriate safeguards over the management of client monies. As such, LGPS Central Ltd will be subject to on-going oversight by the FCA and key management positions, including the company directors, need to be 'approved persons', able to demonstrate appropriate knowledge, expertise and track record in investment management. These positions also carry significant personal liability for their actions and decisions.
- 39 Comprehensive programme governance arrangements are in place to ensure that the statutory deadline for the implementation of pooling is achieved and that costs and savings are managed in accordance with the agreed business case. The Section 151 officers of each of the participating funds sit on the LGPS Practitioners Advisory Forum and regular meetings are held with the Chair and Vice-Chair of the Pension Fund Committee to ensure effective member oversight of progress and delivery. The Nottinghamshire Pension Fund Committee and the Local Pensions Board are also being updated regularly on key developments and decisions.
- 40 Expert advisers have been appointed to provide support on legal matters, FCA registration, taxation and overall programme management.

### Policy on social, environmental and corporate governance considerations

- 41 Social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. Nonfinancial factors may be considered to the extent that they are not significantly detrimental to the investment return and the Committee is satisfied that members share their concerns.
- 42 It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to ESG in two key areas:
- a) Sustainable investment / Environmental and social factors – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
  - b) Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process. The Committee supports the Stewardship Code and intends to become a signatory.
- 43 In combination these two matters are often referred to as 'Responsible Investment', or 'RI' and this is the preferred terminology of the fund. Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Committee takes RI matters seriously and will not appoint any manager unless they can show evidence that RI considerations are an integral part of their investment decision-making processes. Following appointment managers are required to report any changes in their approach to RI to Officers.

- 44 A strategy of engagement with companies, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the administering authority's fiduciary duties and supports responsible investment.

### Policy on the exercise of the rights (including voting rights) attaching to investments

- 45 Membership of the Local Authority Pension Fund Forum (LAPFF) helps Nottinghamshire Pension Fund to engage with companies to understand issues and to promote best practice. LAPFF was set up in 1990 and is a voluntary association of the majority of Local Authority pension funds based in the UK with combined assets of over £200bn. It exists to protect the long term investment interest of local authority pension funds, and to maximise their influence as shareholders by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.
- 46 The Committee believes that voting is integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through both its partnership with Pensions & Investment Research Consultants Ltd (PIRC) and via its investment managers. PIRC is Europe's largest independent corporate governance and shareholder advisory consultancy. PIRC exercises all the Fund's voting rights in line with the PIRC proxy voting guidelines.
- 47 PIRC reports quarterly on its voting activity and these reports are available to Committee Members and the membership through the website. The availability of this information is stated in the Annual Report.

### Assessment of the suitability of investments

- 48 The policy of the Fund will be to treat the equity allocation as a block aimed at maximising the financial returns to the funds (and thus minimising employers' contributions) consistent with an acceptable level of risk. The block of Bonds, Property and Cash is aimed at lowering overall risk (at the cost of anticipated lower return).
- 49 The Trustees have agreed an allocation to private equity and infrastructure. The allocation is based on *committed* amounts and, owing to the nature of these funds, the actual net investment level will be significantly lower. New investments will be made over time to target a commitment level of 10% of the Fund (within an allocation range up to 15% to allow for movements in market value).
- 50 Investments, such as private equity and infrastructure, that fall outside the high level asset classes will be included within the most appropriate class for reporting purposes and assessed against the relevant part of the strategic benchmark.
- 51 Cash will be managed and invested on the Fund's behalf by the County Council in line with its treasury management policy. The policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield. If losses occur, however, the Fund will bear its share of those losses.
- 52 Pension fund cash is separately identified in a named account and specific investment decisions will be made on any surplus cash identified, based on the estimated cash flow requirements of the Fund. As the majority of cash is allocated to individual investment managers and may be called by them for investment at short notice, it is expected that the majority of cash will be placed on call or on short-term fixed deposits. Unallocated balances may be placed directly with the Fund's custodian.



- 53 Other asset classes, such as hedge funds and currency, will be reviewed as part of the regular asset allocation strategy review and, if a decision to invest in other assets is made, the Investment Strategy Statement will be revised accordingly.
- 54 Infrastructure investments can provide predictable income streams with a high correlation to inflation over a long period of time.

## Statement of Investment beliefs

- 55 The Fund's investment beliefs outline key aspects of how it sets and manages the Fund's exposures to investment risk. They are as follows:

### Financial Market Beliefs

- There exists a relationship between the level of investment risk taken and the rate of expected investment return. As taking calculated risks does not guarantee returns, investment losses or below expected returns are possible outcomes.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.
- In making investments in illiquid assets, a return premium should be sought.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

### Investment Strategy/Process Beliefs

Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy. Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.

- Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.
- Equities are expected to generate superior long-term returns relative to Government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
- Operational, counterparty and reputational risk need assessment and management, in addition to investment risk.
- Managing fees and costs matter especially in low-return environments. Fee arrangements with our fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.

### Organisational Beliefs

- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- Management areas where it is difficult or not possible to obtain the right expertise should be managed externally.

### Responsible Investment Beliefs

- Effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.

- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy

## Risk Management

56 The Fund has adopted a Risk Management Strategy to:

- identify key risks to the achievement of the Fund's objectives
- assess the risks for likelihood and impact
- identify mitigating controls
- allocate responsibility for the mitigating controls
- maintain a risk register detailing the risk features in a)-d) above
- review and update the risk register on a regular basis
- report the outcome of the review to the Nottinghamshire Pension Fund Committee.

57 The Risk Register is a key part of the 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.

58 A key part of managing the investment risk is by ensuring an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets, which will be reviewed regularly by the Pension Fund Committee. The level of risk in the equities block will be managed by a balance between passive and active management that may be varied from time to time, according to performance and emerging knowledge and experience of the market. This will continue as the Fund moves to pooled investments, with asset allocation decisions remaining with the Pension Fund Committee.

59 It is believed that active management can add value to the Fund but only over the long term, and decisions to appoint or dismiss fund managers will be given careful consideration. It is accepted that investment performance (particularly from equities) can be volatile but, as a long term investor, the Fund can ride out this volatility as long as projected net cash flow continues to be positive.

60 The correlation between UK and overseas markets has increased significantly over recent time, reflecting the increasing globalisation of the market. The Fund will take into account exchange rate risks when deciding the balance between holding of UK and overseas equities. As a long term investor, the Fund does not undertake currency hedging. Individual managers may hedge currency risks but only with prior approval from the Fund. The Fund will only take risks commensurate with meeting the overall 6% return target.

61 In addition, the following advisory guidelines will apply. These guidelines will be reviewed from time to time, and if changes are made, these will be incorporated into a revised Investment Strategy Statement, and amendments will be published.

- Not more than 10% of the Fund to be invested in unlisted securities.
- Not more than 10% of the Fund to be invested in a single holding.
- Prior to pooling, not more than 25% of the Fund to be invested in securities which are managed by any one body, i.e. in a unit trust type arrangement.
- Not more than 15% of the Fund to be invested in partnerships, with not more than 2% in any one partnership.
- Not to enter into any stock lending arrangements.
- No underwriting without prior approval.
- No involvement in derivatives (including currency options) without prior approval.

## Other Issues

- 62 The Fund's assets are held in custody by a combination of an independent custodian, investment managers and in-house. The performance of fund managers will be measured against individual benchmarks, and the overall fund, including cash returns, against the strategic benchmark. Performance will be measured by an independent agency. The statement of accounts will be audited by the County Council's external auditors.
- 63 The investment management arrangements of the Fund can be found in the latest annual report (available on the Fund's website, [www.nottspf.org.uk](http://www.nottspf.org.uk)). The Fund also publishes details of its holdings on the website on a quarterly basis.
- 64 This Investment Strategy Statement will be kept under review and will be revised following any material changes in policy.

# Communications Strategy Statement

## 1 Introduction

This is the communication strategy of the Nottinghamshire Pension Fund, administered by Nottinghamshire County Council (the Administering Authority).

This statement provides an overview of how the fund will communicate with its customers (members and employers) and stakeholders. An effective communication strategy is vital for the fund to meet its objective of providing a high quality and consistent service.

Scheme communications are a critical activity; they are the external face of the fund and provide a key link with its customers and stakeholders. The fund has 336 employers with contributing members and a total membership of over 136,000 scheme members, these members are split into the following categories and with the following numbers of members in each category at 31 March 2018.

Types of Pension Fund membership	Totals
Active members	47,405
Deferred	53,677
Pensioners	35,835
Total	136,917

The Fund continuously looks at ways to enhance its communications, and this policy statement will be reviewed regularly.

## 2 Regulatory Framework

This strategy has been produced in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. This regulation states that:

- 2.1 An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:
  - (a) members;
  - (b) representatives of members;
  - (c) prospective members; and
  - (d) Scheme employers
- 2.2 In particular the statement must set out its policy on:
  - (a) the provision of information and publicity about the scheme to members, representatives of members and scheme employers;
  - (b) the format, frequency and method of distributing such information or publicity; and
  - (c) the promotion of the scheme to prospective members and their employers.

The strategy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph (2).

### 3 Minimum Standards

Under the Occupational Pension Schemes (Disclosure of Information Regulation) 1996, administrators of the Local Government Pension Scheme (LGPS) are required to provide the following:

- A copy of the scheme regulations and any overriding legislation, on request, - either through providing a personal copy, a copy for inspection or details of how to obtain a copy; members, employers, prospective members, their spouses, beneficiaries and recognised trade unions are entitled to this information.
- Basic information about the scheme must be given automatically to every prospective member before starting, or, if this is not practical, within two months of joining. This information must be provided on request – unless issued within the previous 12 months – to current members, prospective members, spouses, beneficiaries and recognised trade unions within two months of receipt of a written request.
- Details of any material changes to the LGPS notified to all members and beneficiaries (except excluded persons, that is, deferred pensioners whose present address is unknown) where possible before the change takes effect. Otherwise the change must be notified not later than three months after it has taken effect.
- An annual benefit statement to all active, deferred and pension credit members.

### 4 Key Objectives

The Nottinghamshire Pension Fund recognises that communicating with scheme stakeholders and customers is a critical activity for the fund and has established communication practices.

The Fund has identified the following key objectives of its communication strategy:

- Provide clear, and timely communication to its customers and stakeholders.
- Recognise the requirement for different methods of communication for different customers and stakeholders.
- Seek continuous improvement in the way the fund communicates.
- Inform customers and stake holders to enable them to make the decisions regarding pension matters.
- Inform customers and stakeholders about the management and administration of the fund.
- Consult major stakeholders about the management and administration of the fund.
- Promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to employers.
- Support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the scheme.
- Treat information security with importance and in line with the current data protection legislation.

## 5 Stakeholders of the Fund

The Strategy outlines the scope of communications, and sets out the mechanisms which are to be used to meet those communication needs. The Pensions Office will use the most appropriate communication medium for the audiences receiving information. This may involve using more than one method of communication.

There are a number of key stakeholder groups with whom the Pensions Office needs to communicate. These are:

- a) Active Scheme members
- b) Prospective Scheme members
- c) Deferred Scheme members
- d) Pensioners and dependants
- e) Scheme Employers
- f) Pension Fund Staff
- g) Trustees of the Fund, which includes the Pensions Committee and the Pensions Board
- h) External bodies

## 6 Active Scheme members

The Pensions Office have developed a new internet website containing extensive details of the scheme and the Pension Fund and from where scheme leaflets, forms and guides may be downloaded. There are links on the website to other organisations which are relevant to scheme members, such as contacts for Employers, AVC Providers and bodies that may provide independent help for members.

Communications with pensioners are being continually developed using the website to communicate on pertinent issues, such as finances, etc. The Pensions Office also liaises with the Fund's Scheme Employers to ensure that members' information is kept up to date.

The Pensions Office send benefit statements to all active members on an annual basis, subject to the members Scheme Employer providing timely year end information to the Pensions Administration Team. The statements are sent as soon as the year end data is reconciled but before the 31 August which is the statutory deadline.

A dedicated telephone help line has been established and is widely publicised in the Scheme literature.

There are other miscellaneous actions taken for scheme members, such as dealing with specific customer complaints and commendations, and using appropriate process in the tracking and contacting of deferred beneficiaries.

## 7 Prospective Scheme members

As part of the Government's aim to encourage the public to save for the future, the Pensions Office targets prospective members through scheme employers. This is done by ensuring that all new appointees receive the scheme booklet and are referred to the Fund's website for further information.

There are a number of factsheets on the website that provide more detail on topics such as increasing benefits and making nominations. These factsheets can be sent out to individual members and are also available to download from the website.

The Pensions Office works with Additional Voluntary Contribution (AVC) providers (Prudential and Scottish Widows) to provide a more informed choice on AVC benefits.

## 8 Deferred members

A yearly summary of each member's details held including a current valuation of their deferred pension benefits is issued by 31 August each year and sent by post to their home address. This also acts as a prompt to notify the fund of any change of circumstances including current nominations. Undelivered statements which are returned to the fund allow us to trace missing members before their benefits are due for payment.

Deferred members can contact the fund helpline to discuss any issues or specific points regarding membership. The Pensions Office offer information on all aspects of scheme membership and benefits for all active, deferred and pensioner members.

## 9 Pensioners and Dependants

Pay advices are issued to pensioners 4 times a year March to June, this coincides with the annual pension increase and the annual HMRC tax notification changes. Throughout the rest of the year, a pay advice is only sent if the net pension changes by more than £5. Returned pay advice alerts the Fund to a change in circumstances, allowing the fund to trace missing members. Each member also receives a P60 by post by the end of May each year.

There is a dedicated section on the Fund's website that is available for pensioner members. This provides detailed and informative links allowing members to be kept up to date with the latest news and changes. There is also a quick link which allows pensioners to contact the fund using an electronic form.

Pensioners can also send correspondence including changes details, such as address or bank details to both the fund and the pension Payroll by e-mail and post.

## 10 Scheme Employers

The Pensions Office aims to work in partnership with Scheme Employers to assist them in the application of the Scheme. It is intended to establish a frequent 'dialogue meeting' with District Councils and other group Employers to pass across information, and identify and resolve cases. An Administration Strategy has been developed and circulated to Scheme Employers which includes a Service Level Agreement which outlines the requirements of employers and the Pensions Administration Team.

A password protected section on the Fund's website is available for our employers, this provides detailed and informative links allowing employers to be kept up to date with latest news and changes. Electronic copies of all relevant forms, scheme literature, policies and reports are also available to download, along with training documents and tools, plus links to other organisations e.g. Local Government Employers.

Administration forms are available with guidance notes to notify the Fund of key events affecting pension benefits.

Annual meetings are arranged inviting employers to enable the Fund to update employers on the requirements of the year end activities.

We currently utilise the website to inform our Scheme Employers of their administration responsibilities. This is available on the employer's part of the website.

The Pensions Office uses the 'CIVICA UPM' database to hold member records. Future developments include achieving greater web compatibility and the transmission of data electronically. A project is currently underway to develop an employer portal so that our larger employers have access through the internet to the pension records of their employees together with a calculation suite, for the provision of estimates direct to employees.

## 11 Pension Fund Staff

The Pensions Office currently ensures that all new staff receive induction and training, so that they are able to undertake their duties and responsibilities effectively. The Pensions Office has Team Meetings and Management Team Meetings to discuss issues ranging from planning to communications.

The Pensions website site is also a resource centre for the Administration team as it has links to the National website, and all employer / member documents are available on the site.

## 12 Trustees of the Fund, which includes the Pensions Committee and the Pensions Board

The Pensions website contains relevant information for Trustees and Scheme Employers with regards to information about their respective roles. The development of knowledge and training, is also provided by the Fund's Investment & Administration Officers and this is also supplemented by attendance at relevant external training sessions, conferences, and seminars. In addition to the Pensions Committee, following the Public Service Pensions Act 2013 a local Pensions Board has been set up to support the governance and administration of the Nottinghamshire Pension Fund which helps to ensure effective and efficient governance and administration of the Local Government Pension Scheme. The respective Committee and Pensions Board members are provided with information and reports on all relevant pension matters as required.

## 13 External Bodies

The fund communicates with additional external bodies these include:

- The Ministry of Housing, Communities and Local Government who are the owners of the LGPS, and are responsible for drafting and laying the LGPS regulations before parliament.
- The scheme also communicates with the Department for Work and Pensions (DWP), and communicates in relation to the contracting out details of scheme members and combined pension benefit forecasts.
- The Nottinghamshire Fund ensures it pays all benefits in compliance with both the lifetime allowance and annual allowance
- The fund is also represented at the East Midlands Pension Officers Group, which meets quarterly to discuss all aspects of the LGPS knowledge sharing and collaborative working are key features of this group's discussion.
- The Pensions Office is a member of the Pensions Administration Benchmarking Club which is run by the Chartered Institute of Public Finance and Accountancy (CIPFA). We provide information on membership numbers and administration costs and subsequently benchmark our costs and service with all members and specified members of the Club.
- The Local Government Association
- HM Revenue and Customs
- Government Actuaries Department



## 14 Unscheduled Communication

There will be times throughout the year when the Pension fund will be required to communicate information to fund stakeholders which is unscheduled and ad hoc. This could include changes to LGPS regulations, or other pension information which may have an impact on employers or members of the scheme.

## 15 Other Relevant Documentation

In addition to the communication documents produced by the Fund explaining the benefits of the LGPS, for Scheme members and employers, the Fund publishes a number of key documents relating to the administration and governance of the Fund. These are as follows:-

### a. Funding Strategy Statement

LGPS Regulations require that all Administering Authorities publish a Funding Strategy Statement (FSS). The Fund's FSS sets out our commitment to meeting our liabilities while at the same time maintaining stable employer rates.

### b. Governance Compliance Statement

LGPS Regulations require all Administering Authorities to publish a Governance Policy Statement. The Fund's compliance statement sets out how it delegates its responsibilities including duties and terms of reference and stakeholder representation.

## 16 Equality

Our communications are tailored to the individual needs of our stakeholders. We will make every effort to provide communications to our stakeholders in their preferred language or format on request.

## 17 Freedom of Information

This communication strategy identifies the classes of information that each Fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act to request any information held by the Fund which is not already made available. Requests should be made in writing to the Pension Manager at the address at the end of this document.

A fee may be charged and the Fund reserves the right to refuse if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

# Risk Management Strategy

## Introduction

- 1 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.
- 2 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

- 3 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.

- 4 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.
- 5 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

- 6 The key parties involved in the Fund and their responsibilities are as follows.

## The Administering Authority

- 7 The Administering Authority for the Pension Fund is Nottinghamshire County Council. 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.

## Scheme Employers

8 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.

## Trustees

9 The members of the Nottinghamshire Pension Fund Committee act in a quasi-trustee capacity and are hereafter referred to as "Trustees". The main responsibilities of the Trustees 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.

## Fund Actuary

10 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

11 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).

- 12 Representatives of the Service Director Finance, Infrastructure & Improvement provide advice to the Trustees on investment matters and attend meetings of the Pension Fund Committee as required.

## Service Director Customers, Governance and Employees

- 13 The Service Director (Customers and HR) is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Support Centre. This function covers:

- Pensions administration and employers support
- Pensions administration systems
- Communications
- Technical/performance support

- 14 Representatives of the Service Director (Customers and HR) provide advice to the Trustees on pension administration matters and attend meetings of the Pension Fund Committee as required.

## Independent Adviser

- 15 The Fund has an Independent Adviser who attends meetings of the Pension Fund Committee and Pensions Working Party as required.
- 16 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

- 17 The risk tolerance of the Fund is agreed with the 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 set out in paragraph 4.

- 18 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.

- 19 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.

20 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 Pension Fund Committee will be 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.

21 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.

# Risk Register

## Objectives

- The objectives of the Risk Register are to:
  - identify key risks to the achievement of the Fund's objectives
  - assess the significance of the risks
  - consider existing controls to mitigate the risks identified
  - Identify additional action required.

## Risk Assessment

- Identified risks are assessed separately and for each the following is determined:
  - the likelihood of the risk materialising
  - the severity of the impact/potential consequences if it does occur.
- Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value.

### LIKELIHOOD:

1	Rare	0 to 5% chance
2	Unlikely	6 to 20% chance
3	Possible	21 to 50% chance
4	Likely	51 to 80% chance
5	Almost certain	81%+ chance

### IMPACT:

1	Insignificant	0 to 5% effect
2	Minor	6 to 20% effect
3	Moderate	21 to 50% effect
4	Significant	51 to 80% effect
5	Catastrophic	81%+ effect

- Having scored each risk for likelihood and impact, the risk ratings can be plotted onto the following matrix to enable risks to be categorised into Low, Medium, High and Very High Risk.

Relative Impact	Catastrophic (5)	M	H	VH	VH	VH
	Significant (4)	M	H	VH	VH	VH
	Moderate (3)	M	M	H	H	H
	Minor (2)	L	L	M	M	M
	Insignificant (1)	L	L	L	L	L
		(1) Rare	(2) Unlikely	(3) Possible	(4) Likely	(5) Almost Certain
		Relative Likelihood				

- This initial assessment gives the inherent risk level. Existing controls are then identified and each risk is re-assessed to determine if the controls are effective at reducing the risk rating. This gives the current (or residual) risk level. The current risk rating scores and categories are then used to prioritise the risks shown in the register in order to determine where additional action is required in accordance with the following order of priority:

**Red** = Very High Priority

Take urgent action to mitigate the risk.

**Orange** = High Priority

Take action to mitigate the risk.

**Yellow** = Medium Priority

Check current controls and consider if others are required.

**Green** = Low Priority

No immediate action other than to set a review date to re-consider your assessment.

## Nottinghamshire Pension Fund Risk Register - Summary

Risk	Inherent Risk			Current Risk		
	Rating	Change	Rating	Rating	Change	Rating
<b>Risk Gov4</b> Inadequate resources are available to manage the pension fund.	20	↑	VERY HIGH	12	↑	HIGH
<b>Risk Inv3</b> Fund assets are assessed as insufficient to meet long term liabilities.	16	↔	VERY HIGH	9	↔	HIGH
<b>Risk Adm1</b> Standing data & permanent records are not accurate.	16	↔	VERY HIGH	9	↔	HIGH
<b>Risk Adm2</b> Inadequate controls to safeguard pension fund records.	15	↑	VERY HIGH	6	↔	MEDIUM
<b>Risk Inv4</b> Significant variations from assumptions used in the actuarial valuation.	12	↔	HIGH	9	↔	HIGH
<b>Risk Inv1</b> Inappropriate investment strategy is adopted.	12	↔	VERY HIGH	6	↔	MEDIUM
<b>Risk Inv5b</b> Custody arrangements.	12	↔	VERY HIGH	6	↔	MEDIUM
<b>Risk Inv6</b> LGPS Central incurs net costs or decreases investment returns.	12	★	VERY HIGH	9	★	HIGH
<b>Risk Gov5</b> Failure to adhere to relevant legislation and guidance.	12	↔	HIGH	6	↑	MEDIUM
<b>Risk Gov3</b> An effective performance management framework is not in place.	9	↓	HIGH	6	↔	MEDIUM
<b>Risk Gov1</b> Pension Fund governance arrangements are not effective.	9	↔	HIGH	6	↔	MEDIUM
<b>Risk Gov2</b> Pension Fund objectives are not defined and agreed.	9	↔	HIGH	6	↔	MEDIUM
<b>Risk Inv2</b> Fund cash is insufficient to meet its current obligations.	9	↔	HIGH	6	↔	MEDIUM
<b>Risk Inv5a</b> Fund manager mandates.	9	↔	HIGH	6	↔	MEDIUM
<b>Risk Inv5d</b> Financial Administration.	9	↔	HIGH	6	↔	MEDIUM
<b>Risk Adm3</b> Failure to communicate adequately with all relevant stakeholders.	9	↔	HIGH	6	↔	MEDIUM
<b>Risk Inv5c</b> Accounting arrangements.	6	↔	MEDIUM	4	↔	LOW
<b>Risk Inv5e</b> Stewardship.	6	↔	MEDIUM	4	↔	LOW

Key to risk rating change since previous version of Risk Register: ↑ Increase ↓ Decrease ↔ No Change ★ New

## Governance

**Risk: Gov1 - Pension Fund governance arrangements are not effective.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	<b>9</b>	<b>HIGH</b>	↔
<b>Current Risk</b>	2	3	<b>6</b>	<b>MEDIUM</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The Council's constitution clearly delegates the functions of administering authority of the Pension Fund to the Nottinghamshire Pension Fund Committee (NPF Committee).</li> <li>• Under the LGPS Regulations the Administering Authority has established a Pension Board.</li> <li>• The terms of reference of the Pension Committee are agreed.</li> <li>• The terms of reference of the Pension Board are agreed.</li> <li>• The Fund publishes a Governance Compliance Statement which details the governance arrangements of the Fund and assesses compliance with best practice. This is kept regularly under review.</li> <li>• A training policy is in place which requires Members to receive continuing training and encourages all new Members to attend the Local Government Pension Scheme Fundamentals training course.</li> <li>• Pension Board Members are also required to undertake training.</li> <li>• Officers of the Council attend meetings of the NPF Committee and the Pension Board.</li> <li>• The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each NPF Committee meeting.</li> </ul>				
	<ul style="list-style-type: none"> <li>• The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Pension Board.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Group Manager (BSC) Group Manager (Legal Services) Pension Manager Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	



## Governance

**Risk: Gov2 - Pension Fund objectives are not defined and agreed.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	HIGH	
<b>Current Risk</b>	2	3	6	MEDIUM	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are approved by the NPF Committee and reviewed on a regular basis.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	NPF Committee Group Manager (Financial Strategy & Accounting)			<b>Timescale</b> On-going	

## Governance

**Risk: Gov3 - An effective performance management framework is not in place.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	12	HIGH	
<b>Current Risk</b>	2	3	6	MEDIUM	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>Investment performance is reported quarterly to the Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers.</li> <li>Poor investment performance is considered by the Pension Fund Committee. The Pension Fund Committee's actions are monitored by the Pension Board.</li> <li>A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements.</li> <li>Performance of the administration function is managed through an Administration Strategy.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Consider performance monitoring framework for Fund Administration.</li> </ul>				
<b>Responsibility</b>	NPF Committee Group Manager (Financial Strategy & Accounting) Group Manager (BSC) Pension Manager Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	



## Governance

**Risk: Gov4 - Inadequate resources are available to manage the pension fund.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	5	4	20	VERY HIGH	↑
<b>Current Risk</b>	4	3	12	HIGH	↑
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>The Pension Fund investments are managed by the Pensions &amp; Treasury Management team.</li> <li>Pension administration is managed by the Pension Team Manager within the BSC.</li> <li>Operating costs are recharged to the pension fund in accordance with regulations.</li> <li>Staffing levels and structures are kept under regular review.</li> <li>Pension Costs and resources monitored against the CIPFA Benchmarking club.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Group Manager (BSC) Pension Manager Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	



## Governance

**Risk: Gov5 - Failure to adhere to relevant legislation and guidance.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	3	12	<b>HIGH</b>	
<b>Current Risk</b>	3	2	6	<b>MEDIUM</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• An established process exists to inform members and officers of statutory requirements and any changes to these.</li> <li>• An Administration Strategy was introduced in 2017 to monitor the Administration of the Fund, along with monitoring Employer compliance.</li> <li>• Sufficient resources are put in place to implement LGPS changes while continuing to administer the scheme.</li> <li>• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.</li> <li>• Any breaches in statutory regulations must be reported to the Pension Regulator.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Review Resources against statutory requirements.</li> <li>• Continue to monitor requirements via appropriate sources.</li> <li>• Continue to monitor resources to ensure adherence to legislation and guidance.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Group Manager (BSC) Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	

## Investments

**Risk: Inv1 - Inappropriate investment strategy is adopted.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The Investment Strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the NPF Committee.</li> <li>• The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation.</li> <li>• Investment performance is monitored against the Fund's strategic benchmark.</li> <li>• A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party.</li> <li>• An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	

## Investments

**Risk: Inv2 - Fund cash is insufficient to meet its current obligations.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Fund cash flow is monitored daily and a summary fund account is reported to Pension Fund Committee each quarter.</li> <li>• Annual accounts are produced for the pension fund and these show the movements in net cash inflow.</li> <li>• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.</li> <li>• The Fund's Investment and Funding Strategies are regularly reviewed.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Pension Fund Committee Group Manager (Financial Strategy & Accounting) Senior Accountant - Pensions & Treasury Management			<b>Timescale</b> On-going	

## Investments

**Risk: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	4	16	<b>VERY HIGH</b>	
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Fund assets are kept under review as part of the Fund's performance management framework.</li> <li>• Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations.</li> <li>• The Fund's Investment and Funding Strategies are regularly reviewed.</li> <li>• An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Review cash flow projections prepared by actuaries on a regular basis.</li> </ul>				
<b>Responsibility</b>	Pension Fund Committee Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

**Risk: Inv4 - Significant variations from assumptions used in the actuarial valuation occur.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	3	12	<b>HIGH</b>	↔
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Actuarial assumptions are reviewed by officers and discussed with the actuaries.</li> <li>• Sensitivity analysis is undertaken on assumptions to measure impact.</li> <li>• Valuation undertaken every 3 years.</li> <li>• Monitoring of cash flow position and preparation of medium term business plan.</li> <li>• Contributions made by employers vary according to their member profile.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Review cash flow projections prepared by actuaries on a regular basis.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

**Risk: Inv5 - Inadequate controls to safeguard pension fund assets.**

**Inv5a - Fund manager mandates.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	↔
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. Mandate managers attend Pension Fund Committee on a quarterly basis.</li> <li>• Investment objectives are set, and portfolios must be managed in accordance with these.</li> <li>• AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for mandate managers.</li> <li>• In-House Fund has a robust framework in place which is regularly tested by internal audit.</li> <li>• Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

### Inv5b - Custody arrangements.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	↔
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Complete and authorised agreements are in place with the external custodian.</li> <li>• AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian.</li> <li>• Regular reconciliations carried out to check external custodian records.</li> <li>• Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.</li> </ul>				
<b>Action Required</b>	• Continue to monitor via existing processes.				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

### Inv5c - Accounting arrangements.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	2	6	<b>MEDIUM</b>	↔
<b>Current Risk</b>	2	2	4	<b>LOW</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.</li> <li>• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.</li> <li>• Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers.</li> <li>• Internal Audits are carried out regularly.</li> <li>• External Audit review the Pension Fund's accounts annually.</li> </ul>				
<b>Action Required</b>	• Continue to monitor via existing processes.				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	



## Investments

### Inv5d - Financial Administration.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The pension fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.</li> <li>• Daily cash settlements are made with the external custodian to maximise returns on cash.</li> <li>• Investment transactions are properly authorised, executed and monitored.</li> <li>• Contributions due to the fund are governed by Scheme rules which are implemented by the Pensions Manager.</li> <li>• The Pension fund maintains a bank account which is operated within regulatory guidelines.</li> </ul>				
<b>Action Required</b>	• Continue to monitor via existing processes.				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Investments

### Inv5e - Stewardship.

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	2	6	<b>MEDIUM</b>	
<b>Current Risk</b>	2	2	4	<b>LOW</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• The pension fund aims to be a long term responsible investor and plans to adopt the FRC's Stewardship code.</li> <li>• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and National Association of Pension Funds (NAPF), and supports their work on shareholder engagement.</li> <li>• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Pension Fund Committee each quarter and published on the Fund website.</li> </ul>				
<b>Action Required</b>	• Continue to monitor via existing processes.				
<b>Responsibility</b>	Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	



## Investments

**Inv6 - LGPS Central incurs net costs or decreases investment returns.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	4	12	<b>VERY HIGH</b>	★
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	★
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF.</li> <li>• Costs and performance will be monitored.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to attend meetings relevant meetings.</li> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Pension Fund Committee Group Manager (Financial Strategy & Accounting) Senior Accountant (Pensions & Treasury Management)			<b>Timescale</b> On-going	

## Administration

**Risk: Adm1 - Standing data and permanent records are not accurate.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	4	4	16	<b>VERY HIGH</b>	
<b>Current Risk</b>	3	3	9	<b>HIGH</b>	
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• Business processes are in place to identify changes to standing data.</li> <li>• Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input.</li> <li>• Documentation is maintained in line with agreed policies.</li> <li>• The Administration Strategy supports the monitoring of employer compliance.</li> <li>• A change of details form is sent out to members alongside their annual statement.</li> <li>• Data matching exercises (National Fraud Initiative) help to identify discrepancies.</li> <li>• Mortality Screening is being performed.</li> <li>• The Data Improvement Plan presented to Pension Fund Committee is being implemented.</li> <li>• The GMP Reconciliation Project including Payroll and Pensions Data matching exercise with HMRC has commenced.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Improve monitoring of returns from major fund employers.</li> <li>• Implementation of Data Improvement plan and GDPR Action Plan.</li> </ul>				
<b>Responsibility</b>	Group Manager (BSC) Pension Manager			<b>Timescale</b> On-going	

## Administration

**Risk: Adm2 - Inadequate controls to safeguard pension fund records.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	5	15	<b>VERY HIGH</b>	↑
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• ICT Disaster Recovery Plan and Security Plan are agreed and in place.</li> <li>• New back up arrangements are in place.</li> <li>• Software is regularly updated to meet LGPS requirements.</li> <li>• Audit trails and reconciliations are in place.</li> <li>• GDPR plan is in place.</li> <li>• Documentation is maintained in line with agreed policies.</li> <li>• Physical records are held securely.</li> <li>• Pensions and other related administration staff undertake data management training as required.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>				
<b>Responsibility</b>	Group Manager (BSC) Pension Manager			<b>Timescale</b> On-going	

## Administration

**Risk: Adm3 - Failure to communicate adequately with all relevant stakeholders.**

	Likelihood	Impact	Risk Rating		
<b>Inherent Risk</b>	3	3	9	<b>HIGH</b>	↔
<b>Current Risk</b>	2	3	6	<b>MEDIUM</b>	↔
<b>Current Controls</b>	<ul style="list-style-type: none"> <li>• A communications strategy is in place and is regularly reviewed..</li> <li>• The Fund website is periodically updated.</li> <li>• Member information guides are reviewed.</li> <li>• The Fund has an annual meeting aimed at all participating employers.</li> <li>• The Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.</li> <li>• Meetings are held regularly with employers within the Fund.</li> <li>• District and City Council employers and other adhoc employer meetings take place as required</li> <li>• A briefing for employers takes place in February or March each year in preparation for year end.</li> <li>• Benefit Illustrations are sent annually to contributing and deferred Fund members.</li> <li>• Annual report, prepared in accordance with statutory guidelines, is published on the website.</li> </ul>				
<b>Action Required</b>	<ul style="list-style-type: none"> <li>• Consider employer risk analyses to safeguard contributions to the Fund.</li> </ul>				
<b>Responsibility</b>	Group Manager (BSC) Pension Manager			<b>Timescale</b> On-going	

# Administration Strategy Statement

## Introduction

An administration strategy as allowed for by the Local Government Pension Scheme, is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation but is the joint working of a number of different parties.

The following is the Pension Administration Strategy of the Nottinghamshire Local Government Fund, administered by Nottinghamshire County Council (the administering authority).

The aim of this strategy statement is to set out the quality and performance standards expected of:

1. Nottinghamshire County Council in its role of administering authority and scheme employer
2. All other scheme employers within the Nottinghamshire Local Government Pension Fund.

It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

From 1 April 2015 the Pensions Regulator (tPR) took responsibility for setting the standards of administration and governance requirements on all administrative aspects of the Local Government Pension scheme (LGPS).

In addition the Nottinghamshire Local Pension Board has now been established to provide an independent scrutiny role which will assist the Nottinghamshire Local Government Pension Fund to achieve regulatory compliance, effective and efficient administration and governance of the pension fund.

## Background

The LGPS represents a significant benefit to scheme members. Much of the success in promoting the scheme to members and ensuring a high quality service depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme.

The administering authority also reminds or alerts employers to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

The fund comprises 336 scheme employers with active members, and 136,917 scheme members in relation to the Local Government Pension Scheme (LGPS).

The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between the administering authority and scheme employers.

## Strategic aims

The aim of this strategy is to continue progress towards a seamless, automated pension service, employing appropriate technologies and best practice which both significantly improve the quality of information overall and the speed with which it is processed to provide better information for scheme employers and stakeholders and a more efficient service to members. It outlines, in conjunction with the Pension Administration Service Level Agreement as attached, the quality and required performance standards of all fund, scheme employers and admission bodies within the fund.

This strategy is designed to move towards the highest standards of administration through the most efficient and cost effective practices, thereby ensuring a consistent approach to pension administration across all scheme employers in partnership with the fund so that all scheme members ultimately receive the highest standard of service in the most efficient and effective way possible.

## Regulatory framework

The development and implementation of an Administration Strategy is part of the regulatory framework of the Local Government Pension Scheme Regulations 2013. These provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

Regulation 59 (1) enables an LGPS administering authority to prepare a document (“the Pension Administration Strategy”) which contains the following:

- procedures for liaison and communication with their relevant employing authorities
- the establishment of levels of performance which the administering authority and the relevant employing authorities are expected to achieve in carrying out their functions under the LGPS by:
  - the setting of performance targets
  - the making of agreements about levels of performance and associated matters
  - such other means as the administering authority considers appropriate
- procedures which aim to secure that the administering authority and the relevant employers comply with the statutory requirements in respect of those functions and with any agreement about levels of performance
- procedures for improving the communication of information by the administering authority and the relevant employing authorities
- the circumstances in which the administering authority may consider giving written notice to a relevant employing authority on account of that employers unsatisfactory performance in carrying out its functions under these regulations when measured against levels of performance
- such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, Regulation 59(6) of the administration regulations also requires that where a Pension Administration Strategy is produced, a copy is

issued to each of the relevant employing authorities as well as to the Secretary of State. Similarly, when the strategy is revised at any future time the administering authority (following a material change to any policies contained within the strategy) must notify all of its relevant employing authorities and also the Secretary of State.

It is a requirement that, in preparing or revising any Pension Administration Strategy, the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate.

In addition, Regulation 70 of the Administration Regulations allows an administering authority to recover additional costs from a scheme employer where, in its opinion, the costs are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that the additional costs should be recovered and, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement and the Service Level Agreement, sets out the requirements of regulation 59(1). They form the basis of the day to day relationship between the Nottinghamshire Pension Fund and scheme employers. They also set out the circumstances under Regulation 70 where additional costs are incurred as a result of the poor performance of a scheme employer, together with the steps that would be followed before any such action were taken.

## Nottinghamshire Local Pension Board

The Nottinghamshire Local Pension Board was established in April 2015 to assist Nottinghamshire County Council, as administering authority, in securing compliance with legislation and any requirements imposed by the Pensions Regulator. The Board also assists in ensuring effective and efficient governance and administration of the scheme are achieved.

## Key objectives

The key objectives of this strategy are to ensure that:

- the Nottinghamshire Local Government Pension Fund and Scheme employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Pensions Administration Service Level Agreement attached to this document)
- the Nottinghamshire Local Government Pension Fund operates in accordance with LGPS Regulations and is aligned with the Pensions Regulator's requirements by demonstrating compliance and scheme governance
- communication processes are in place to enable both the fund and scheme employers to proactively and responsively engage with each other through the new website and the Employer Support and Compliance Team
- accurate records are maintained for the purpose of calculating pensions entitlements and scheme employer liabilities, ensuring all information and data is communicated accurately, on a timely basis and in a secure and compliant manner
- the fund and scheme employers have appropriate skills and that training is in place to deliver a quality service and advise scheme employers on the changing pensions agenda;
- standards are set and monitored for the delivery of specified activities in accordance with LGPS Regulations standards as set out in the Pension Administration Service Level Agreement attached to this document.

## Establishing levels of performance

### Performance standards

The LGPS prescribes that certain decisions are taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Nottinghamshire Local Government Pension Fund should agree levels of performance between itself and the scheme employers. These are set out in the Service Level Agreement which is appended to this strategy statement.

### Quality

#### Legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including:

- Pension Act 1995 and associated disclosure legislation
- Freedom of information Act 2000
- Age Discrimination Act 2006
- Data Protection Act 1998
- Equality Act 2010
- Finance Act 2004 and
- Health and Safety legislation.

Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the following sections.



## Administration standards

Both the administering authority and scheme employers will ensure that all tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the information provided on the LGPS website
- work is to be completed in the required format, using the appropriate forms contained on the LGPS website
- information to be legible, accurate and in the required format
- communications to be easy to read and understand
- information provided to be checked for accuracy
- information to be authorised by an agreed signatory in line with the scheme employers audit requirements
- actions are carried out, or information is provided, within the timescales set out in this strategy and Service Level Agreement document.

## Performance standards

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme sets out a number of requirements for the administering authority and scheme employers to provide information to each other, regarding scheme members and prospective scheme members, their dependents, and/ or other regulatory bodies. Within the Service Level Agreement performance standards have been set which cover all aspects of the administration of the scheme, and where appropriate go beyond the overriding legislative requirements.

For the avoidance of doubt “accuracy” in this strategy is defined as when the administering authority has received a fully completed form with no gaps in mandatory areas and with no information which is either contradictory within the document or which requires clarification.

The timeliness relates to a date of event being either the date the member started or left the Nottinghamshire Local Government Pension Fund or any other material change that affects a scheme member’s pension record.

## Procedures for compliance

Compliance is the responsibility of the administering authority and scheme employers. The Nottinghamshire Local Government Pension Fund, Employer Support and Compliance Team will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this administration strategy. The Pensions Administration Team will also work with employers to ensure that overall quality and timeliness is continually improved. Various methods will be employed, in order to ensure such compliance and service improvement, these will include:

- audit
- performance monitoring

In addition where there is a failure of statutory compliance the Pensions Manager is required to update and inform the Pensions Regulator.

## Liaison and communication

### Authorised contact for employers

Each employer will nominate a contact to administer the five main areas of employer responsibilities within the LGPS as follows:

- a strategic contact for valuation, scheme consultation and, discretionary statements
- an internal disputes resolution procedure lead officer for stage 1
- an administration contact for day to day administration of the Nottinghamshire Pension Fund, undertaking the completing of forms and responding to day to day queries
- a year end activities lead officer

- a finance contact for completion and submission of the monthly postings and co-ordination of exception reports.

All nominated officers will have access to the employer's area of the Nottinghamshire Local Government Pension Fund website and as services change access to the employer's portal of the pension fund administration system once implemented (projected date April 2017).

It is the responsibility of the scheme employer to ensure that the nominated officers are trained appropriately in their responsibilities.

### **Liaison and communication with employers**

Nottinghamshire Local Government Pension Fund will provide the following contact information for employers and their members:

- a contact point for regulatory advice, guidance and administration queries
- an Employer Support and Compliance Team for advice and guidance with monthly returns process
- a helpline for members at certain points in the year e.g. helpline for ABS queries
- an e-mail address (generic)
- pension fund access 8:00am to 5:00pm Monday to Thursday and 4:30pm Friday (face to face, telephone and e-mail for both – scheme members and employers)
- website availability with employers and members area
- employer and member information and forms available on the website
- annual year end briefing for year-end activities
- Pension Fund Annual General Meeting.

### **Improving employer performance**

The Employer Support and Compliance Team will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the opportunity for necessary training and appropriate advice.

Where persistent and ongoing failure has been identified and no improvement is demonstrated by an employer, the following sets out the steps that will be taken to address the situation in the first instance:

- the Pensions Team will contact and/ or meet with the employer to discuss the area(s) of concern and how they can be addressed
- where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, the Pensions Team will issue a formal written notice to the employer setting out area(s) of poor performance that has been identified and, the steps taken to resolve it. The letter will provide notice that the additional costs are now to be reclaimed.
- Nottinghamshire Local Government Pension Fund will clearly set out the calculations of any loss or additional costs, taking account of time and resources in resolving the specific area of poor performance
- Nottinghamshire Local Government Pension Fund will make a claim against the scheme employer, setting out the reasons for doing so, in accordance with the regulations.

## Circumstances where the Administering Authority may levy costs associated with the Employing Authority's poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- the reasons in their opinion why the scheme employer's poor performance has contributed to the additional cost
- the amount of the additional cost incurred
- the basis on how the additional cost was calculated and
- the provisions of the Pension Administration Strategy relevant to the decision to give notice.

## Circumstances where costs might be recovered

Any additional costs to the Nottinghamshire Local Government Pension Fund in the administration of the LGPS that are incurred as a direct result of poor performance will be recovered from the scheme employer. The circumstances where such additional costs will be recovered from the scheme employer:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets

- failure to deduct and pay over correct employee and employer contributions to the Nottinghamshire Local Government Pension fund within stated timescales
- instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body.

## Calculation of costs incurred

For a persistent failure to resolve an isolated case satisfactorily the Fund will recharge costs from the point in time at which a formal letter is issued to the scheme employer until the case is resolved, at a rate of £37 for each hour an officer spends trying to resolve the matter.

For persistent and ongoing failure to meet targets, following the intervention to assist the employer concerned, the Fund will recharge the additional costs due to the employer's poor performance at the rate of £37 for each hour, see appendix B the schedule of charges which identifies the main employer activities where a charge maybe made for poor performance.

Where the under performance of the scheme employer results in fines and/or additional costs being levied against the Fund, the Fund will recharge the full costs it has incurred to the relevant employer.

## Disputes

The Nottinghamshire Local Government Pension Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the pension fund's website. Scheme employers are, however, required to nominate an adjudicator to deal with disputes at stage 1 of the process. Scheme employers are asked to supply the details of their stage 1 adjudicators together with details of their stage 1 Adjudicators as identified in their Discretionary Policy Statements. They should advise the fund immediately of changes made in this regard.

## Consultation

This document and associated SLA has been consulted upon with Nottinghamshire Pension Fund Employers.

## Review process

The Nottinghamshire Local Government Pension Fund will review the Administration Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every two years.

# Appendix A

## Service Level Agreement

### Administering Authority duties and responsibilities

**The Nottinghamshire Local Government Pension Fund Administration Team will ensure the following functions are carried out:**

- provide a helpdesk facility for enquiries, available during normal office hours providing a single point of access for information relating to the LGPS. Along with a helpline at certain times of the year e.g. Annual Benefit Statement time
- create a member record for all new starters admitted to the LGPS, based on the information provided by the scheme employer
- collect and reconcile employer and employee contributions
- maintain and update member's records for any changes received by the administration team
- at each actuarial valuation the fund will provide the required data in respect of each member and provide statistical information over the valuation period to the fund actuary so that he can determine the assets and liabilities for each employer
- communicate the results of the actuarial valuation to the fund to each employer
- provide every active, deferred and pension credit member with a benefit statement each year
- provide estimate of retirement benefits on request by the employer
- calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, member's options and statutory limits on request by the employer
- comply with HMRC legislation.

### Discretionary powers

The Nottinghamshire Local Government Pension Fund will ensure the appropriate Administration Authority policies are formulated, reviewed and publicised in accordance with scheme regulations.

### Internal Disputes Resolution Procedure (IDRP)

The fund will nominate an adjudicator to deal with appeals at stage one where the appeal is against a decision the Pension Fund has made or is responsible for making.

### Fund performance levels

A description of the performance activity and performance action and level of performance is identified in the table on page 95.

Action	Timescale
Publish and review the administration strategy.	Within one month of any agreed changes with employers, Pensions Committee and the Pensions Board.
Website.	Continual process of updating the members and employers information.
Issue and keep up to date all current forms for completion by either scheme members, prospective scheme members or scheme employers.	30 working days of any changes.
Issue and update administering authorities discretions within the scheme.	Within 30 working days of policy being agreed by the Pensions Committee and the Pensions Board.
Notify scheme employers and scheme members of changes to the scheme rules.	Within 30 working days of the change(s) coming into effect. Subject to receipt of statutory guidance.
Notify scheme employer of issues relating to scheme employers poor performance.	Within 30 working days of performance issue becoming apparent.
Notify scheme employer of the decision to recover additional costs associated with the scheme employer's poor performance.	Within 10 working days of scheme employer failure to improve performance, as agreed.
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August subject to receipt of full and correct information from employers.
Issue annual benefit statements to deferred benefit members as at 31 March each year.	By the following 31 August. Subject to full and correct information from employers.
Issue pension saving statements to active members who breach the Annual Allowance threshold as at 5 April and to members who request such.	By the following 6 October.
Provide a helpline and telephone service to support members enquiries and questions.	Ongoing and additional specific helpline at certain times of the year.

Fund administration task	Timescale
Make available formal valuation results (including individual employer details).	10 working days from receipt of final certified results from fund actuary.
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the fund.	Referral to the fund actuary within one month from receipt of all required data from the scheme employer.
Arrange for the setting up of separate admission agreement, where required (including the allocation of assets and notification to the Secretary of State).	Within three months of agreement to set up such funds.
All new admitted bodies to be required to undertake a risk assessment and to put in place a bond or alternative security to protect other scheme employers participating in the pension fund.	To be completed before the body can be admitted to the Fund.
All admitted bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the pension fund.	Annually, or such other period as may be agreed with the administering authority.

Scheme administration task	Timescale
New Starters – make all administration decisions in relation to a new scheme member.	Within two month from receipt of all necessary information.
General enquiries - provide a response.	10 days from receipt of all necessary information.
Provide transfer in quote to scheme member.	Two month from receipt of all the necessary information.
Confirm receipt of transfer in payment and update pension record.	One month from receipt of all necessary information. Scheme member responsibility to chase the transfer.
Arrange for the transfer of scheme member additional voluntary contributions into in-house arrangement.	Two months from receipt of all necessary information.
Provide requested estimates of benefits to employees/ employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency.	Two months from receipt of all necessary information. Subject to the demands of the service, prioritisation and statutory requirement to provide information.
Notify leavers of deferred benefit entitlements.	Within two months of receipt of all necessary information.
Details of transfers out quotation.	Within two months of receipt of all necessary information.
Payment of transfers out.	One Month from receipt of all necessary information.
Notify retiring employees of options following request from member (as per retirement pack).	One month of receipt of all necessary information.
Payment of retirement lump sum and pension.	Lump sum paid within 30 days of retirement subject to receipt of necessary information. Pension to be paid in the next available pay run. Into the nominated bank account.
Death notifications – issue initial information, requesting certificates.	Within 10 working days following notification of death.
Notification of survivor benefits.	10 working days following receipt of all necessary information.
Undertake Life Certificates checks with the DWP. Operate the Tell us Once service.	Periodic.



## **Scheme employer duties and responsibilities**

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including additional contributions.

The Nottinghamshire Pension Fund is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer at the discretion of the Administering Authority.

In the event of the Nottinghamshire Pension Fund being fined by the Pensions Regulator, this fine will be passed onto the relevant employer where that employer's actions or inaction caused the fine.

### **Discretionary powers**

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees and must provide a copy to the Administering Authority.

### **Member contribution bands**

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

### **Payments and charges**

#### **Payments by employing authorities**

Employing authorities will make all payments required under the LGPS regulations, and any related legislation, promptly to Nottinghamshire Pension Fund and/or its Additional Voluntary Contribution (AVC) providers (Prudential/Scottish Widows) as appropriate.

#### **Paying contributions**

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission, the latest date contributions can be paid is the 17th day of the month following the month in which the deductions were made.

#### **AVC deductions**

Employers will pay AVCs to the relevant provider by the 17th of the following month of them being deducted.

#### **Payment method**

Contributions (but not AVCs) should be paid to Nottinghamshire Pension Fund by BACS payment to Nottinghamshire Pension Fund bank account.

#### **Early retirement and augmentation costs**

Employers are required to pay the full early retirement costs within one month of request.

#### **Interest on late payment**

In accordance with the LGPS regulations, the Nottinghamshire Pension Fund reserves the right to charge interest on any amount overdue from an employer by more than one month depending on circumstances.

#### **Employer contributions**

Employer's contribution rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

#### **Actuarial valuation**

An actuarial valuation of the fund is undertaken every three years by the fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and deficit payment if appropriate for each employer for the subsequent three years.

#### **Administration charge**

The cost of running the Nottinghamshire Pension Fund is charged directly to the fund, the actuary takes these costs into account in assessing employer's contribution rates.

## Employer activities

Communication requirements – task	Timescale
Provide and publish policies in relation to all areas where the employing authority may exercise discretion within the scheme. A copy of the policy to be provided to the administering authority.	Within 30 working days of policy being formally agreed by the employer. To be reviewed annually.
Provide details of employer and employee contributions.	17th of the month following deduction.
Respond to enquiries from administering authority.	Within 10 working days.
Provide year end information for the purposes of annual benefit statements, annual allowance, and lifetime allowance calculations.	By 30 April following the year end in the required format (following the implementation of the employer portal information may be provided through the portal by April 2017).
Provide year end information in a valuation year.	By 30 April following the year end.
Distribute information provided by the Admin Authority to scheme members/potential scheme members which is provided either direct from Pensions Office or where notified through the website.	Within 20 days of receipt or notification.
Provide new scheme members with scheme information and new joiner forms.	At appointment of employee or change in contractual conditions.
Inform the Pension Fund of all cases where prospective new employer or admitted body may join the fund.	Notify the Pension Fund at least three months before the date of transfer.
Payment of additional fund payments in relation to early payment of benefits.	Within 30 working days of receipt of invoice from the pension fund/ within timescales specified in each case.

Employer responsibilities – task	Timescale
New starters must be notified to the Pensions Office.	10 working days of the scheme member joining.
Arrange for the correct deduction of employee contributions from scheme members pensionable pay on becoming a scheme member.	Immediately upon commencing scheme membership either through auto enrolment opting in or change in circumstances.
Reassessment of employee contribution rate in line with employer's policy.	Immediately following change of circumstances.
Ensure correct deduction of pension contributions during any period of child related leave, trade union dispute or other forms of leave of absence from duty.	Immediately, following receipt of election from scheme member to make the necessary pension contributions.
Commence/amend/cease deductions of additional pension contributions.	Commence/amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member.
Employers are responsible for assessing and reassessing the contribution band that is allocated to an employee.	The employer must inform the employee of the band have been allocated on joining the scheme and when they have been reallocated to a different band.
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs upon receipt of notification of provider. Pay over contributions to the AVC provider(s) by the 17th of the month following the month of election.
Refund any employee contributions when employees opts out of the pension scheme before three months.	Month following month of opt out.
Cease deduction of employee contributions where a scheme member opts to leave the scheme.	Month following month of election, or such later date specified by the scheme member.
Send a completed end of year contribution return to enable the production of annual benefit statements, annual allowance and lifetime allowance calculations.	By 30th April each year (this process will change pending the implementation of an electronic employers portal).
Provide the administering authority with all material (personal and contract) changes in employee's details.	Within 10 days of the change.
Provide scheme leavers details to administering authority.	Within 10 days of leaving.
Provide retirement notification and pay details. Following the issue of retirement pack to retiring member.	No later than 10 days prior to the date of retirement. In order that all information is in place to allow the processing of retirement benefits.

Employer responsibilities – task	Timescale
Provide member estimate details.	At the point of request from the member.
To have access to an independent medical practitioner qualified in Occupational health medicine, in order to consider all ill health retirement applications as an employer.	Within one month of commencing participation in the scheme, and having arrangements in place on an ongoing basis.
Appoint a nominated person for stage 1 of the pension dispute process and provide full details to the administering authority.	Within 10 working days following the resignation of the current/new employer to the fund “appointed person”.

### Measuring performance

Both employer and administering authority performance will be measured and reported to the Pensions Committee and the Pensions Board at regular intervals.

### Unsatisfactory performance

Where an employer materially fails to operate in accordance with standards described in this service level agreement, which leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra cost be met by the employer.

# Appendix B

## Schedule of Charges

Employer Activities	Reason for Charge	Basis of Charge
Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employee, if the total overpaid is more than £50.		Actual amount overpaid (could include Lump Sum and Pension) + admin charge based on the following: £37.00 Total per hour spent. This may also include the cost of other recovery actions (court and legal fees)
Contributions to be paid anytime but latest date by 17th month (weekends and bank holidays on the last working day before 17th.	Due by 17th month-late receipt of funds, plus cost of additional time spent chasing payment.	Number of day's late interest charged at base rate plus 1%.
Monthly scheme employer contribution return provided at the latest by 17th, errors on the return i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within 2 months.	Due by 17th month, any additional work caused by late receipt of information, incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.
Change in member details to be notified as per the administration strategy for example: a. New Starters b. Leavers c. Material change in pension records		Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.
Early leaver's information to be notified as per the administration strategy.		Failure to provide correct information on the appropriate pension admin form, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.
Retirement notifications.	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.

Employer Activities	Reason for Charge	Basis of Charge
Death in Service Payment.	Due within 7 working days of the notification – additional work caused by late receipt of information from employer.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.
AVC deducted from pay to be paid anytime but latest date by 17th of the month.	Additional investigative work caused through lack of compliance by employer.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.
Re-issue of invoices.	Charge based on number of request.	Failure to provide appropriate information, resulting in significant work will result in an admin charge at £37.00 per hour + VAT.
Member requests estimate.	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + VAT is made.
Pension sharing order.	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £607 incl VAT. Total payment to be received prior to work being completed.
Miscellaneous items: <ul style="list-style-type: none"> <li>● Benefit recalculation.</li> <li>● Members file search and record prints.</li> <li>● Supplementary information requests.</li> </ul>	Where information is requested by members that is in addition to routine.	£37.00 per hour + VAT.

# List of Active Fund Employers

A1 Housing Bassetlaw  
Active4Today Ltd  
Alderman White School  
All Saints Catholic Voluntary Academy  
Ambleside Primary School  
Arc Property Services Partnership Limited  
Archbishop Cranmer CE Academy  
Arbrook Primary School  
Arnold Hill Academy  
Ashfield Citizens Advice Bureau  
Ashfield District Council  
Ashfield School  
Aslockton Parish Council  
Aspens Services Limited (Magnus)  
Aspens Services Limited (Becket)  
Aspens Services Limited (St Edmund)  
Aspens Services Limited (St Patricks)  
Autism East Midlands  
Balderton Parish Council  
Barnby Road Academy  
Barnsley Premier Leisure  
Bassetlaw Citizens Advice Bureau  
Bassetlaw District Council  
Becket School (The)  
Beech Academy  
Beeston Fields Primary & Nursery School  
Believe Academy Trust  
Bestwood Partnership Forum  
Bilborough College  
Bilsthorpe Flying High Academy  
Bingham Town Council  
Birklands Primary School  
Bishop Alexander LEAD Academy  
BKSB Limited  
Blessed Robert Widmerpool Cath School  
Blidworth Parish Council  
Blue Bell Hill Primary School  
Bluecoat Academy  
Bluecoat Beechdale Academy  
Bracken Lane Primary Academy  
Bramble Academy (The)  
Bramcote Crematorium Joint Committee  
Bramcote School (The)  
Brocklewood Primary School  
Broxtowe Borough Council  
Brunts Academy (The)  
Bulloughs Cleaning Services Ltd  
Bulwell Academy  
Bulwell St Mary's C of E Primary & Nursery School  
Burford Primary & Nursery School  
Burntstump Seely C of E Academy  
Burton Joyce Parish Council  
Calverton Parish Council  
Capita IT Services (BSF) Ltd  
Carers Federation  
Carlton Academy  
Carlton Infant Academy  
Carlton Junior Academy  
Change Grow Live  
Channeling Positivity  
Chetwynd Primary Academy  
Child Migrants Trust  
Chilwell School  
Christ The King School  
Churchill Contract Services Limited (Diverse)  
Churchill Contract Services Limited (National)  
Citizens Advice Broxtowe  
Civica UK Ltd  
Clifton Advice Centre  
Colonel Frank Seely Academy  
Compass Contract Services (Newark)  
Compass Contract Services (UK) Limited  
(Leamington)  
Compass Contract Services (UK) Limited  
(Wainwright)  
Compass Contract Services (UK) Limited (Diverse)  
Compass Contract Services (UK) Limited (National)  
Cotgrave Candleby Lane School  
Cotgrave Town Council  
Cropwell Bishop Parish Council  
Culture, Learning and Libraries (Midlands) - Inspire  
Denewood Learning Centre  
Diocese of Southwell & Nottingham M.A.T.  
Djanogly City Academy Nottingham  
Djanogly Northgate Academy Nottingham  
Djanogly Strelley Academy  
Dukeries Academy  
Dunham & District Parish Council  
East Bridgford St Peters CE Academy  
East Leake Academy  
East Midlands Crossroads - Caring for Carers  
East Midlands Further Education Council

Edale Rise Primary and Nursery School  
 Edna G Olds Academy  
 Edwalton Primary School  
 Edwinstowe Parish Council  
 Elizabethan Academy Trust (The)  
 Equals Trust  
 Ernehale Junior School  
 Fairfield Primary Academy  
 Faith in Families  
 Family Action  
 Family Care for Nottingham  
 Farnborough Academy  
 Farndon Parish Council  
 Fernwood Academy  
 Fernwood Parish Council  
 Firbeck Academy  
 Fitzroy Support  
 Flying High Academy (The)  
 Flying High Trust  
 Forest View Academy  
 Forge Trust  
 Foxwood Academy  
 Framework Housing Association  
 Futures Advice, Skills and Employment Ltd  
 Garibaldi College  
 Gedling Borough Council  
 George Spencer Academy  
 Glapton Academy (The)  
 Glenbrook Primary School  
 Good Shepherd Academy  
 Greasley Parish Council  
 Greater Nottingham Education Trust  
 Greater Nottingham Groundwork Trust  
 Greenfields Centre Limited  
 Greenwood Academies Trust  
 Greenwood Primary & Nursery School  
 Greythorn Primary School  
 Gunthorpe C of E Primary School  
 Haddon Primary & Nursery School  
 Hall Park Academy  
 Harworth & Bircotes Town Council  
 Harworth Church of England Academy  
 Hempshill Hall Primary School  
 Highbank Primary & Nursery School  
 Hillside Primary & Nursery School  
 Hogarth Primary & Nursery School  
 Holgate Academy (The)  
 Holme Pierrepont Leisure Trust  
 Holy Cross Academy  
 Holy Trinity Catholic Voluntary Academy  
 Horsendale Primary School  
 Huntingdon Academy  
 Independent Cleaning Service  
 Innovate Services Ltd  
 Institute of Cemetery and Cremation Management  
 (ICCM)  
 Joseph Whitaker School (The)  
 Jubilee LEAD Academy  
 Killisick Junior School  
 Kimberley School  
 Kimberley Town Council  
 Kingston Park Academy  
 Kirkby College  
 Kirkby Woodhouse School  
 Lafarge Tarmac Ltd  
 Langar Cum Barnstone PC  
 L.E.A.D. Multi Academy Trust  
 Leamington Primary and Nursery Academy  
 Leverton CE Academy  
 Liberty Leisure Limited  
 Magnus Church of England Academy  
 Manor Academy Trust  
 Mansfield & District Crematorium Joint Ctte  
 Mansfield Citizens Advice Bureau  
 Mansfield District Council  
 Mansfield District Leisure Trust Ltd  
 Mansfield Primary Academy  
 Mansfield Road Baptist Housing  
 Mapplewells Primary & Nursery School  
 Marketing Nottingham & Nottinghamshire  
 Meadows Advice Group  
 Meden School  
 Mellors Catering Services Limited (Southwark)  
 Mellors Catering Services Limited (Arnbrook)  
 Mercury Cleaning Services Ltd  
 Metropolitan Housing Trust  
 Milford Academy  
 Misterton Parish Council  
 Mornington Primary School  
 National Church of England Academy Trust  
 Nethergate School  
 Gedling Homes



Newark & Sherwood DC  
 Newark & Sherwood Homes  
 Newark Academy (The)  
 Newark Emmaus Trust  
 Newark Town Council  
 Newstead Parish Council  
 Norbridge Academy  
 North Ashfield Behaviour & Attendance Partnership  
 Nottingham Academy  
 Nottinghamshire Association of Local Councils  
 Nottingham Citizens Advice Bureau  
 Nottingham City Council - EMC  
 Nottingham City Council  
 Nottingham City Homes  
 Nottingham City Transport Limited  
 Nottingham College  
 Nottingham Contemporary Arts  
 Nottingham Emmanuel School  
 Nottingham Free School  
 Nottingham Girls Academy  
 Nottingham Ice Centre Ltd.  
 Nottingham Regeneration Ltd  
 Nottingham Revenues & Benefits Ltd  
 Nottingham Trent University (The)  
 Nottingham University Samworth Academy  
 Nottinghamshire Combined Fire Authority  
 Nottinghamshire County Council  
 Nottinghamshire County Scout Association  
 Nottinghamshire Deaf Society  
 Nottinghamshire Fire Safety Limited  
 NTU Union of Students  
 NUA (Nottm Uni Academy of Science & Technology)  
 Nuthall Parish Council  
 Oakwood Academy  
 Old Basford School  
 Ollerton & Boughton Town Council  
 Our Lady & St Edwards Catholic Primary  
 Our Lady Perpetual Succour Catholic Primary  
 Outwood Academy Portland  
 Outwood Academy Valley  
 Park Vale Academy  
 Parkwood Leisure Limited  
 Parkgate Academy  
 Peafield Lane Academy  
 Pearsons Young Persons Centre  
 Police & Crime Commissioner  
 Porchester Junior School  
 Portland Spencer Academy  
 Priors Catholic Vol Academy  
 Quarrydale Academy  
 Queen Elizabeth Academy  
 Radcliffe on Trent Parish Council  
 Radford Academy  
 Rainworth Parish Council  
 Raleigh Learning Trust  
 Ranskill Primary School  
 Ravenshead Parish Council  
 Redgate Primary Academy  
 Redhill Academy  
 Redhill Academy Trust  
 Renewal Trust  
 Retford Oaks Academy  
 RNN Group - Early Years  
 Robert Miles Infants School  
 Robert Shaw Primary & Nursery School  
 Robin Hood Energy  
 Rosslyn Park Primary & Nursery School  
 Royal Society Mencap  
 Ruddington Parish Council  
 Rural Community Action Notts  
 Rushcliffe Academy (The)  
 Rushcliffe Borough Council  
 Sacred Heart Academy  
 Samuel Barlow Primary Academy  
 Samworth Church Academy  
 Scape Group Limited  
 Scotholme Primary School  
 Selston High School  
 Selston Parish Council  
 Serlby Park School  
 Servest Group Limited  
 Sherwood & Newark CAB  
 Shine Multi Academy Trust  
 Sir John Sherbrooke Junior School  
 Sir Donald Bailey Academy (The)  
 Skegby Junior Academy  
 SLM Limited  
 Sneinton St Stephen's C of E Primary & Nursery School  
 South Nottinghamshire Academy  
 South Wilford Endowed C of E Primary School

South Wold Academy  
Southwark Primary School  
Southwell Leisure Centre  
Southwell Town Council  
Sparken Hill Academy  
Springfield Academy  
SSE Contracting Limited  
St Ann's Well Academy  
St Augustine's Primary School  
St Edmund Campion Catholic Primary  
St John's Church of England Academy  
St Joseph's Catholic Primary School (Boughton)  
St Joseph's Catholic Primary School (Retford)  
St Margaret Clitherow Academy  
St Mary Magdalene C of E Primary School  
St Mary's Catholic Primary School  
St Patrick's Catholic Primary & Nursery School  
(Nottingham)  
St Patricks Catholic Primary School,  
a Voluntary Academy (Mansfield)  
St Peters Cross Keys C of E Academy  
St. Peters Primary Academy Mansfield  
St Philip Neri with St Bede Catholic Voluntary School  
St Teresa's Catholic Primary School  
Stanstead Nursery & Infants School  
Stapleford Town Council  
Stonesoup Academy  
Streetwise Environmental Ltd  
Sunnyside Spencer Academy  
Sutton Community Academy  
Sycamore Academy  
Taylor Shaw Limited  
Thera East Midlands Ltd  
Thrumpton Primary Academy  
Tollerton Parish Council  
Toot Hill School  
Transform Trust  
Trent Valley Drainage Board  
Trinity Catholic School (The)  
Trowell Parish Council  
Tuxford Academy  
Tuxford Primary Academy  
Tuxford Town Council  
United Response  
Unity Learning Centre  
UPP (Nottingham) Ltd

Via East Midlands Limited  
Victoria Primary School  
Vision Studio School  
Wainwright Primary School  
Warren Primary Academy  
Warsop Parish Council  
Webb Support Services Limited  
West Bridgford School (The)  
West Nottinghamshire College  
West Park Academy  
Westdale Junior School  
Westbury School  
Whitegate Primary & Nursery School  
Whitemoor Academy  
William Booth Primary & Nursery School  
William Gladstone C Of E Primary Academy  
Windmill LEAD Academy  
Woodborough Parish Council  
Woodlands School  
Worksop Priory C of E Academy  
Yeoman Park Academy



## **The Nottinghamshire Local Government Pension Scheme**

is administered by Nottinghamshire County Council

Notts LG Pensions Office, Business Support Centre, Nottinghamshire County Council  
c/o County Hall, West Bridgford, Nottingham NG2 7QP  
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