2019-20

Annual Report

The Nottinghamshire Local Government Pension Scheme

lgps
for you, for now, for the future

administered by

Nottinghamshire County Council

Contents

Chairman's Foreword

This year the Pension Fund accounts were prepared amidst the outbreak of the Novel Coronavirus (COVID-19) global pandemic. This impacted global financial markets with significant volatility in valuations both before and after year end, increasing the uncertainty of fair value assessments at 31 March 2020. The property valuation was reported on the basis of 'material valuation uncertainty' as the valuers did not consider there was sufficient market evidence to fully inform opinions and there was increased uncertainty in the valuation of private assets.

Against this backdrop, the Fund delivered a negative portfolio return of 6.4% for the year. The Fund has a target annual return of 5.8%, but this anticipates volatility and these exceptional figures are within the bounds of actuarial prudence. The annual reduction was recovered in the following quarter. The Fund will continue to be managed carefully through the uncertain period ahead focussing on long term returns. Over the last five years, the Fund has returned 4.6% p.a.

Nottinghamshire Pensions Office and the Investments Team enacted their COVID response plan on 17 March, which anticipated a move to working from home due to the initial lockdown. The teams have been working from home since the 23 March and have been following national guidelines on prioritising and maintaining services to scheme members and pensioners.

Following the easing of the lockdown restrictions the teams have continued to work from home but have moved and adapted to a more normal service as possible over the time of the pandemic.

The results of the triennial revaluation as at 31 March 2019 were published on 31 March 2020. These showed an improved position with the Actuary estimating that the value of the Fund was sufficient to meeting 93% of its expected future liabilities (87% at the previous valuation). The certified contribution rates are expected to improve this to 100% within a period of 19 years. The 2019 valuation produced an average employer contribution rate of 21.6%.

During the year the Fund has increased investment over the year in the areas of infrastructure, private equity, credit and property. Work continues with LGPS Central Ltd, the multi-asset investment pool Nottinghamshire has formed with eight other Midlands based funds. Investments under Pool management increased significantly during the year as the Fund's Corporate Bonds transitioned to LGPS Central's Bond fund during the year. Additionally, £90m of Emerging Market equity investments were transferred to the LGPS Central Emerging Markets Equity Fund.

Focussing on fund administration, the Nottinghamshire Pension Fund continues to see changes in employer membership as employers such as academies look to consolidate into single employers rather than each school being classed as an individual employer.

The service has continued to support scheme employers to meet their statutory requirements through the Administration Strategy which outlines the responsibilities and procedures to be followed by employers. We must emphasise that the administration service is not just the responsibility of 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 our scheme members. Legislation dictates the minimum standards that pension schemes should meet.

The Pensions Regulator continues to require 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. We take this responsibility very seriously.

A number of projects have been progressing over the financial year to improve aspects of the scheme administration through introducing technology, along with continuing work on the scheme requirements of HMRC's guaranteed minimum pension (GMP) reconciliation project, as well as other legislative changes over the coming year. Further developments around improving data and service to members are planned.

In accordance with the Investment Strategy Statement, the Fund continues a long-term responsible investment approach, actively engaged with equity holdings by exercising voting rights and engaging with companies through its investment managers, our pooling partners LGPS Central 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. More details of our engagement can be found on the Pension Fund website in the Investments section.

Looking forward we will continue to engage with our employer partners and fund members to ensure that we fulfil our obligation to deliver the future secure pensions for our LGPS members.

Cllr Eric Kerry

Chairman of the Nottinghamshire Pension Fund Committee

Scheme Management

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 300 participating employers and approximately 143,000 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 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 2018/19 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.

The Governance Compliance Statement 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 members of the Nottinghamshire Pension Fund Committee are drawn from the County Council, other large fund employers, trades unions, and the members themselves, 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 Funding Strategy Statement and the Investment Strategy Statement, the most recent versions of which are included in this Annual Report.

The Funding Strategy Statement (FSS) 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 (LGPS) 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 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 as stable as possible.

The Investment Strategy Statement (ISS) recognises that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers. It sets out detailed responsibilities relating to the overall investment strategy of the Fund, including the proposed asset allocation, restrictions on investment types, the types of investment management used, and performance monitoring. It also states the Fund's approach to Responsible Investment (RI) 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 way that is responsible in the long-term.

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
	Legal & General Investment Management
	Kames Capital
	Aberdeen Standard Investments
Regional Pool Operator	LGPS Central Ltd Mander House Mander Centre Wolverhampton WV1 3NB enquiries@lgpscentral.co.uk
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	Grant Thornton
Independent advisor	William Bourne

Any of these may be contacted via local.governmentpensions@nottscc.gov.uk

List of Active Fund Employers

Admitted - Admission

ABM Catering Ltd

Arc Property Services Partnership Limited

Aspens Services Limited (Becket)

Aspens Services Limited (Newark)

Aspens Services Limited (Sneinton St Stephens)

Aspens Services Limited (Sparken Hill)

Aspens Services Limited (St Edmund)

Aspens Services Limited (St Patricks)

Barnsley Premier Leisure

Bassetlaw Citizens Advice Bureau

Bestwood Partnership Forum

Bulloughs Cleaning Services Ltd

Capita IT Services (BSF) Limited - Bulwell

Carers Federation

Cater Link Limited

Cater Link Limited (Diverse)

Change Grow Live

Child Migrants Trust

Churchill Contract Services Limited (SAT)

Compass Contract Services (UK) Limited (Leamington)

Culture, Learning and Libraries (Midlands)

East Midlands Crossroads - Caring for Carers

Family Action

Fitzroy Support

Framework Housing Association

Futures Advice, Skills and Employment Ltd

Gedling Homes

Holme Pierrepont Leisure Trust

Independent Cleaning Services Limited

Innovate Services Ltd

Institute of Cemetery and Cremation Management (ICCM)

Mansfield District Leisure Trust Ltd

Marketing Nottingham & Nottinghamshire

Mellors Catering Services Limited (Arnbrook)

Mellors Catering Services Limited (Southwark)

Mercury Cleaning Services Ltd

Metropolitan Housing Trust

Newark Emmaus Trust ltd

Nottingham Assoc of Local Councils

Nottingham City Homes (Telecare)

Nottingham Community Housing Association

Nottingham Contemporary Arts

OCS Group UK Ltd (Project co 1)

OCS Group UK Ltd (Project co 2)

Parkwood Leisure Limited

Pedal Express Limited

Royal Society for the Protection of Birds

Royal Society Mencap

Servest Group Limited

SLM Limited

Solo Service Group Limited

SSE Contracting Limited

Tarmac Ltd

Thera East Midlands Ltd

United Response

UPP (Nottingham) Ltd

Via East Midlands Limited

Admitted - Others Active

Ashfield Citizens Advice Bureau

Autism East Midlands

Bramcote Crematorium Joint Committee

Citizens Advice Broxtowe

Clifton Advice Centre

East Midlands Further Education Council

Faith in Families

Greater Nottingham Groundwork Trust

Greenfields Centre Limited

Mansfield Citizens Advice Bureau

Mansfield Road Baptist Housing

Meadows Advice Group

Nottingham Citizens Advice Bureau

Nottingham Ice Centre Ltd.

Nottinghamshire County Scout Association

Nottinghamshire Deaf Society

NTU Union of Students

Pearsons Young Persons Centre

Renewal Trust

Rural Community Action Notts

Sherwood & Newark CAB

Southwell Leisure Centre

Schedule 1 - Academies

Alderman White School

Ambleside Primary School

Archbishop Cranmer CE Academy

Archway Learning Trust

Arnbrook Primary School

Arnold Hill Academy

Ashfield School

Awsworth Primary School

Barnby Road Trust

Beech Academy

Believe Academy Trust

Birklands Primary School

Bishop Alexander LEAD Academy

Blue Bell Hill Primary School

Bramble Academy (The)

Bramcote School

Brocklewood Primary School

Brunts Academy

Bulwell Academy

Bulwell St Mary's C of E Primary & Nursery School

Burford Primary & Nursery School

Burntstump Seely C of E Academy

Carlton Academy

Carlton Infant Academy

Carlton Junior Academy

Chetwynd Primary Academy

Colonel Frank Seely Academy

CP Riverside School

Denewood Learning Centre

Diocese of Southwell & Nottingham M.A.T.

Diverse Academies Trust

Djanogly City Academy Nottingham

Djanogly Learning Trust
Dukeries Academy
East Bridgford St Peters CE Academy
Edale Rise Primary and Nursery School
Edna G Olds Academy
Elizabethan Academy Trust
Ellis Guilford School
Equals Trust
Fairfield Primary Academy
Farnborough Academy
Fernwood Academy
Firbeck Academy
Flying High Trust
Forest View Academy
Forge Trust
Foxwood Academy
Garibaldi College
George Spencer Academy
Gilthill Primary School
Glapton Academy
Glenbrook Primary School
Greater Nottingham Education Trust
Greenwood Academies Trust
Gunthorpe C of E Primary School
Haggonfields Primary School
Hall Park Academy
Harworth Church of England Academy
Highbank Primary & Nursery School
Hogarth Primary & Nursery School

Hollywell Primary School
Huntingdon Academy
Joseph Whitaker School
Jubilee LEAD Academy
Kimberley Primary School
Kimberley School
Kingston Park Academy
Kirkby College
Kirkby Woodhouse School
L.E.A.D. Multi Academy Trust
Landgold Dyscarr Community School
Larkfields Infant School
Leverton CE Academy
Magnus Church of England Academy
Manor Academy Trust
Mansfield Primary Academy
Meden School
Milford Academy
Minster Trust for Education
Mornington Primary School
National Church of England Academy Trust
Nethergate School
Newark Academy
Norbridge Academy
Nottingham Academy
Nottingham Free School
Nottingham Girls Academy
Nottingham University Samworth Academy
NUAST (Nottm Uni Academy of Science & Technology)

Oak Tree Primary School
Oakwood Academy
Old Basford School
Our Lady of Lourdes Catholic Multi Academy Trust
Outwood Academy Portland
Outwood Academy Valley
Park Vale Academy
Parkdale Primary School
Parkgate Academy
Portland Spencer Academy
Priory Catholic Vol Academy
Python Hill Academy
Quarrydale Academy
Radford Academy
Raleigh Learning Trust
Ranskill Primary School
Redhill Academy
Redhill Academy Trust
Robert Mellors Primary School
Robert Miles Infants School
Robert Shaw Primary & Nursery School
Rosslyn Park Primary & Nursery School
Rushcliffe Academy
Samworth Church Academy
Scotholme Primary School
Selston High School
Serlby Park School
Shine Multi Academy Trust
Sir Donald Bailey Academy
Sir John Sherbrooke Junior School
Skegby Junior Academy
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
Sparken Hill Academy
St Ann's Well Academy
St John's Church of England Academy
St Joseph's Catholic Primary School (Retford)
St Mary Magdalene C of E Primary School
St Mary's Church of England Primary School
St Peters Cross Keys C of E Academy
St Swithuns C of E Primary Academy
St. Peters Primary Academy Mansfield
Stonesoup Academy
Sunnyside Spencer Academy
Suther School
Sutton Community Academy
Sycamore Academy
The West Park Academy
Toot Hill School
Transform Trust
Two Counties Trust
Unity Learning Centre
Victoria Primary School (Formally Riverside Primary)
Warren Hill Academy Trust
West Bridgford School

Westbury School

Westdale Junior School

Whitegate Primary & Nursery School

Whitemoor Academy

William Booth Primary & Nursery School

William Gladstone C Of E Primary Academy

Windmill LEAD Academy

Woodlands School

Worksop Priory C of E Academy

Schedule 1 - Local Authorities

Ashfield District Council

Bassetlaw District Council

Broxtowe Borough Council

Gedling Borough Council

Mansfield District Council

Newark & Sherwood District Council

Nottingham City Council

Nottinghamshire County Council

Rushcliffe Borough Council

Schedule 1 - others active

Bilborough College

Mansfield & District Crematorium Joint Committee

Nottingham City Council - EMC

Nottingham City Homes

Nottingham College

Nottingham Trent University

Nottinghamshire Combined Fire Authority

Nottinghamshire Fire Safety Limited

Police & Crime Commissioner

RNN Group - Early Years

The Chief Constable

West Notts College of FE

Schedule 2 - town & parish councils

Aslockton Parish Council

Balderton Parish Council

Bingham Town Council

Blidworth Parish Council

Burton Joyce Parish Council

Calverton Parish Council

Cotgrave Town Council

Cropwell Bishop Parish Council

Dunham & District Parish Council

Eastwood Town Council

Edwinstowe Parish Council

Farndon Parish Council

Fernwood Parish Council

Greasley Parish Council

Harworth & Bircotes Town Council

Kimberley Town Council

Langar Cum Barnstone Parish Council

Misterton Parish Council

Newark Town Council

Newstead Parish Council

Nuthall Parish Council

Ollerton & Boughton Town Council

Radcliffe on Trent Parish Council

Rainworth Parish Council

Rampton Parish Council

Ravenshead Parish Council

Ruddington Parish Council

Selston Parish Council

Southwell Town Council

Stapleford Town Council

Tollerton Parish Council

Trowell Parish Council

Tuxford Town Council

Warsop Parish Council

Woodborough Parish Council

Schedule 2 - others active

Active4Today Ltd

BKSB Limited

Liberty Leisure Limited

Nottingham City Transport Limited

Nottingham Revenues & Benefits Ltd

Robin Hood Energy

Scape Group Limited

Streetwise Environmental Ltd

Trent Valley Drainage Board

Governance Compliance Statement

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.

Governance Arrangements

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).

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 and management of pension funds.

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.

The Committee has the further responsibility for matters relating to the administration of the Pension Fund.

The number of voting members of the Nottinghamshire Pension Fund Committee is determined by the Council at its annual meeting.

Functions and Responsibilities

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.

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.

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 Member 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.

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).

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.

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.

Representation

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.

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)

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.

Stakeholder Engagement

An annual meeting of the Pension Fund is held in the autumn 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 Fund.

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.

Review and Compliance with Best Practice

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.

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.

Ref.	Principles	Compliance and Comments
A	**Structure**	
a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully compliant**
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.	**Fully compliant**
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not applicable**
d.	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.	**Not applicable**
B	**Representation**	
a.	That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members),	**Fully compliant**

	iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	
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.	**Fully compliant**
C	**Selection and role of lay members**	
a.	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.	**Fully compliant** All members of the Nottinghamshire Pension Fund Committee are aware of their responsibilities for the oversight of the funds.
D	**Voting**	
a.	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.	**Fully compliant**
E	**Training/facility time/expenses**	
a.	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.	**Fully compliant** 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.	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.	**Fully compliant**

F	**Meetings (frequency/quorum)**	
a.	That an administering authority's main committee or committees meet at least quarterly.	**Fully compliant** The Nottinghamshire Pension Fund Committee meets 8 times a year.
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.	**Not applicable**
c.	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.	**Not applicable**
G	**Access**	
a.	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.	**Fully compliant**
H	**Scope**	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	**Fully compliant**
I	**Publicity**	
a.	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.	**Fully compliant** 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).

Nottinghamshire Pension Fund Funding Strategy Statement

Introduction

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").

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.

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

The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

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.

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.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the long-term solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures/approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations
- In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the fund and the long-term cost efficiency of the scheme so far as relating to the pension fund. The review also looks at compliance and consistency of the actuarial valuations.

Key Parties

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

The Administering Authority

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; and

- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme Employers

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

The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

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

Funding Strategy

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.

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.

The last actuarial valuation was carried out as at 31 March 2019 with the assets of the Fund found to be 93% of the accrued liabilities of the Fund.

Funding Method

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.

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.

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 primary 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.

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.

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

The value of accrued or past service benefits (allowing for future salary and pension increases) are referred to as the past service liabilities, or simply the liabilities.

Using the valuation assumptions set out below, an estimate is made of the future cash flows which will be made to and from the Fund throughout the future lifetime of existing members. These projected cashflows are then discounted using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows and therefore an estimate of the value of the liabilities, the fund actuary needs to make assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, life expectancy and retirements.

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

- The demographic 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.

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 2019. 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 7 October 2019.

Assumption	Derivation	Value at 31 March 2019
Future Price Inflation (RPI)	Smoothed 20 year point on the Bank of England implied Retail Price Index inflation curve as at 31 March 2019	3.6% p.a.
Future Price Inflation (CPI)	RPI less 1.0% per annum to reflect the differences in the indices	2.6% p.a.
Salary increases	Assumed to be in line with CPI plus 1.0% p.a.	3.6% p.a.
Discount rate	Based on the long-term investment strategy of the Fund, with deductions for expenses and prudence	4.8% p.a.
Post-retirement mortality	S3PA tables with a multiplier of 110% for males and 105% for females, projected into the future with the 2018 CMI Model with a long-term rate of improvement of 1.25% p.a. and initial addition parameter of 0.5%	n/a

Future Investment Returns/Discount Rate

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.

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.

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.

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.

Further details of the assumptions adopted are included in the Fund’s 2019 valuation report.

Asset Valuation

- 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. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.
- The Fund’s assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received, and benefits paid).

McCloud/Sargeant judgement and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury’s (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton’s review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers “member costs”. These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the Government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by Government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.1% p.a.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a guaranteed minimum pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found at https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes.

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here https://www.gov.uk/government/publications/indexation-of-public-service-pensions.

The 2019 valuation assumption for GMP is that the Fund 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, it is assumed that the Fund will be required to pay the entire inflationary increase.

Deficit Recovery/Surplus Amortisation Periods

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.

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. The maximum deficit recovery period is 20 years.

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.

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 more 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.

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

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.

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.

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.

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

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative guarantee in a form satisfactory to the administering authority.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

The deficit is transferred to the Academy pool and the new academy will become part of the Academy pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academy pool at the 2019 valuation.

Cessation Valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It is agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer will transfer within the Fund to another participating employer; or
- the employer's exit is deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate and adopt different assumptions from those used at the previous funding 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.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

The cessation valuation of the liabilities attempts to ensure there are sufficient assets to meet all the liabilities over time. In the event that the assets of a ceased employer are insufficient to meet all the employer's residual liabilities then these liabilities will fall to the ceding employer who originally awarded the contract.

Exit credits

MHCLG made an amendment to the 2018 Regulations which came into force on 20 March 2020, with effect from 14 May 2018. These regulations enable administering authorities to determine at their absolute discretion the amount of any exit credit payment due having regard to the following relevant considerations:

- The extent to which the employer's assets are in excess of its liabilities
- The proportion of the excess of assets which has arisen because of the value of employer's contributions
- Any representations made by the exiting employer and its letting authority/guarantor
- Any other relevant factors.

Nottinghamshire County Council Pension Fund's approach aims to protect the interests of the members and employers as a whole and will apply the following approach to the payment of exit credits.

The extent to which the employer's assets are in excess of its liabilities

The Fund's Actuary will calculate the assets and liabilities relevant to the exiting employer. The approach will depend on the specific details surrounding the employer's cessation scenario. Further details of the most likely approach is given in the section "Cessation Valuations"

The proportion of the excess of assets which has arisen because of the value of employer's contributions

Exit credits will only be paid to employers who can demonstrate that they have been exposed to underfunding risk during their participation. The level of risk that an employer has borne will be taken into account. For example, if an employer participated in the Fund on a pass-through arrangement then no exit payment would have been requested if a deficit existed, and therefore it is not appropriate to pay an exit credit if there is a surplus.

On the other hand, if an employer commenced fully funded and was liable for any deficits arising as a result of adverse experience (for example, investment returns less than anticipated) then this employer has borne risk and so an exit debt or credit would be payable on exit.

Any exit payment will be limited to the total contributions paid over the period of participation into the Fund.

Any representations made by the exiting employer and its letting authority/guarantor and any other relevant factors.

Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and will seek legal advice where appropriate.

The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. If the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date..

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some of which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the **Error! Reference source not found.** section below.

Links to Investment Policy

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 advisor and with regard, amongst other considerations, the maturity profile of the Fund.

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).

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. This ensures consistency between the funding strategy and investment strategy.

Risks and Counter Measures

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.

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

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.

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 0.6% of payroll p.a.

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

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

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%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

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.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund’s exposure to maturity risk. More information on this can be found in the **Error! Reference source not found.** section below.

Regulatory Risks

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.

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.

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.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
    - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.

  - o Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are relatively few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

Employer Risks

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.

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.

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

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.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

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

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.

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 three years.

The investment strategy statement must include:

- A requirement to invest fund money in a wide variety of investments.
- The authority's assessment of the suitability of particular investments and types of investments.
- The authority's approach to risk, including the ways in which risks are to be assessed and managed.
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services.
- 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.
- The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

Purpose and Principles

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.

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

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

The Administering Authority

The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement.

The 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.

LGPS Central

LGPS Central ("the Pool") is the asset pool which Nottinghamshire Pension Fund jointly owns with seven other LGPS funds in order to meet the government's criteria for investment reform issued in November 2015. The Pool has obtained FCA authorisation and manages collective investment vehicles on behalf of the participating funds.

Committee Members

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, until funds are transferred to the Pool, appoint and dismiss 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

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 Services) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Day to day implementation of investment arrangements is delegated to the Senior Accountant (Pensions & Treasury Management).

Authorised signatories for execution of pension fund investments (including signing on behalf of Pension Fund investments) are:

- Service Director (Finance, Infrastructure & Improvement)

- Group Manager (Financial Services)
- Senior Accountant (Pensions & Treasury Management)
- Investments Officer

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

Independent Adviser

The Fund has an Independent Adviser who attends meetings of the Nottinghamshire 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. The Independent Adviser is appointed by the Administrating Authority following appropriate consultation with the Committee.

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 including the Pool 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.
- Amendment and review of statutory policy documents.

Asset Allocation

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.

Employers contributions are determined as part of the regular actuarial valuation of the Fund. Historically these have taken place every three years and the last valuation took place as at March 2019. The actuarial valuation involves a projection of future cash flows to and from the Fund. 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.

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.

The discount rate is based on the expected long-term future investment returns from various asset classes. Based on the March 2019 valuation, these are as follows:

Asset class	Expected return (p.a.)
Equities	6.7%
Gilts	1.7%
Other bonds	2.6%
Property	6.1%
Cash	0.8%
Inflation linked fund	5.6%
Discount rate	**4.8%**
Fund Target Return	**5.8%**

At the March 2019 valuation, the Fund was assessed to have a deficit of £405m and a funding level of 93%. 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 therefore sets its asset allocation to target an annual return rate of 5.8%.

The agreed asset allocation ranges for the Fund are shown below, along with the Fund's long-term strategic target allocations.

Outcome	Asset class	Allocation ranges	Strategic benchmark	
Growth	Listed and Private Equity	57.5% to 67.5%	55% FTSE World ex UK. 45% FT Allshare	60%
Income and inflation protection	Property and Infrastructure	15% to 25%	IPD annual	23%
Income only	Fixed income	5% to 15%	FTSE UK All Stock	10%
Inflation protection only	Index linked fund	3% to 15%	RPI	5%
Liquidity	Cash, short term bonds	0% to 10%	LIBID 7 Day	2%

Within these asset classes is an allocation of 8% to infrastructure.

This asset allocation is aimed at achieving appropriate returns to meet the Fund Target Return within acceptable risk parameters. The Fund's actual allocation may vary from this 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.

The asset allocation currently favours "growth" assets, primarily equities, as they are expected to deliver higher returns to help the Fund achieve the Fund Target Return. Net additions from members (contributions received less benefits paid) are now expected to be negative for the foreseeable future, so the Fund also invests in "income" assets which will deliver secure and predictable income over the long term. These may include infrastructure, property and fixed income. Inflation is a long-term risk factor and the Fund explicitly seeks investments in this category which will help to mitigate that. Finally, the Fund allocates to liquid assets such as cash and short-term bonds in order to ensure cash is always available to pay benefits at any time. This allows the Fund to continue to implement a long-term investment strategy.

The asset allocation is regularly reviewed to consider whether it is appropriate to change the mix of assets. This was last done in January 2020.

Investment Strategy

Requirement to invest fund money in a wide variety of investments

In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.

Types of investments

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 either in-house, indirectly (via funds) in physical assets or using derivatives, or through external managers including the Pool. The fund may use external managers to carry out stock lending while 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 investment

The Fund bases its approach to investment on the investment beliefs set out in Appendix A. As the Pool takes over implementation of the investments, some of them will become less relevant to the Nottinghamshire Pension Fund Committee's decisions but they should be seen as the fundamental core of how the Fund's assets are invested.

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

The risk tolerance of the Fund is agreed with the Nottinghamshire 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 Fund Target Return set out above, currently 5.8%.

The risks the Fund is exposed to include investment, operational, governance, currency, demographic and funding risks. These risks are identified, measured, monitored and then managed. Plans are put in place to mitigate these risks so far as that is possible. Details are given in Appendix B.

Approach to pooling investments

The Fund is entering the Pool with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability, improved ability to act as a responsible investor and access to more uncorrelated asset classes. As a better resourced and FCA authorised and regulated investment manager, the Pool is expected to provide improved governance, transparency and reporting giving the Pension Fund assurance that its investment strategy is being carried out effectively.

It is expected that most of the Fund's assets will be transferred to the Pool over a period of time. The Pool is setting up sub-funds which the Fund and other partners expect to invest in. It is likely that this process will take place over a number of years, with the timing being dependent on market conditions and operational circumstances. Where there are financial or other barriers to transfers, assets may remain in the Fund's ownership.

Governance of the Pool will primarily take place through the Shareholders Forum, governed by a Shareholders Agreement and operating under company law, which will have formal decision-making powers. Nottinghamshire Pension Fund 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.

The degree of control to be exercised by the Shareholders through their reserved 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.

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 the Pool. 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.

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 the Pool will be subject to ongoing oversight by the FCA and those holding key management positions, including the company directors, need to be approved persons, able to demonstrate appropriate knowledge, expertise and track record in investment management. The Directors of the Pool will also be personally liable for their actions and decisions.

Comprehensive programme governance arrangements are in place to ensure that costs and savings are managed in accordance with the agreed business case. The Section 151 Officers, or their nominated representatives, 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 Pension Board are also being updated regularly on key developments and decisions.

Assessment of the suitability of investments

The policy of the Fund will be to treat the equity allocation (both listed and private) as a block aimed at maximising the financial returns to the funds (and thus minimising employers' contributions) consistent with an acceptable level of risk. Other investments, such as property, fixed income, infrastructure or cash are aimed at mitigating risks which the Fund are exposed to, such as inflation, cashflow shortage, interest rate changes etc.

The Fund has a target allocation towards infrastructure, currently 8%, which is intended to deliver secure long-term income and some level of inflation protection. These assets may be either equity-like or bond-like in their nature and either listed or unlisted. The Committee monitors this weighting on a quarterly basis.

The Fund allocates a maximum of 20% to a range of illiquid assets including infrastructure, equity and credit where there may be no exit until the end of a fund's life. The Fund expects these to provide superior returns or risk mitigation in order to compensate for the lack of liquidity. Allocation to these assets are based on committed amounts and, owing to the nature of these vehicles, the actual net investment level may be lower, perhaps significantly so.

Cash will be managed and invested on the Fund's behalf by the County Council in line with the Pension Fund's treasury management policy. The policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield. If losses occur the Fund will bear its share of those losses.

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.

Policy on social, environmental and corporate governance considerations

Social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. Non-financial 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.

It is recognised that Environmental, Social, and Governance ("ESG") factors including current and future impacts of climate change are important to long term investment performance and the ability to achieve long term sustainable returns. The Nottinghamshire Pension Fund Committee considers the Fund's approach to ESG in three key areas:

- Selection – considering the financial impact of ESG factors on its investments.
- Stewardship – acting as responsible and active owners, through considered voting of shares

and engaging with investee company management as part of the investment process. The Committee supports the Stewardship Code.

- Transparency & Disclosure – commitment to reporting the outcomes of the Fund's stewardship activities.

In combination these three 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 bases its decisions in this area on its RI Investment Beliefs, which are set out within Appendix A.

The Pool has a fully developed set of RI policies, which are in line with the Committee's own investment beliefs. This includes a *Responsible Investment & Engagement Framework*, a *Statement of Compliance with the UK Stewardship Code*, and *Voting Principles*. The Fund, through the Pool's Practitioners Advisory Forum, contributes to the development of these policies. As the Fund transfers assets to it, the Pool will take responsibility for ensuring that underlying managers meet with the requirements of this policy. The Pool will also engage directly with investee companies to promote sustainable business practices that reward long-term investors. Voting rights associated with assets invested through the Pool's subfunds will be instructed according to the Pool's agreed *Voting Principles*. The Pool will be required to report on its RI policy to the Committee on a regular basis in order to demonstrate the implementation of the agreed RI policies.

The Fund has articulated an investment belief on the relevance of climate change for financial markets (see Appendix A). In line with this belief, the Fund will actively look for investments which can be expected to benefit as a result of the long-term impacts of climate change.

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

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 £300bn. 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.

The Committee believes that voting is an integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through its partnership with LGPS Central, Hermes EOS and via its investment managers. Hermes EOS is a major independent corporate governance and shareholder advisory consultancy procured by LGPS Central. Hermes EOS exercises all the Fund's voting rights in line with the shared proxy voting guidelines.

The Pool is a Tier 1 signatory to the Stewardship Code.

Hermes EOS 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.

Other Issues

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 Fund Target Return. Performance will be measured by an independent agency. The statement of accounts will be audited by the County Council's external auditors.

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). The Fund also publishes details of its holdings on the website on a quarterly basis.

This Investment Strategy Statement will be kept under review and will be revised following any material changes in policy.

Appendix A - Statement of Investment Beliefs

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

Financial market beliefs

Return is related to risk but taking calculated risks does not guarantee returns. The actual outcome may be higher or lower than that expected.

The Fund has a long-term investment horizon and is able to invest in volatile and/or illiquid investment classes in order to generate higher returns.

Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.

Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

Investment strategy/process beliefs

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, 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

Clear investment objectives are essential.

Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.

The Nottinghamshire Pension Fund Committee's fiduciary duty is to the members of the Pension Fund. While they are not trustees, they have trustee-like responsibilities.

Responsible investment beliefs

Responsible investment is supportive of risk-adjusted returns over the long term, across all asset classes. As a long-term investor, the Fund should seek to invest in assets with sustainable business models across all asset classes.

Responsible investment should be integrated into the investment processes of the Fund, the Pool, and underlying investment managers.

A strategy of engagement rather than exclusion is more compatible with fiduciary duty, and is more supportive of responsible investment.

Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.

There is risk but also opportunity in holding companies which have weak governance of financially material ESG issues. Opportunities can be captured so long as decisions are based on sufficient evidence and they are aligned with the Fund’s objectives and strategy.

Climate change and the response of policy makers has the potential to have a serious impact on financial markets. Engagement, using partnerships of like-minded investors where feasible, can mitigate this risk.

Appendix B - Risk Management

The Fund has adopted a Risk Management Strategy to:

a) Identify key risks to the achievement of the Funds objectives.
b) Assess the risks for likelihood and impact.
c) Identify mitigating controls.
d) Allocate responsibility for the mitigating controls.

Officers are responsible for maintaining a risk register detailing the risk features in a)-d) above, for reviewing and updating it on a regular basis, and reporting the outcome of the review to the Nottinghamshire Pension Fund Committee.

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.

A key part of managing the investment risk is by ensuring that the Fund is invested through an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets. As the Pool takes over implementation of the assets, Nottinghamshire Pension Fund Committee’s role will increasingly be to hold them to account.

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 itself. Individual managers may hedge currency risks but only with prior approval from the Fund.

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 20% of the Fund to be invested in unlisted securities (this excludes real estate).

No direct underwriting without prior approval.

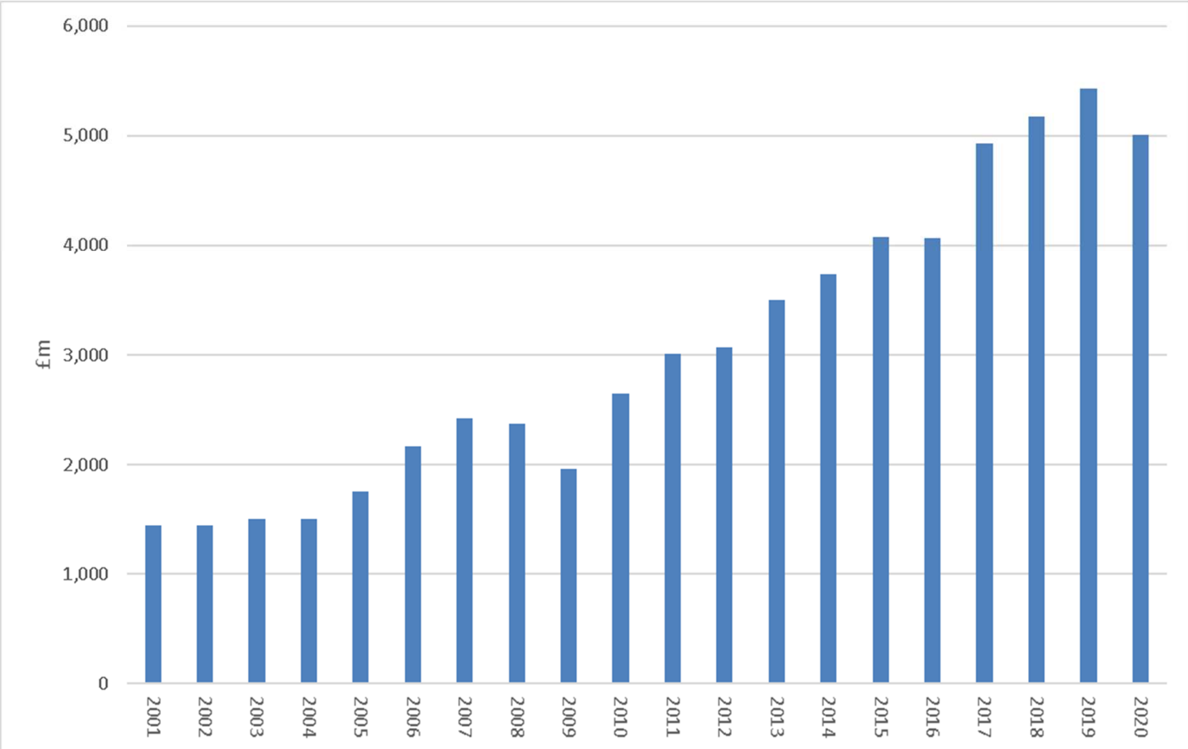
No direct involvement in derivatives (including currency options) without prior approval.

Financial Performance

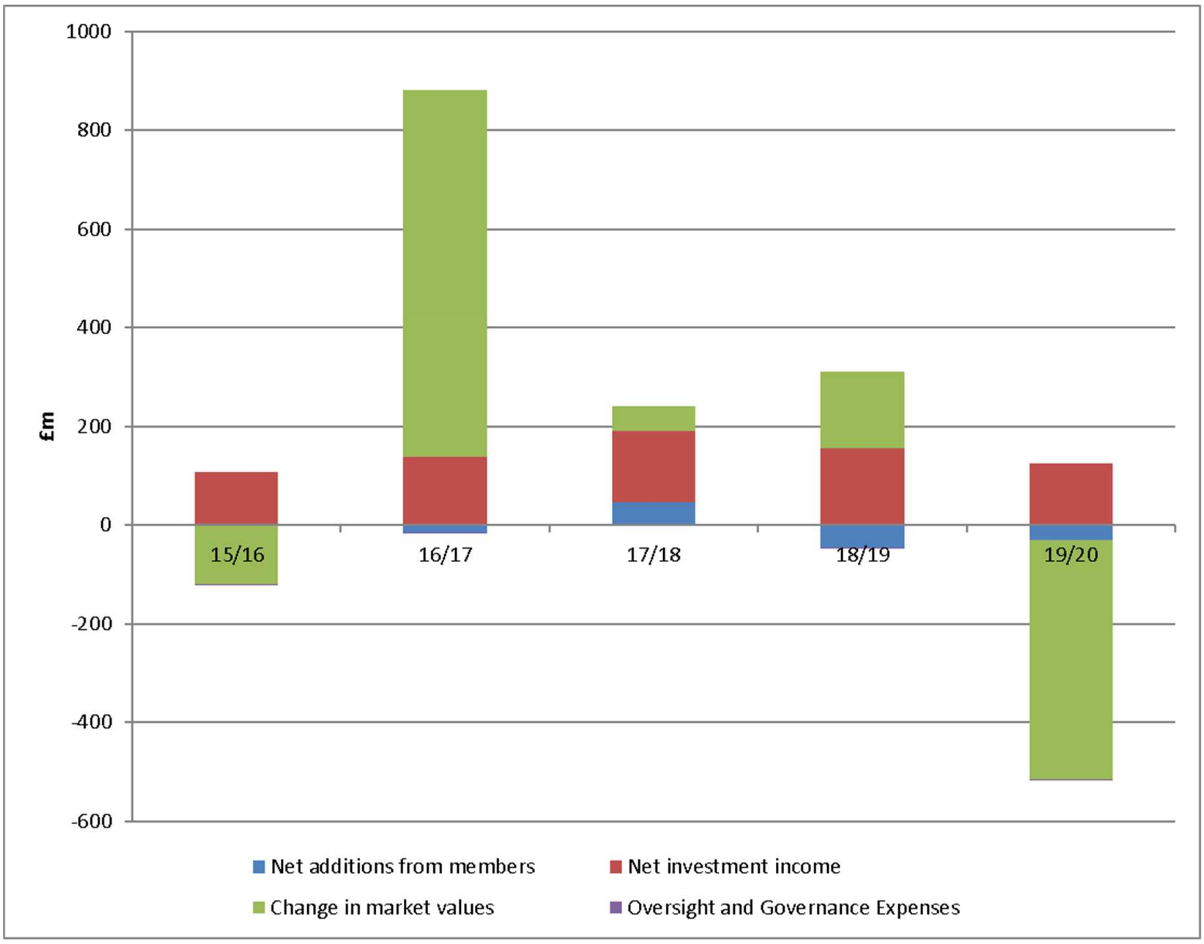
The in-house team of four, led by the Senior Accountant (Pensions and Treasury Management) monitors all externally-managed investments. The team also records and accounts for all the Pension Fund investments, producing quarterly valuations for the Pension Fund Committee as well as the annual report and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

The Pension Fund accounts are shown in detail elsewhere in the Annual Report.

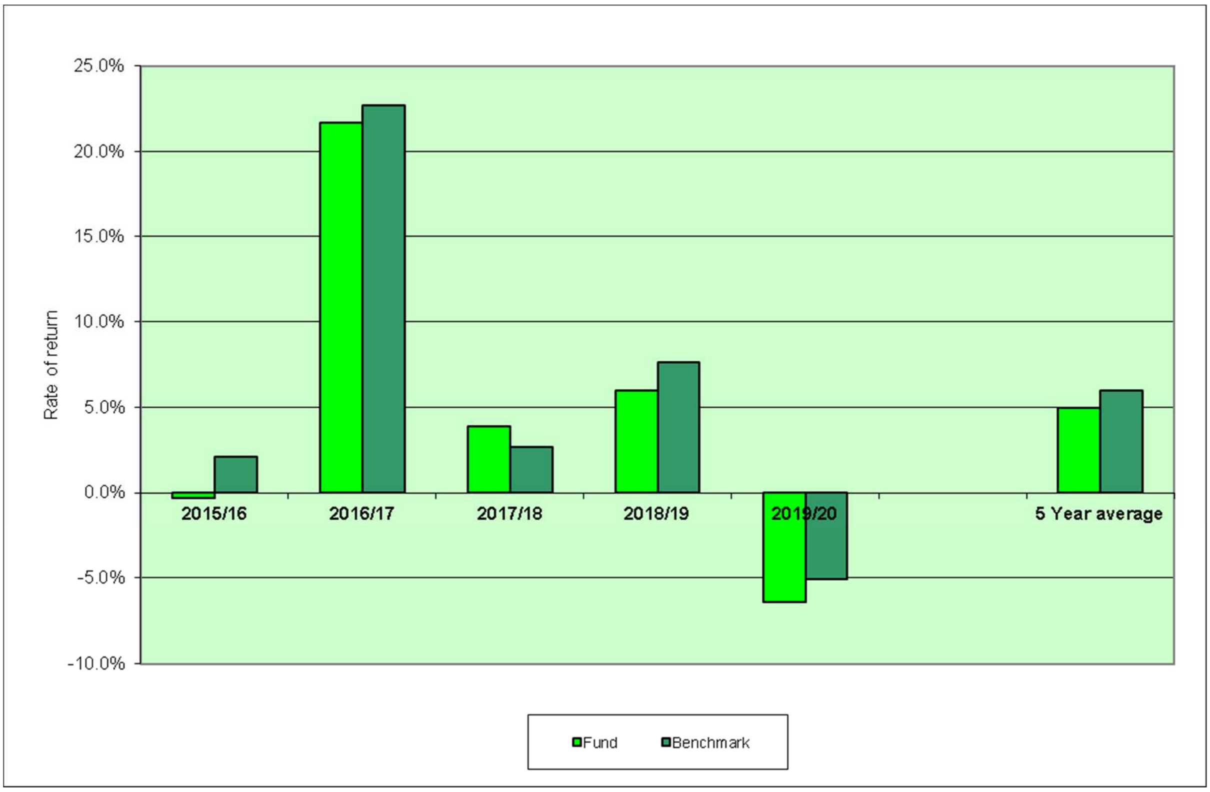
The Fund Account for 2019/20 shows a net outflow of £31m from dealings with members. Investment income for the year was £125m, a decrease on the previous year. However, to be set against this income is a drop of £483m relating to the change in the market value of the Fund’s investments as a result of the impact on the market of Covid-19, so the overall return on investments for the year is minus £358m. Overall, the value of the fund has decreased by £423m over the year to stand at £5,010m, as shown in the chart below:



The chart below shows in greater detail how the three main components have contributed to the Fund's value over the last 5 years.



In 2019/20, the fund achieved an overall return from its investments of minus 6.4%, underperforming compared with its strategic benchmark return of minus 5.1% over the year. This can be seen in the chart below:



A breakdown of investment performance across the different asset classes during 2019/20 can be seen in the table below:

To 31 March	1 yr %	3 yr %	5 yr %
Equities	-13.8	-1.6	3.6
Bonds	5.4	3.0	3.8
Property	1.1	5.1	6.9
Alternatives	8.9	9.7	11.1
Total	-6.4	1.0	4.6

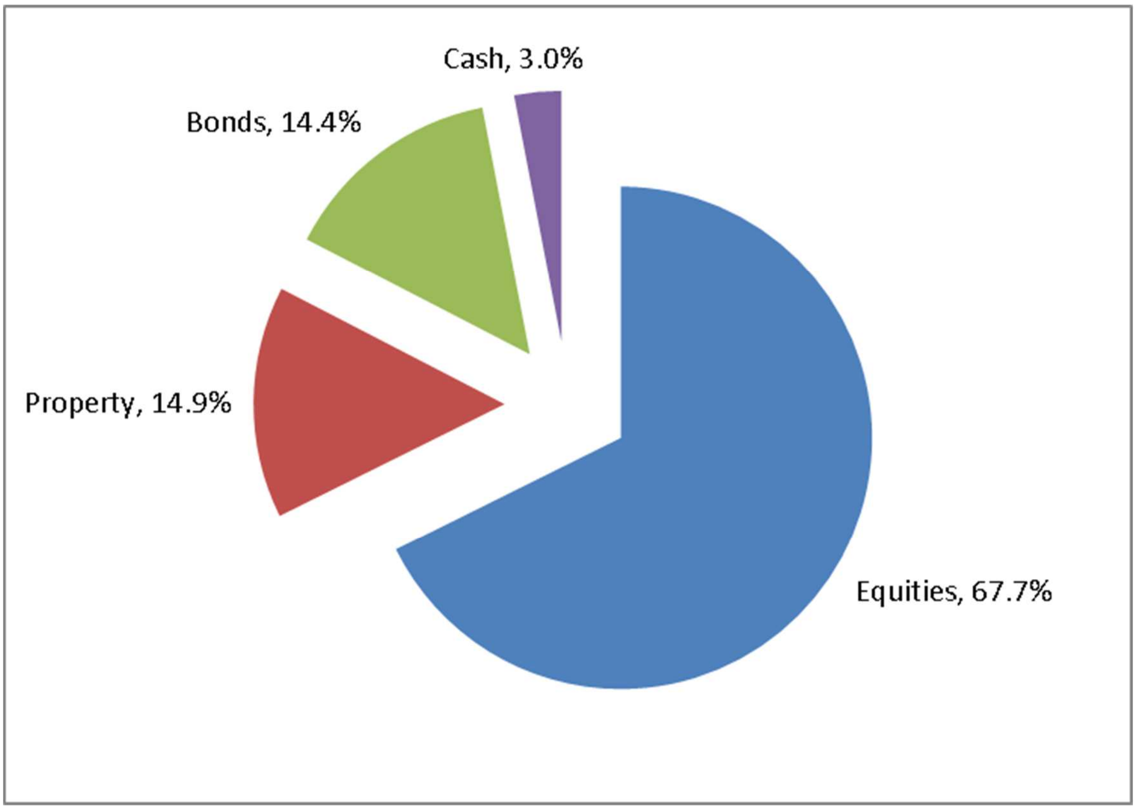
Information on investment returns is provided by Portfolio Evaluation Ltd

Asset Allocation

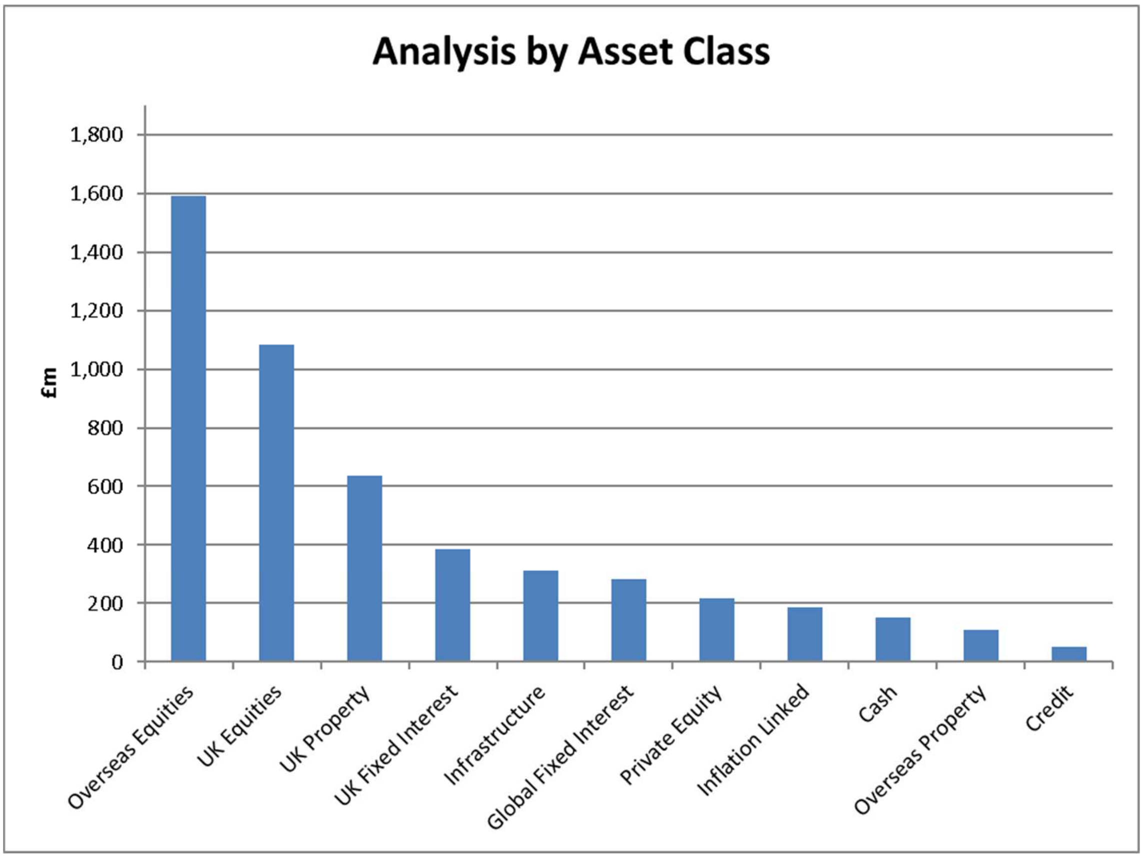
The Fund's asset allocation currently favours 'growth assets' (equities and property) over 'defensive assets' (bonds and cash), as the former are expected to outperform the latter over the long-term. High levels of investment income obviate the need for the Fund to sell assets in order to pay benefits, and thereby allows the Fund to implement a long-term investment strategy.

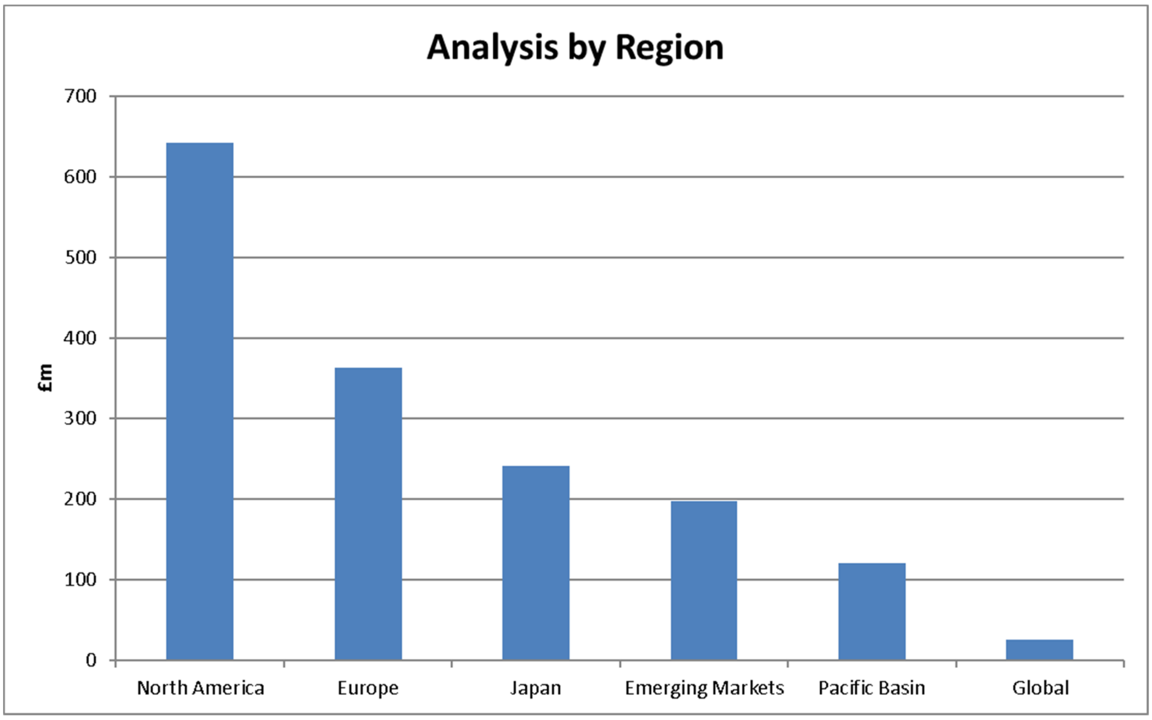
The agreed asset allocation ranges are those aimed at achieving best returns within acceptable risk parameters. These are shown below, together with the actual allocation as at the year-end:

Asset Class	Allocation Range	Value (£000)	Allocation as at 31 Mar 2020
Equities	55% to 75%	3,390,139	67.7%
Property	5% to 25%	746,982	14.9%
Bonds	10% to 25%	720,887	14.4%
Cash	0% to 10%	151,744	3.0%
Total		5,009,752	100.0%

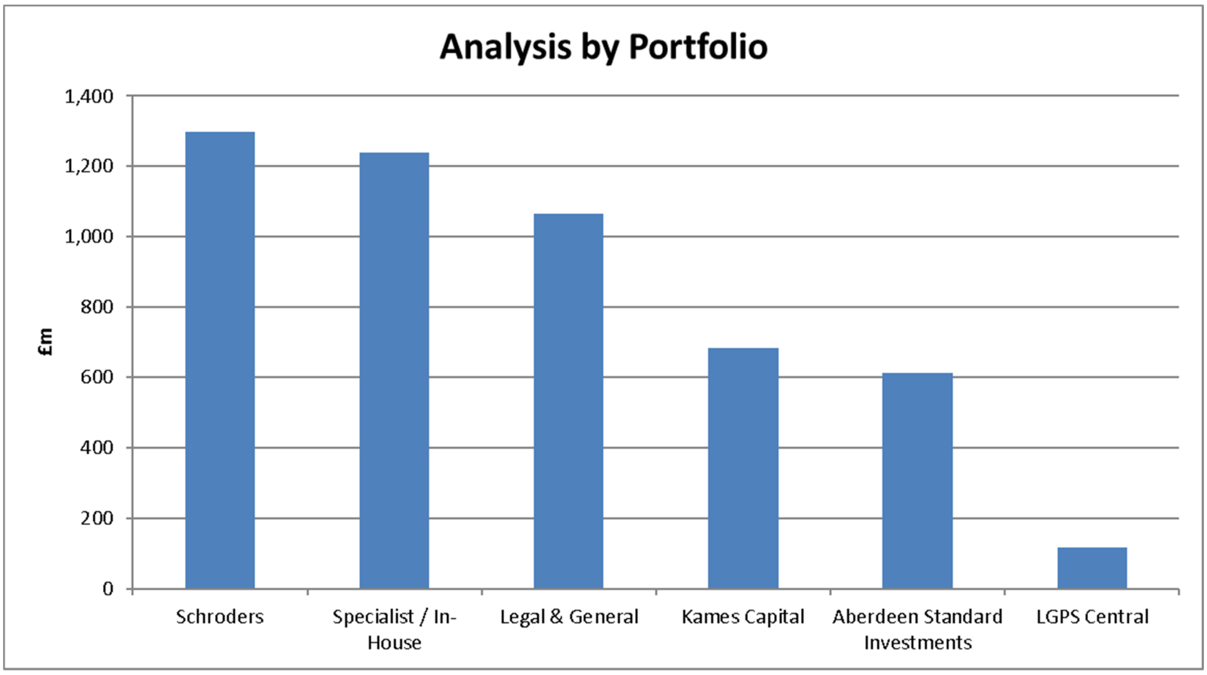


The charts below show the asset allocation of the Fund at 31 March 2020 in further detail, across classes and regions:





The Pension Fund Committee also determines the investment management arrangements to implement the agreed strategy. The assets of the Fund are managed within six portfolios and a breakdown of these as at 31 March 2020 is shown below:



The list of the Fund's 20 largest holdings is shown below. Combined, these represent 52% of the overall value of the Fund.

		£m
1	LEGAL & GENERAL UK EQUITY INDEX	439.6
2	SGST SCHRODER NORTH AMERICAN EQUITY FUND	409.0
3	LGPS CENTRAL GLOBAL ACT CORP BD MULTI MGR FD	283.7
4	LEGAL & GENERAL NORTH AMERICA EQUITY INDEX	231.2
5	KAMES DIVERSIFIED GROWTH FUND (CLASS B ACC)	187.2
6	LEGAL & GENERAL EUROPE (EX UK) EQUITY INDEX	151.5
7	STANDARD LIFE EUROPEAN PROPERTY GROWTH	109.4
8	LEGAL & GENERAL JAPAN EQUITY INDEX	98.4
9	RWC EURO FOCUS FUND CLASS 3SR - 2018	97.6
10	LEGAL & GENERAL ASIA PAC EX JAP DEV EQTY INDEX	83.9
11	RWC JAPAN STEWARDSHIP FUND PERF FEE CLASS 2 (2017)	80.0
12	LGPS CENTRAL EMERGING MKTS EQ ACT MULTI FUND A	75.5
13	SCHRODER INSTL DEV MKTS FUND A UNITS	61.8
14	DORCHESTER CREDIT	52.4
15	GLAXOSMITHKLINE PLC ORD 25P	47.5
16	TREASURY 1% 2024 22/07/2024	46.7
17	RENEWABLES INFRASTRUCTURE GR (TRIG)	39.6
18	TREASURY 1.25% 22/07/2027	37.8
19	DARWIN LEISURE DEVELOPMENT FUND A ACCUM UNITS	37.6
20	SCHRODER UT LTD INSTIT PACIFIC FUND INC	36.9
Total		**2,607.3**

Actuary's Statement as at 31 March 2020

Introduction

The last full triennial valuation of the Nottinghamshire County Council Pension Fund was carried out as at 31 March 2019 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 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows

The smoothed market value of the Fund's assets as at 31 March 2019 for valuation purposes was £5,415m.

The Fund had a funding level of 93% i.e. the assets were 93% 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 £405m.

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 17.9% 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 2020.

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 2019 are summarised below:

Assumption	31 March 2019
Discount rate	4.8% p.a.
Pension increases (CPI)	2.6% p.a.
Salary increases	3.6% p.a.
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 S3PA tables with a multiplier of 110% for males and 105% for females, making allowance for CMI 2018 projected improvements and a long-term rate of improvement of 1.25% p.a. with additional initial rate of improvement of 0.5% p.a. and smoothing parameter of 7.5.
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

Returns were strong for the first three quarters following the valuation date, however, recent market movements have seen significant falls in equity values. As at 31 March 2020, in market value terms, the Fund assets were less than where they were projected to be based on the previous valuation.

The projected liabilities will have increased due to the accrual of new benefits net of benefits paid, but offset by lower levels of projected future inflation. However, the potential reduction in the value of the liabilities will be offset by lower expected future investment returns reflected in the discount rate underlying the valuation model.

On balance, we estimate that the funding position is likely to have fallen slightly when compared on a consistent basis to 31 March 2019. The change in inflation and discount rates is likely to place a lower value of the cost of future accrual but due to the worsening in funding position, this is likely to be offset by an increase in deficit contributions.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends. There are also the other uncertainties around future benefits, relating to the McCloud and Sargeant cases and the ongoing cost cap management process.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

Barry McKay FFA

Partner, Barnett Waddingham LLP

Independent Auditor's Report

Opinion

We have audited the financial statements of Nottinghamshire Pension Fund (the 'pension fund') administered by Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Service Director Finance, Infrastructure, and Improvement and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Service Director Finance, Infrastructure, and Improvement's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Service Director Finance, Infrastructure and Improvement has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Service Director Finance, Infrastructure and Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 15b of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in note 15b to the financial statements, Market activity is being impacted in many sectors. The property valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.
Our opinion is not modified in respect of this matter.

Other information

The Service Director Finance, Infrastructure and Improvement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Service Director Finance, Infrastructure and Improvement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 21, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director Finance, Infrastructure and Improvement. The Service Director Finance, Infrastructure and Improvement is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance, Infrastructure and Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Service Director Finance, Infrastructure and Improvement is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

J Gregory

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

30 November 2020

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 330 participating employers and approximately 140,000 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 published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the Fund are delegated to the Nottinghamshire Pensions Fund Committee assisted in compliance matters by the Pensions Board. 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 Administration Strategy which sets out the quality and performance standards expected of Nottinghamshire County Council in its role of administering authority and scheme employer, and those expected of other scheme employers within the Fund.

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 (www.nottspf.org.uk). This annual report, along with previous years' reports, is accessible via 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 2018/19 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.

The Pension Fund Accounts

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT

	Notes	2018/19 £000	2019/20 £000
Contributions	4		
Employer contributions		(135,001)	(137,261)
Member contributions		(46,216)	(47,906)
		(181,217)	**(185,167)**
Transfers in from other pension funds		(9,473)	(9,655)
Benefits	5		
Pensions		162,268	171,375
Commutation of pensions and lump sum retirement benefits		34,937	35,699
Lump sum death benefits		4,495	5,050
		201,700	**212,124**
Payments to and on account of leavers	6	34,732	13,657
Net (additions)/withdrawals from dealings with members		**45,742**	**30,959**
Administration expenses	7	2,112	2,176
Oversight and governance expenses	8	1,630	1,460
Investment management expenses	9	5,410	4,995
Net withdrawals after fund management expenses		**54,894**	**39,590**
Investment Income	10	(162,772)	(130,410)
(Profits)/losses on disposal of investments & changes in value		(154,446)	483,224
Taxes on income		850	247
Net Returns on Investments		**(316,368)**	**353,061**
Net (increase)/decrease in net assets available for benefits during the year		**(261,474)**	**392,651**
Opening net assets of the Fund		5,171,589	5,433,063
Closing net assets of the scheme		**5,433,063**	**5,040,412**

Payments to and on account of leavers in 2018/19 includes an amount of £20.2 million in respect of the transfer out of liabilities relating to North Notts College. Excluding this bulk transfer, the net withdrawal from dealings with members was £26.6 million.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2019 £000	31 March 2020 £000
Investment Assets	11 & 15		
Fixed Interest Securities		677,054	384,727
Equities		1,008,561	846,815
Pooled Investment Vehicles		3,107,133	3,145,087
Property		483,262	481,379
Forward Foreign Exchange		(25)	-
Cash deposits		130,653	151,744
Other Investment Balances	13	28,944	28,575
Investment liabilities	13	(3,967)	(5,387)
		5,431,615	**5,032,940**
Current assets	14	11,038	15,760
		5,442,653	5,048,700
Current liabilities	14	(9,590)	(8,288)
Closing net assets of the scheme		**5,433,063**	**5,040,412**

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* , is shown at note 2c.

Notes to the Accounts

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

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 2019/20* (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 2018* (the Pensions SORP) or to individual International Accounting Standards (IAS). Disclosures required by IFRS 9 and 15 have been reflected in the accounts where material. Disclosures in the Pension Fund accounts have been limited to those required by the Code. Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. Three accounting standards have been issued but are not yet in force. These are IFRS16, ISA28 and IAS19.

The accounts have been prepared on a going concern basis.

The accounts have been prepared amidst the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation on 11 March 2020 as a "Global Pandemic". This has impacted global financial markets with significant volatility in valuations both before and after year end, and increased the uncertainty of fair value assessments at 31 March 2020.

Market activity is being impacted in many sectors. The property valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

Furthermore private assets are based on valuations generally a quarter earlier and do not reflect the market impact of the pandemic, however the extent of this is not measurable at year end. Consequently the assessed valuation range in note 15b) has been increased for 31 March 2020 to reflect the additional uncertainty.

(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 based on earnings, revenues and comparable valuations 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 external valuation in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards at the Net Assets Statement date based on lease terms, nature of tenancies, covenant strength, vacancy levels, estimated rental growth and discount rate.

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 11(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
- 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.

(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

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 10.

(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) General

Nottinghamshire County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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 490 participating employers and over 142,000 members. The employers include Nottinghamshire County Council, Nottingham 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).

A separate annual report for the Fund is also produced and this, along with previous years' reports, will be accessible via 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 in these pages. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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.

(b) 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.

(c) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2019. The market value of the Fund's assets at the valuation date was £5,433 million. The Actuary has estimated that the value of the Fund was sufficient to meet 93% of its expected future liabilities in respect of service completed to 31 March 2019. The certified contribution rates are expected to improve this to 100% within a period of 19 years. The full actuarial valuation report is available on the Fund's website at 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.

	31 March 2019
	% pa
Expected investment returns:	
Equities	6.7
Gilts	1.7
Property and Infrastructure	6.1
Discount Rate	4.8
Retail price inflation (RPI)	3.6
Consumer price inflation (CPI)	2.6
Long term pay increases	3.6
Pension Increases	2.6

The 2019 valuation produced an average employer contribution rate of 21.6%. Employer contributions were certified by the actuaries for the years 2020/21 to 2022/23. 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 as certified in the final report:

Certified employer contributions		**2020/21**	**2021/22**	**2022/23**
Nottinghamshire County Council		18.7%	18.7%	18.7%
	Plus:	£7,424,000	£7,695,000	£7,975,000
Nottingham City Council		17.9%	17.9%	17.9%
	Plus:	£8,544,000	£8,855,000	£9,178,000
Ashfield District Council		18.0%	18.0%	18.0%
	Plus:	£1,546,000	£1,603,000	£1,661,000
Bassetlaw District Council		19.6%	19.6%	19.6%
	Plus:	£919,000	£953,000	£988,000
Broxtowe Borough Council		18.0%	18.0%	18.0%
	Plus:	£264,000	£273,000	£283,000
Gedling Borough Council		18.2%	18.2%	18.2%
	Plus:	£413,000	£428,000	£443,000
Mansfield District Council		19.5%	19.5%	19.5%
	Plus:	£1,789,000	£1,855,000	£1,922,000
Newark and Sherwood District Council		17.5%	17.5%	17.5%
	Plus:	£771,000	£800,000	£829,000
Rushcliffe Borough Council		17.6%	17.6%	17.6%
	Plus:	£950,000	£985,000	£1,021,000

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

(d) 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 2019 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 2018		**31 March 2019**		**31 March 2020**	
		% pa	**Real % pa**	**% pa**	**Real % pa**	**% pa**	**Real % pa**
RPI Increases		3.3	-	3.4	-	2.7	-
CPI increases		2.3	(1.0)	2.4	(1.0)	1.9	(0.8)
Salary Increases		3.8	0.5	3.9	0.5	2.9	0.2
Pension Increases		2.3	(1.0)	2.4	(1.0)	1.9	(0.8)
Discount Rate		2.6	(0.7)	2.4	(1.0)	2.4	(0.3)
Mortality assumptions:							
Longevity at 65 for current pensioners							
Men	(years)				21.6		21.8
Women	(years)				24.4		24.4
Longevity at 65 for future pensioners							
Men	(years)				23.3		23.2
Women	(years)				26.2		25.8
Estimated return on assets					6%		-7%

Members will exchange half of their commutable pension for cash at retirement.

The net liability under IAS 19 is shown below.

	31 March 2018 £000	31 March 2019 £000	31 March 2020 £000
Present value of funded obligation	8,442,517	8,769,711	8,315,005
Fair value of scheme assets	5,132,636	5,406,638	5,009,752
Net Liability	**3,309,881**	**3,363,073**	**3,305,253**

The present value of funded obligation consists of £8,165.1 million in respect of vested obligation and £149.9 million in respect of non-vested obligation.

A ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. Court of Appeal judgements were made in cases affecting judges' pensions (the McCloud Judgement) and firefighter pensions. The ruling will have implications for the Local Government Pension Scheme which also moved from a final salary to a career average salary scheme.

Last year the Government Actuary's Department undertook a scheme level review for England and Wales to assess the impact on the Local Government Pension Scheme in respect of the potential impact on scheme liabilities and service cost and the IAS 19 figures included in the accounts in 2019 and 2020 reflect the estimated impact of the McCloud Judgement. This had the effect of increasing the net liability by £68 million.

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.

(e) 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).

During 2019/20 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.

(f) Critical Judgements and Estimations

In applying the accounting policies set out in Note 1 above, the Council has had to make certain critical judgements and estimates about complex transactions or those involving uncertainty about future events. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Pension Fund Liability - The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 2 d). Actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies.

Property Investments - Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.

Level 3 Investments - Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

(g) External Audit

A separate fee is payable to Grant Thornton UK 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 2019/20 is £27,293 (£23,043 for 2018/19).

3. Contributors and Pensioners

	Members at 31 March 2020				
	County Council	City Council	District Councils	Other	Total
Contributors	15,879	8,064	3,428	20,685	48,056
Deferred Beneficiaries	24,150	12,507	4,358	14,987	56,002
Pensioners	17,793	7,826	4,938	8,197	38,754
					142,812

	Members at 31 March 2019				
	County Council	City Council	District Councils	Other	Total
Contributors	16,282	7,616	3,224	20,067	47,189
Deferred Beneficiaries	23,878	12,370	4,335	14,045	54,628
Pensioners	17,053	7,465	4,851	7,556	36,925
					138,742

4. Analysis of Contributions

	Employers		Members		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
County Council	31,902	31,371	12,131	12,267	44,033	43,638
Scheduled Bodies	94,718	98,961	31,721	33,378	126,439	132,339
Admitted Bodies	8,381	6,929	2,364	2,261	10,745	9,190
	135,001	**137,261**	**46,216**	**47,906**	**181,217**	**185,167**

5. Analysis of Benefits

	2018/19	2019/20
	£000	£000
Pensions	162,268	171,375
Commutation and lump sum	34,937	35,699
Lump sum death benefits	4,495	5,050
	201,700	**212,124**
Comprising of:		
County Council	77,848	79,575
Scheduled Bodies	115,236	122,965
Admitted Bodies	8,616	9,584
	201,700	**212,124**

6. Payments to and on account of leavers

	2018/19	2019/20
	£000	£000
Refunds to members leaving the fund	452	497
Payments for members joining state scheme	190	162
Group transfers to other funds	-	-
Individual transfers to other funds	34,090	12,998
	34,732	**13,657**

7. Administration Expenses

	2018/19	2019/20
	£000	£000
Printing and stationery	14	8
Legal fees	22	16
Other external fees	280	398
Administering Authority Costs	1,796	1,754
	2,112	**2,176**

8. Oversight and Governance Expenses

	2018/19 £000	2019/20 £000
Training and conferences	3	2
Printing and stationery	1	2
Subscriptions and membership fees	29	40
Actuarial fees	34	70
Audit fees	23	27
Legal fees	2	-
Other external fees	1,143	965
Administering Authority Costs	395	354
	1,630	**1,460**

Other external fees include the Fund's share of the running costs of LGPS Central Ltd.

9. Investment Management Expenses

	2018/19 £000	2019/20 £000
Custody fees	417	299
Investment management fees	4,803	4,614
Other external fees	172	65
Administering Authority Costs	18	17
	5,410	**4,995**

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 £13.3 million in 2019/20 (£13.3 million in 2018/19).

10 Investment Income

Analysis by type of investment	2018/19 £000	2019/20 £000
Interest from fixed interest securities	(27,553)	(21,980)
Dividends from equities	(57,604)	(42,287)
Income from pooled investment vehicles	(52,655)	(35,880)
Income from property pooled vehicles	(5,340)	(6,005)
Net rents from property	(17,646)	(22,011)
Interest on cash deposits	(1,246)	(1,335)
Other	(728)	(912)
	(162,772)	**(130,410)**
Directly held property		
Rental income	(20,068)	(23,989)
Less operating expenses	2,422	1,978
Net rents from property	**(17,646)**	**(22,011)**

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

	2018/19 £000	2019/20 £000
Within one year	20,802	23,909
Between one and five years	71,097	82,690
Later than five years	188,470	213,681
Future lease payments due under existing contracts	**280,369**	**320,280**

11. Investments

(a) **Investment Analysis**	**31 March 2019 £000**	**31 March 2020 £000**
Fixed Interest Securities		
UK Public Sector	176,070	208,155
UK Other	488,039	176,572
Overseas Other	12,945	-
Equities		
UK	821,987	667,552
Overseas	179,050	174,959
Unlisted	7,524	4,304
Pooled Investment Vehicles		
Unit Trusts	968,072	1,252,280
Other Managed Funds	1,890,700	1,627,204
Pooled Vehicles Invested in Property		
Property Unit Trusts	122,251	116,997
Other Managed Funds	126,110	148,606
Property	483,262	481,379
Forward Foreign Exchange	(25)	-
Cash and Currency	130,653	151,744
Total Investments	**5,406,638**	**5,009,752**

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.

	31 March 2019 £000	**31 March 2020 £000**
Market Value	5,406,638	5,009,752
Original Value	4,553,254	4,733,655
Excess of Market Value over Original Value	**853,384**	**276,097**

(b) Reconciliation of Opening and Closing Values of Investments 2019/20

	Value at 1 April 2019 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2020 £000
Fixed Interest Securities	677,054	324,838	(639,019)	21,854	384,727
Equities	1,008,561	290,444	(249,355)	(202,835)	846,815
Pooled Investment Vehicles	2,858,772	565,989	(259,910)	(285,367)	2,879,484
Property Pooled Vehicles	248,361	16,164	(1,551)	2,629	265,603
Property	483,262	28,517	(9,350)	(21,050)	481,379
	5,276,010	**1,225,952**	**(1,159,185)**	**(484,769)**	**4,858,008**
Forward Foreign Exchange	(25)	92,166	(93,686)	1,545	-
	5,275,985	**1,318,118**	**(1,252,871)**	**(483,224)**	**4,858,008**
Cash deposits	130,653				151,744
	5,406,638				**5,009,752**

Reconciliation of Opening and Closing Values of Investments 2018/19

	Value at 1 April 2018 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2019 £000
Fixed Interest Securities	716,004	319,584	(353,860)	(4,674)	677,054
Equities	2,032,516	313,317	(1,443,685)	106,413	1,008,561
Pooled Investment Vehicles	1,554,547	1,496,162	(237,167)	45,230	2,858,772
Property Pooled Vehicles	252,751	45,992	(51,327)	945	248,361
Property	438,470	37,459	-	7,333	483,262
	4,994,288	**2,212,514**	**(2,086,039)**	**155,247**	**5,276,010**
Forward Foreign Exchange	103	121,688	(121,014)	(801)	(25)
	4,994,391	**2,334,202**	**(2,207,053)**	**154,446**	**5,275,985**
Cash deposits	146,032				130,653
	5,140,423				**5,406,638**

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 £1.8 million in 2019/20 (£3.4 million in 2018/19). 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 2019 £000		31 March 2020 £000	
Core Index	1,361,636	25.2%	1,110,544	22.2%
Schroder Investment Management	1,509,073	27.9%	1,297,411	25.9%
Fixed Interest	690,557	12.8%	681,429	13.6%
Aberdeen Property	499,881	9.2%	610,486	12.2%
Specialist	1,345,491	24.9%	1,309,882	26.1%
Total	**5,406,638**	**100.0%**	**5,009,752**	**100.0%**

A breakdown of material pooled holdings managed by external managers within the Core Index, Fixed Interest and Specialist portfolios is shown below:

	31 March 2019 £000	31 March 2020 £000
Core Index		
Legal & General	1,329,955	1,065,133
Fixed Interest		
LGPS Central	-	283,738
Specialist		
Kames Capital	279,317	265,908
RWC Capital	245,858	177,543
Aberdeen Standard	128,494	44,823
Darwin	74,838	79,444
LGPS Central	-	81,010

The European Property Growth Fund managed by Aberdeen Standard worth £109m at 31/3/20 was transferred to the Aberdeen Property portfolio during the year.

The following investments represent over 5% of the net assets of the fund.

	Market Value 31 March 2019 £000	% of Fund	Market Value 31 March 2020 £000	% of Fund
Legal & General UK Equity Index	539,533	9.9%	439,566	8.7%
Schroder North American Equity Fund	473,245	8.7%	409,042	8.1%
LGPS Central Global Corporate Bonds Fund	-		283,738	5.6%

(d) Asset Allocation

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

	31 March 2019 £000		31 March 2020 £000	
UK Fixed Interest	664,109	12.3%	384,727	7.7%
Overseas Fixed Interest	12,945	0.2%	283,738	5.7%
UK Equities	1,314,735	24.3%	1,082,969	21.6%
Overseas Equities:				
US	829,170	15.3%	641,947	12.8%
Europe	447,427	8.3%	362,238	7.2%
Japan	242,487	4.5%	241,134	4.8%
Pacific Basin	143,438	2.7%	120,864	2.4%
Emerging Markets	235,623	4.4%	197,797	3.9%
Global Equities	9,484	0.2%	26,085	0.5%
UK Property	628,945	11.6%	636,890	12.7%
Overseas Property	102,678	1.9%	110,092	2.2%
Private Equity	188,213	3.5%	218,264	4.4%
Infrastructure	260,281	4.8%	311,677	6.2%
Credit	-	-	52,421	1.0%
Multi-Asset	196,475	3.6%	187,165	3.7%
Forward Foreign Exchange	(25)	-	-	-
Cash	130,653	2.4%	151,744	3.0%
Total	**5,406,638**	**100.0%**	**5,009,752**	**100.0%**

(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 valuation has been provided subject to a material uncertainty clause.

	31 March 2019 £000	31 March 2020 £000
Freehold	451,662	455,029
Leasehold more than 50 years	31,600	26,350
	483,262	**481,379**
Original Value	382,211	410,348

Details of movements on directly owned properties are as follows:-

	31 March 2019 £000	31 March 2020 £000
Opening balance	**438,470**	**483,262**
Additions:		
Purchases	28,983	201
New construction	6,726	27,605
Subsequent expenditure	1,750	711
Disposals	-	(9,000)
Net increase in market value	7,333	(21,400)
Other changes in fair value	-	-
Closing balance	**483,262**	**481,379**

(f) Analysis of Pooled Investment Vehicles

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

	31 March 2019 £000	31 March 2020 £000
Global Fixed Interest	-	283,738
UK Equities	617,052	512,668
Overseas Equities:		
US	826,323	640,212
Europe	334,216	249,090
Japan	179,495	181,059
Pacific Basin	143,438	120,864
Emerging Markets	204,012	197,797
Global	9,484	26,085
UK Property	145,683	155,511
Overseas Property	102,678	110,092
Private Equity	180,689	213,961
Infrastructure	167,588	214,424
Credit	-	52,421
Multi-Asset	196,475	187,165
Total	**3,107,133**	**3,145,087**

(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
Private Equity Funds		millions
Wilton Private Equity Fund	USD	13
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	4
Coller International Partners IV	USD	9
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	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	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 Buyout Fund I	GBP	10
Darwin Leisure Development Fund	GBP	30
Darwin Leisure Property Fund	GBP	20
Capital Dynamics CPEV 17-18	GBP	10
Darwin Bereavement Services Fund	GBP	20
Capital Dynamics CPEP 18-19	GBP	10
YFM Buyout Fund II	GBP	15
LGPS Central PE Primary Fund 2018	GBP	10
LGPS Central PE Co-Investments 2018	GBP	5
Coller International VIII	USD	35
Dorchester Capital Secondaries Offshore V	USD	50
Infrastructure Funds		
Partners Group Global Infrastructure	EUR	12
Altius Real Assets Fund I	USD	15
Hermes GPE Infrastructure Fund	GBP	25
AMP Capital Global Infrastructure Fund	USD	32
SL Capital Infrastructure	GBP	15
JP Morgan IIF UK 1	USD	22
Green Investment Bank Offshore Wind Fund	GBP	15
MacQuarie European Infrastructure Fund 5	EUR	30
Equitix Fund IV LP	GBP	20
Hermes GPE Infrastructure II	GBP	25
Equitix Fund V	GBP	10
SL Capital Infrastructure II	EUR	20
Capital Dynamics Clean Energy and Infrastructure VIII	GBP	10

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 2020 were £190.4 million (£175.9 million at 31 March 2019). Of the funds above, the following were new commitments made during 2019/20:-

	Currency	Commitment millions
Dorchester Capital Secondaries Offshore V	USD	50
Capital Dynamics Clean Energy and Infrastructure VIII	GBP	10

(h) Analysis of derivatives

Open Forward Foreign Exchange contracts at 31 March 2020

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	-	-	-
					-	**-**
				Total net forward foreign exchange contracts	**-**	

Open Forward Foreign Exchange contracts at 31 March 2019

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	13,310	EUR	(15,400)	5	-
Up to 3 months	GBP	5,857	USD	(7,700)	(30)	-
					(25)	**-**
				Total net forward foreign exchange contracts	**(25)**	

12. Contingent Liabilities

The fund has no contingent liabilities.

13. Other Investment Balances and Liabilities

	31 March 2019 £000	31 March 2020 £000
Other investment balances		
Outstanding investment transactions	-	-
Investment income	28,944	28,575
	28,944	**28,575**
Investment Liabilities		
Outstanding investment transactions	(146)	-
Investment income	(3,821)	(5,387)
	(3,967)	**(5,387)**

14. Current Assets and Liabilities

	31 March 2019 £000	31 March 2020 £000
Current assets		
Contributions due from employers	9,473	12,065
Other	1,565	3,696
	11,038	**15,760**
Current Liabilities		
Payments in advance	-	-
Sundry creditors	(9,155)	(7,809)
Other	(435)	(479)
	(9,590)	**(8,288)**

15. Financial Instruments and Property Investments

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

	31 March 2020			
	Financial assets measured at Fair Value through profit and loss £000	**Assets at amortised cost £000**	**Financial liabilities at amortised cost £000**	**Totals £000**
Financial Assets				
Fixed Interest Securities	384,727	-	-	384,727
Equities	846,815	-	-	846,815
Pooled Investment Vehicles	2,879,484	-	-	2,879,484
Property Pooled Vehicles	265,603	-	-	265,603
Forward Foreign Exchange	-	-	-	-
Cash deposits	-	151,744	-	151,744
Other investment balances	-	28,575	-	28,575
Current Assets	-	15,760	-	15,760
	4,376,629	**196,079**	**-**	**4,572,708**
Financial Liabilities				
Investment Liabilities	-	-	(5,387)	(5,387)
Current Liabilities	-	-	(8,288)	(8,288)
	-	**-**	**(13,675)**	**(13,675)**
	4,376,629	**196,079**	**(13,675)**	**4,559,033**

	31 March 2019			
	Financial assets measured at Fair Value through profit and loss £000	**Assets at amortised cost £000**	**Financial liabilities at amortised cost £000**	**Totals £000**
Financial Assets				
Fixed Interest Securities	677,054	-	-	677,054
Equities	1,008,561	-	-	1,008,561
Pooled Investment Vehicles	2,858,772	-	-	2,858,772
Property Pooled Vehicles	248,361	-	-	248,361
Forward Foreign Exchange	(25)	-	-	(25)
Cash deposits	-	130,653	-	130,653
Other investment balances	-	28,944	-	28,944
Current Assets	-	11,038	-	11,038
	4,792,723	**170,635**	**-**	**4,963,358**
Financial Liabilities				
Investment Liabilities	-	-	(3,967)	(3,967)
Current Liabilities	-	-	(9,590)	(9,590)
	-	**-**	**(13,557)**	**(13,557)**
	4,792,723	**170,635**	**(13,557)**	**4,949,801**

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

As at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	3,625,917	265,603	485,109	4,376,629
Non Financial Assets				
Fair value through profit and loss				
Freehold and leasehold property	-	-	481,379	481,379
Total	**3,625,917**	**265,603**	**966,488**	**4,858,008**
Financial Liabilities				
Liabilities	-	-	-	-
Financial liabilities	(13,675)	-	-	(13,675)
Total	**(13,675)**	**-**	**-**	**(13,675)**
Net	**3,612,242**	**265,603**	**966,488**	**4,844,333**

As at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	4,188,561	248,361	355,801	4,792,723
Non Financial Assets				
Fair value through profit and loss				
Freehold and leasehold property	-	-	483,262	483,262
Total	**4,188,561**	**248,361**	**839,063**	**5,275,985**
Financial Liabilities				
Liabilities	-	-	-	-
Financial liabilities	(13,557)	-	-	(13,557)
Total	**(13,557)**	**-**	**-**	**(13,557)**
Net	**4,175,004**	**248,361**	**839,063**	**5,262,428**

Reconciliation of Fair Value measurements within Level 3

	Freehold and leasehold property	Private equity and unlisted shares
	£000	**£000**
Market value 1 April 2019	**483,262**	**355,801**
Transfers into level 3	-	-
Transfers out of level 3	-	
Purchases during the year	28,517	185,713
Sales during the year	(9,350)	(33,821)
Unrealised gains / (losses)	(21,050)	(22,584)
Realised gains / (losses)	-	
Market value 31 March 2020	**481,379**	**485,109**

Sensitivity of assets valued at level 3

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and increased the uncertainty of fair value assessments at 31 March 2020.

Market activity is being impacted in many sectors and the property valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

Private assets are based on valuations generally a quarter earlier and do not reflect the market impact of the pandemic. Consequently the assessed valuation range has been increased for 31 March 2020 to reflect the additional uncertainty.

	Assessed valuation range (+/-)	**Value at 31 March 2020 £000**	**Value on increase £000**	**Value on decrease £000**
Freehold and leasehold property	15%	481,379	553,586	409,172
Private equity and unlisted shares	30%	485,109	630,642	339,576
Total		**966,488**	**1,184,228**	**748,748**

(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) 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.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation (£000)	8,142,920	8,315,005	8,490,900

The Fund deficit at the last triennial valuation was £405 million.

For the first time in 2013/14 there was a net withdrawal from dealings with members. Since then the net withdrawal has been relatively small, and in some years more than offset by deficit contributions, but the clear trend is for this to increase. In 2019/20 the fund again experienced a net withdrawal from dealings with members. Investment income significantly exceeded this withdrawal.

The Fund continues to receive significant investment income and is therefore unlikely to need to sell assets in order to meet pension benefits in the near future. 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. Specific risks arising from financial instruments include market risk, credit risk and liquidity risk. These risks are managed within the fund through diversification of assets, careful selection of managers and counter parties, and prudent treasury management. 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 2019 **£000**	**31 March 2020** **£000**
Prudential	31,824	32,559
Scottish Widows	3,962	3,275
	35,786	**35,834**

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. The proportion recharged to the Pension Fund is as follows:-

2019-20

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances) £	Expenses £	Compen-sation for Loss of Office £	Employer Pension contri-butions* £	Total Remun-eration £
Service Director (Customers, Governance and Employees)	1	14,732	-	-	3,271	18,003
Service Director (Finance, Infrastructure & Improvement)	2	19,643	92	-	4,361	24,096

*Pension Contributions are estimated at 22.2% to account for the pensions deficit

1. The Service Director for Customers, Governance and Employees gained responsibility for the Monitoring Officer post in July 2018.
2. The post of Service Director (Finance, Infrastructure and Improvement) has the statutory responsibility of S151 Officer.

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 LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central. These are the balances at year end, unchanged from 2018/19. The fund earned £36,000 in interest during the year (£36,000 in 2018/19) and £36,000 was owed to the fund at the end of the year (£43,000 in 2018/19).

LGPS Central Ltd has charged £966,000 in operating and investment management costs during the year (2018/19 £860,000), of which £297,000 (2018/19 £161,000) was outstanding at year end.

Nottinghamshire Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation.

Set up costs in the creation of LGPS Central Ltd were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £501,760 was refunded to Nottinghamshire Pension Fund by LGPS Central Ltd during 2018/19 reflecting the cost of setting up the enterprise to the end of March 2018.

Over time, LGPS Central Ltd will manage an increasing proportion of the Pension Fund's investments. At 31 March 2020 investments worth £398.410 million (31 March 2019 £18.963 million) were invested in LGPS Central Ltd funds.

18. Post Balance Sheet Events

As previously disclosed, the accounts have been prepared amidst the outbreak of the COVID-19 global pandemic. This has impacted global markets and generated significant volatility. The year end valuation of assets may consequently be significantly different from the valuation of assets at any date after 31 March 2020. However this is not considered to be a post balance sheet event that changes the valuation on 31 March 2020.

No post balance sheet events have been identified.

LGPS Central (LGPSC) Pool

Nottinghamshire County Council - in conjunction with the administering authorities of Cheshire, Derbyshire, Leicestershire, Shropshire, Staffordshire, West Midlands and Worcestershire - has established of a multi asset investment pool called LGPS Central (LGPSC). LGPSC has a structure that allows participating funds to exercise control (both individually, and collectively), not only as investors in the pooled funds, but also as shareholders (or 'Partner Funds') of the operator company, LGPS Central Ltd. It opened for business with the launch of 3 new mandates on 3 April 2018, and operates out of Wolverhampton, West Midlands, and Matlock, Derbyshire.

The information set out below reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2018/19. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in future years.

The analysis provided by LGPSC relates to Nottinghamshire as a specific Partner Fund. The provision of the information by LGPSC to each Partner Fund ensures consistent reporting across Partner Funds, and allows LGPSC to aggregate, and reconcile back the individual Partner Fund disclosures, to the Company's financial statements.

Set-Up Costs

Cumulative 2014/15 to 2018/19	**Total £000**
Set Up Costs	
Recruitment	27
Procurement	2
Professional Fees	187
IT	97
Staff Costs	142
Other Costs (provide details)	
Premises	49
Staffing-Related Costs	5
Travel and Expenses	1
Training and Events	1
FCA Fees	1
General Admin Costs	2
Set-Up Costs Before Funding	**514**
Share Capital	1,315
Debt	685
Other Costs	-
Set-Up Costs After Funding	**2,514**

These remain unchanged since those reported in the 2018/19 Annual Report. The Pool is operational so no further set up costs are anticipated.

Governance, Operator and Product Development Charged by LGPSC to Partner Funds

£000	At 1 April-19	Charges in Year	Settled in Year	At 31 March-20
Total	155	966	(800)	321

Other Transactions between Partner Funds and LGPSC (e.g. service support provided by West Midlands to LGPSC / rent payable by LGPSC to Derbyshire County Council)

£000	At 1 April-19	Charges in Year	Settled in Year	At 31 March-20
Interest Payable	43	36	(43)	36
Total	**43**	**36**	**(43)**	**36**

LGPSC Investment Management Expenses Charged to Partner Funds

	£000	Direct	Indirect	Total	*Bps Charge*
1	Ad Valorem	230		230	*19.17*
2	Performance	-		-	-
3	Research	-		-	-
4	PRIIPS Compliance	-		-	-
5	Other (provide details)	-		-	-
	Management Fees	**230**	**-**	**230**	***19.17***
6	Commissions	24		24	*2.00*
7	Acquisition/issue costs	155		155	*12.92*
8	Disposal costs	-		-	-
9	Registration/filling fees	-		-	-
10	Taxes and Stamp Duty	29		29	*2.42*
11	Other (provide details)	-		-	-
	Implicit Costs	99		99	*8.25*
	Transaction Costs	**307**	**-**	**307**	***25.58***
					-
12	**Custody/Depositary**	**14**		**14**	***1.17***
13	**Other (provide details)**				**-**
	Fund Accounting	4		4	*0.33*
	Transfer Agent	1		1	*0.08*
	External Audit	4		4	*0.33*
	Performance Reporting	1		1	*0.08*
	Total Costs	**561**	**-**	**561**	***46.75***

Investment Management Expenses by Product / Service

£000	1	6	7	10	11	12	13	Total 2019/20 Costs	AUM At 31 March 2020 £m	*2019/20 Bps Charge*
Global Ex-UK Passive	2	1		1	(1)	2	-	5	9	*5.00*
UK Passive	2	1		4	2	1	-	10	8	*10.00*
Global Multi-Manager	44	8		6	76	2	-	136	17	*71.58*
GEMS	163	14	10	18	22	5	6	238	75	*51.74*
Corporate Bonds	9	-	145	-	-	4	4	162	284	*40.50*
ACS Sub-Funds	**220**	**24**	**155**	**29**	**99**	**14**	**10**	**551**	**393**	
Private Equity 2018 Vintage	10							10	15	*6.67*
Alternative Vehicles	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**15**	
Total	**230**	**24**	**155**	**29**	**99**	**14**	**10**	**561**	**408**	***46.75***

Items 1, 6, 7, 10, 11, 12, 13 relate to items listed in the Direct Column of 'Investment Management Expenses Charged to Partner Funds' table above

Asset Under Management & Performance by Product / Service

£000	AUM At 1 April-19 £m	AUM At 31 March-20 £m	One Year Net Performance %	Passive Benchmark Used
Global Ex-UK Passive	9	9	-6.97%	
UK Passive	9	8	-18.56%	
Global Multi-Manager	-	17	N/A	FT: All World
GEMS	-	75	N/A	
Corporate Bonds	-	284	N/A	ICE BofAML Sterling Non-Gilt Index/ICE BofAML Global Corporate Index
ACS Sub-Funds	**18**	**393**		
Private Equity 2018 Vintage	15	15		
Alternative Vehicles	**15**	**15**		
Total	**33**	**408**		

Scheme Administrative Arrangements

Introduction

Responsibility for the administration of the Pension Fund is delegated to the County Council's Pensions Committee.

The Fund is administered in-house on a day today basis by the Pensions Team which is part of the Nottinghamshire County Council Business Services Centre.

The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members benefits are determined strictly in accordance with the scheme regulations and are not affected by the value of Fund assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement

During 2019-20, scheme members were required to pay a contribution rate of between 5.5% and 12.5% of their pensionable pay, depending on their pay banding. Employer contribution rates, also expressed as a percentage of pensionable pay, and tailored specifically to each employer in the scheme, were applied to cover the accrual of new benefits earned by members. The contribution to fund any past service deficit was expressed as a cash sum or supplementary percentage of pensionable pay.

The 2019 valuation was completed by the scheme Actuary on 31 March 2020, and employer contribution rates were issued for the 1 April 2020.

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.

Pension Administration broadly comprises:

- Maintaining a database of:
  - Active members (i.e.) contributors
  - Pensioners, including widows, widowers and dependants
  - Those with deferral benefits that will become payable in the future
- Providing Annual Benefit Statements to active and Deferred scheme members
- Providing estimates of benefit
- The calculation and payment of retirement benefits
- The calculation and payment of transfer values to other schemes
- Processing transfer values from "club" and local government schemes
- Providing valuations, a splitting of pensions in divorce cases

- communicating with employers and scheme members on scheme changes and pensions issues.
- Onboarding new scheme employers
- Supporting employers to carry out their responsibilities under the LGPS Regulations
- Reconciling employers' monthly and annual contribution rates
- Providing pension savings statements to scheme members as appropriate
- Providing data for triennial valuations and the annual FRS102 for all but large bodies who report in accordance withAIS19.
- Replying to questions and issues raised by scheme members and employers
- 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

The Pensions Team has Full Time Equivalent Staff FTE:

At 31.03.2020	Established	Actual in Post
Pension Team	26.20	23.10
Pension System Team	3.0	3.0
GMP Project (Temp)	1.0	1.0

The Pensioner payroll is provided by Nottinghamshire County Council Business Services Centre

The Total cost of administration expressed as a cost per member for the Past five years was:

£ per member	2015	2016	2017	2018	2019
The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34

The Pension Fund Membership Profile is as follows:

Type of Member	2017-2018	2018-2019	2019-2020
Active Members	44,436	47,189	48,056
Deferred members	46,448	54,628	56,002
Pensioners	35,245	36,925	38,754
Total Membership	126,129	138,742	142,812

4 Quarters 2019-2020 1.04.2019 to 31.03.2020 **Pension Administration against the Cipfa Benchmark Key Performance Indicators**			
Process	**No. cases completed** **Within the Year**	**Cipfa Benchmark** **Legal Requirement** **(from notification)**	**% of cases completed within the CIPFA KPI**
Deaths – Initial letter acknowledging death of member	367	2 months	92%
Deaths – letter notifying amount of dependant's pension	443	2 months	80%
Retirements –letter notifying estimate of retirement benefits	121	2 months	97%
Retirements – process and pay pension benefits on time (next available payroll) –	2460	2 months	86%
Deferment Retirement Quote Letter	2256	2 Months	95%
Deferment – calculate and notify deferred benefits	4922	2 months	61%

Transfers in/out – letter detailing transfer quote	1050	2 months	59%
Refund – Process and pay a refund following election	802	2 months	96%
Divorce quote – letter detailing cash equivalent value and other benefits	375	2 months	97%
Divorce Settlement – Letter detailing implementation of pension sharing order	13	2 Months	31%
Provision of Estimate of Benefits	1448	2 Months	95%

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.

Complaints, Appeals & Ombudsman Escalations

Set out below are three tables out lining the number of written complaints received by the Administering Authority in 2019-2020, along with the number of formal appeals at stage 1 and stage 2 of the appeals process along with the number of appeals that the Administering Authority is aware of that have been submitted to the Pension Ombudsman in respect of cases escalated following the two-stage adjudication process.

	Total	**Closed**	**Outstanding**	**Justified**	**Partial Justified**	**Not Justified**
Written Complaints	**25**	**23**	**2**	**4**	**6**	**13**

Stage 1 Appeals against the Administering Authority and Employers 2019-2020

Total	Appeals upheld	Appeals dismissed	Progressed to stage 2	Awaiting Decision
10	1	3	3	3

Stage 2 Appeals against the administering Authority

Total	Appeals upheld	Appeals dismissed	Progressed Ombudsman	Awaiting Decision
2	1	1	1	0

Pensions Administration System

The Pensions Administration system used by NCC is the Universal Pensions Management (UPM) system, provided by Civica UK. UPM was implemented at NCC in 2015 and is an 'on premise' system with the servers located at the County Hall Data Centre and the Node 4 site in Derby, for resilience. The infrastructure is managed by NCC ICT and regular co-ordination with the Pensions Systems team. Maintenance and upgrades are undertaken on a regular basis to ensure the system remains compliant, up to date and available to users. New developments and upgrades from the software supplier are evaluated tested and deployed in line with the requirements of the Pensions Manager.

Over the last year several developments have been progressed, the main development has been the implementation of an Employer portal and is currently being piloted by a large scheme employer. The objective of the Portal is support employers manage their data and provide access to some specific employee pension information. The other main activity has been the ongoing work to ensure the accuracy of pension data within the administration system and this will continue in line with the requirements of the Pensions Regulator. Further system developments are being planned for the coming year.

Communications

The Communications Strategy Statement (see below) 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 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

The pension's website 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 website improves communication to pensioners, members of the scheme and employers.

The website helps to answer questions, and provide up to date information on the LGPS, and support communication with the Pensions administration team. The website 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. Until this development is implemented the Pension Fund continue to improve access to information for members and Employers through the website.

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;
- Work on Employer acceptance into the scheme, plus also employer closures.
- 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 Pensions 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, and update on the strategy is planned for this year.

COVID-19

In response to the COVID-19 emergency the Pensions Team has continued to work to ensure that critical services in terms of calculating and continuing to pay pension benefits to scheme members. At the start of the lockdown, the pension fund instigated its continuity plan, and members of the Pensions Team moved to working from home. The Pensions Team was required to change a number of operating procedures to ensure continuity of service, however this has led to a limiting of non-critical services. As part of the COVID response the Pension Fund has followed the guidance provided by the Pensions Regulator and the Local Government Associations, as well as the LGPS Scheme Advisory Board.

Membership

The majority of employees of our scheme employers will be brought into the pension scheme automatically, whether through 'contractual enrolment' under the scheme's 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.

Joint Administration Strategy and Service Level Agreement

1.0 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.

2.0 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 of over 485 scheme employers with active members, and approximately 146,060 (at October 2016) 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.

3.0 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.

4.0 Regulatory framework

The development and implementation of an Administration Strategy is part of the regulatory frame work 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 employer’s 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.

5.0 Nottinghamshire Local Pension Board

The Nottinghamshire Local Pension Board was appointed 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.

6.0 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.

7.0 Establishing levels of 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.

8.0 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 2004and
- Health and Safety legislation.
- General Data Protection Regulations (GDPR) 2018

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.

9.0 General Data Protection Regulations (GDPR)

On 25 May 2018 the EU's General Data Protection Regulation (GDPR) comes into force containing new standard of protection of individual's personal data in the European Economic Area. The change will impact on the way pensions scheme can lawfully collect, use, retain and share information. GDPR applies to organisations that handle the personal data of EU residents and will replace the UK's Data Protection Act 1998 (DPA)

10.0 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.

11.0 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.

12.0 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.

13.0 Liaison and communication

13.1 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.

13.2 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.

14.0 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.

15.0 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.

16.0 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.

17.0 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.

18.0 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.

19.0 Consultation

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

20.0 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 below:

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 31August 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
New Starters – make all administration decisions in relation to a new scheme member	Within two months 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 months 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 administrating 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.

Employer responsibilities-task	Timescale
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.
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 costs 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)
Summary of overpayment invoices raised between the 01/04/2019 to the 31/03/2020: Invoiced - £67,295.94 Paid - £53,651.67 Written-off - £3,126.03		
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 charged 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

Employer Activities	Reason for Charge	Basis of Charge
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
Retirements in 2019/20 totalled 1,892 analysed as follows: Redundancy - 138 Ill Health - 57 Early retirement - 1,480 Ill health retirement - 71 Normal retirements - 146		
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

Employer Activities	**Reason for Charge**	**Basis of Charge**
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: • Benefit recalculation. • Members file search and record prints. • Supplementary information requests.	Where information is requested by members that is in addition to routine	£37.00 per hour + Vat.

Communications Strategy Statement

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 over 300 employers with contributing members and a total membership of 142,812 scheme members, these members are split into the following categories and with the following numbers of members in each category at March 2020.

Types Of Pension Fund membership	Totals
Active members	48,056
Deferred	56,002
Pensioners	38,754
Total	142,812

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

Regulatory Framework

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

61. (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) 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).

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.

Key Objectives

The Nottinghamshire Pension Fund recognise 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.

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 several 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

Active Scheme members

The Pensions Office have a 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 member’s 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.

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 several 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.

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.

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.

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.

Pension Fund Staff

The Pensions Office currently ensures that all new staff receive induction and training, so that they can 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.

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.

External Bodies

The fund communicates with additional external bodies these include:

The Ministry of Housing, Communities and Local Government (MHCLG) 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 Pension Administration Manager also attends the Pension Managers Group within the Central Pool.

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.

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.

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 several key documents relating to the administration and governance of the Fund. These are as follows:

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.

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.

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.

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.

Contact us:

Tel:	0115 9772727 Option 3
Or Email:	lgpensions@nottscc.gov.uk
Or visit our website:	http://www.nottspf.org.uk
Or write to us at:	**Nottinghamshire Pension Fund** **Nottinghamshire County Council** **County Hall** **West Bridgford** **Nottingham** **NG2 7QP**

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. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement. The main responsibilities of the Administering Authority are to:

    - Collect employee and employer contributions
    - Invest the Fund's assets
    - Pay the benefits due to Scheme members
    - Manage the actuarial valuation process in conjunction with the Fund Actuary
    - Prepare and maintain the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
    - Monitor all aspects of the Fund's performance.

Committee members

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. The main responsibilities of the Committee are to:

    - Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
    - Determine the type of investment management to be used and appoint and dismiss fund managers
    - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
    - Receive independent reports on the performance of fund managers on a regular basis
    - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

Scheme Employers

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 as certified by the Fund Actuary to the Administering Authority within the statutory timescales
    - Notify the Administering Authority of any new Scheme members and any other membership changes promptly
    - Exercise any discretions permitted under the Regulations
    - Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
    - Notify the Administering Authority of significant changes in the employer's structure or membership.

Fund Actuary

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 Committee on investment matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Service Director Customers, Governance and Employees

13. The Service Director Customers, Governance and Employees 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, Governance and Employees provide advice to the Committee on pension administration matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

15. The Fund has an Independent Adviser who attends meetings of the Nottinghamshire 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 Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of the investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to achieve its long-term funding objectives described in paragraph 4.

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 Nottinghamshire 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.

Pension Fund Risk Register

Objectives

22. 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

23. 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.

24. 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

25. 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.

Risk Rating Matrix

Relative Impact		(1) Rare	(2) Unlikely	(3) Possible	(4) Likely	(5) Almost Certain
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**

Relative Likelihood

26. 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

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

Risk Description	Inherent Risk			Current Risk		
	Rating		Change	Rating		Change
Risk Gov4 Inadequate resources are available to manage the pension fund.	20	VERY HIGH	↔	12	HIGH	↔
Risk Inv6 LGPS Central incurs net costs or decreases investment returns	16	VERY HIGH	⬆	12	HIGH	⬆
Risk Adm1 Standing data & permanent records are not accurate.	16	VERY HIGH	↔	9	HIGH	↔
Risk Inv3 Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	↔	9	HIGH	↔
Risk Adm2 Inadequate controls to safeguard pension fund records	15	VERY HIGH	↔	6	MEDIUM	↔
Risk Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer Risk) Potential data quality issues.	15	VERY HIGH	★	6	MEDIUM	★
Risk Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk).	15	VERY HIGH	★	6	MEDIUM	★

Risk Description	Inherent Risk			Current Risk		
	Rating		Change	Rating		Change
Risk Inv4 Significant variations from assumptions used in the actuarial valuation	12	HIGH	⬌	9	HIGH	⬌
Risk Inv7 Financial risk of climate change	12	HIGH	★	8	MEDIUM	★
Risk Inv1 Inappropriate investment strategy is adopted.	12	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Inv5b Custody arrangements	12	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Gov5 Failure to adhere to relevant legislation and guidance.	12	HIGH	⬌	6	MEDIUM	⬌
Risk Gov3 An effective performance management framework is not in place.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Gov1 Pension Fund governance arrangements are not effective	9	HIGH	⬌	6	MEDIUM	⬌
Risk Gov2 Pension Fund objectives are not defined and agreed.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv2 Fund cash is insufficient to meet its current obligations.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5a Fund manager mandates	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5d Financial Administration	9	HIGH	⬌	6	MEDIUM	⬌

Risk Description	Inherent Risk			Current Risk		
	Rating		Change	Rating		Change
Risk Adm3 Failure to communicate adequately with all relevant stakeholders.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5c Accounting arrangements	6	MEDIUM	⬌	4	LOW	⬌
Risk Inv5e Stewardship	6	MEDIUM	⬌	4	LOW	⬌

Governance					
Risk description: Gov1 - Pension Fund governance arrangements are not effective					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee.				
	• Under the LGPS Regulations the Administering Authority has established a Pension Board				
	• The terms of reference of the Nottinghamshire Pension Fund Committee are agreed. • The terms of reference of the Nottinghamshire Pension Board are agreed.				
	• 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.				
	• 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. • Nottinghamshire Pension Board Members are also required to undertake training				
	• Officers of the Council attend meetings of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board.				
	• The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each Nottinghamshire Pension Fund Committee meeting.				
	• The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Nottinghamshire Pension Board				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services) Group Manager (BSC) Group Manager (Legal Services)		**Timescale:**	On-going	

	Pension Manager Senior Accountant - Pensions & TM		

Governance					
Risk description: Gov2 - Pension Fund objectives are not defined and agreed					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are approved by the Nottinghamshire Pension Fund Committee and reviewed on a regular basis.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services)		**Timescale:**	On-going	

Governance					
Risk description: Gov3 - An effective performance management framework is not in place.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**12**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Investment performance is reported quarterly to the Nottinghamshire Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers.				
	• Poor investment performance is considered by the Nottinghamshire Pension Fund Committee. The Nottinghamshire Pension Fund Committee's actions are monitored by the Nottinghamshire Pension Board				
	• A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements.				

	• Performance of the administration function is managed through an Administration Strategy		
Action Required:	• Consider performance monitoring framework for Fund Administration.		
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM	**Timescale:**	On-going

Governance					
Risk description: Gov4 - Inadequate resources are available to manage the pension fund.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	5	4	**20**	**VERY HIGH**	⬌
Current Risk:	4	3	**12**	**HIGH**	⬌
Current Controls:	• The pension fund investments are managed by the Pensions & Treasury Management team.				
	• Pension administration is managed by the Pension Team Manager within the BSC				
	• Operating costs are recharged to the pension fund in accordance with regulations.				
	• Staffing levels and structures are kept under regular review. • Pension Costs and resources monitored against the CIPFA Benchmarking club				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM	**Timescale:**	On-going		

Governance					
Risk description: Gov5 – Failure to adhere to relevant legislation and guidance.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	3	2	**6**	**MEDIUM**	⬌
Current Controls:	• An established process exists to inform members and officers of statutory requirements and any changes to these.				
	• An Administration Strategy was introduced in 2017 to monitor the Administration of the Fund, along with monitoring Employer compliance.				
	• Sufficient resources are required to implement LGPS changes while continuing to administer the scheme.				
	• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.				
	• Any breaches in statutory regulations must be reported to the Pension Regulator.				
Action Required:	• Review Resources against statutory requirements • Continue to monitor requirements via appropriate sources. • Continue to monitor resources to ensure adherence to legislation and guidance.				
Responsibility:	Group Manager (Financial Services); Group Manager (BSC); Senior Accountant – Pensions & TM Pension Manager		**Timescale:**	On-going	

Investments					
Risk description: Inv1 - Inappropriate investment strategy is adopted.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	4	**12**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌

Current Controls:	• The investment strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the Nottinghamshire Pension Fund Committee.
	• In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.
	• The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation.
	• Investment performance is monitored against the Fund's strategic benchmark.
	• A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party.
	• An Independent Adviser provides specialist guidance to the Nottinghamshire Pension Fund Committee on the investment strategy.
Action Required:	• Continue to monitor via existing processes.

Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going

Investments					
Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌

Current Controls	• Fund cash flow is monitored daily and a summary fund account is reported to the Nottinghamshire Pension Fund Committee each quarter
	• Annual accounts are produced for the pension fund and these show the movements in net cash inflow
	• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.
	• The Fund's Investment and Funding Strategies are regularly reviewed
Action Required:	• Continue to monitor via existing processes.

Responsibility:	Nottinghamshire Pension Fund Committee;	**Timescale:**	On-going

	Group Manager (Financial Services); Senior Accountant - Pensions & TM		

Investments					
Risk description: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Fund assets are kept under review as part of the Fund's performance management framework. • Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations. • The Fund's Investment and Funding Strategies are regularly reviewed. • An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy. • Strength of covenant of new employers carefully assessed • Risks relating to existing employers are reviewed periodically				
Action Required:	• Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going		

Investments			
Risk description: Inv4 - Significant variations from assumptions used in the actuarial valuation occur			
	Likelihood:	**Impact:**	**Risk Rating:**

Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Actuarial assumptions are reviewed by officers and discussed with the actuaries				
	• Sensitivity analysis is undertaken on assumptions to measure impact				
	• Valuation are undertaken every 3 years				
	• Monitoring of cash flow position.				
	• Contributions made by employers vary according to their member profile.				
Action Required:	• Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going		

Investments					
Risk description: Inv5 - Inadequate controls to safeguard pension fund assets.					
Inv5a - Investment managers					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. Mandate managers attend Nottinghamshire Pension Fund Committee on a regular basis.				
	• Investment objectives are set, and portfolios must be managed in accordance with these				
	• AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for mandate managers.				
	• Internal decisions have a robust framework in place which is tested by internal audit				

	• Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5b - Custody arrangements					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	4	**12**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Complete and authorised agreements are in place with the external custodian.				
	• AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian.				
	• Regular reconciliations carried out to check external custodian records.				
	• Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5c - Accounting arrangements					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	2	**6**	**MEDIUM**	⬌
Current Risk:	2	2	**4**	**LOW**	⬌
Current Controls:	• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.				
	• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.				
	• Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers.				

<table>
<tr><td rowspan="2"></td><td colspan="5">• Internal Audits are carried out regularly.</td></tr>
<tr><td colspan="5">• External Audit review the Pension Fund’s accounts annually.</td></tr>
<tr><td>Action Required:</td><td colspan="5">• Continue to monitor via existing processes.</td></tr>
<tr><td>Responsibility:</td><td colspan="2">Group Manager (Financial Services);

Senior Accountant - Pensions & TM</td><td colspan="2">Timescale:</td><td>On-going</td></tr>
<tr><td colspan="6">Inv5d - Financial Administration</td></tr>
<tr><td></td><td>Likelihood:</td><td>Impact:</td><td colspan="3">Risk Rating:</td></tr>
<tr><td>Inherent Risk:</td><td>3</td><td>3</td><td>9</td><td>HIGH</td><td>⬌</td></tr>
<tr><td>Current Risk:</td><td>2</td><td>3</td><td>6</td><td>MEDIUM</td><td>⬌</td></tr>
<tr><td rowspan="5">Current Controls:</td><td colspan="5">• The Pension Fund adheres to the County Council’s financial regulations with appropriate separation of duties and authorisation limits for transactions.</td></tr>
<tr><td colspan="5">• Daily cash settlements are made with the external custodian to maximise returns on cash.</td></tr>
<tr><td colspan="5">• Investment transactions are properly authorised, executed and monitored.</td></tr>
<tr><td colspan="5">• Contributions due to the fund are governed by Scheme rules which are implemented by the Pensions Manager</td></tr>
<tr><td colspan="5">• The Pension Fund maintains a bank account which is operated within regulatory guidelines.</td></tr>
<tr><td>Action Required:</td><td colspan="5">• Continue to monitor via existing processes.</td></tr>
<tr><td>Responsibility:</td><td colspan="2">Group Manager (Financial Services);

Senior Accountant - Pensions & TM</td><td colspan="2">Timescale:</td><td>On-going</td></tr>
<tr><td colspan="6">Inv5e – Stewardship -</td></tr>
<tr><td></td><td>Likelihood:</td><td>Impact:</td><td colspan="3">Risk Rating:</td></tr>
<tr><td>Inherent Risk:</td><td>3</td><td>2</td><td>6</td><td>MEDIUM</td><td>⬌</td></tr>
<tr><td>Current Risk:</td><td>2</td><td>2</td><td>4</td><td>LOW</td><td>⬌</td></tr>
<tr><td rowspan="2">Current Controls:</td><td colspan="5">• The Pension Fund aims to be a long term responsible investor.</td></tr>
<tr><td colspan="5">• 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.</td></tr>
</table>

	• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Nottinghamshire Pension Fund Committee each quarter and published on the Fund website.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going		
Inv6 - LGPS Central incurs net costs or decreases investment returns					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬆
Current Risk:	4	3	**12**	**HIGH**	⬆
Current Controls:	• We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF				
	• Costs and performance will be monitored				
Action Required:	• Continue to attend meetings relevant meetings • Continue to monitor via existing processes.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going		
Inv7 – Climate change affects the financial returns of the Fund.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	★
Current Risk:	4	2	**8**	**MEDIUM**	★
Current Controls:	• The financial impact of climate change on the fund can be mitigated. Businesses and individuals will have to change their behaviour and consumption to reduce their carbon footprint and this presents both opportunities and threats as investors.				
	• We engage with management of the companies we own through LGPS Central, LAPFF and Hermes EOS to influence them to consider climate change and their sustainability.				
	• Climate change risks are already considered as part of the purchasing and holding decision				

Action Required:	• Risk analysis of the financial risks arising from climate change is to be completed with the assistance of LGPS Central. • The current impacts of climate change are affecting particular industries and regions and the Pension Fund will look to reduce exposure to these. • Continued move towards our long term asset allocation.		
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going

Administration					
Risk description: Adm1 - Standing data and permanent records are not accurate.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Business processes are in place to identify changes to standing data.				
	• Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input.				
	• Documentation is maintained in line with agreed policies. • The Administration Strategy supports the monitoring of employer compliance.				
	• A change of details form is sent out to members alongside their annual statement.				
	• Data matching exercises (National Fraud Initiative) help to identify discrepancies.				
	• Mortality Screening is being performed				
	• The Data Improvement Plan presented to Pension Fund Committee is being implemented.				
	• The GMP Reconciliation Project including Payroll and Pensions Data matching exercise with HMRC has commenced				
Action Required:	• Continue to monitor via existing processes. • Improve monitoring of returns from major fund employers • Implementation of Data Improvement plan and GDPR Action Plan				

Responsibility:	Group Manager (BSC) Pension Manager	**Timescale:**	On-going

Administration					
Risk description: Adm2 - Inadequate controls to safeguard pension fund records.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• ICT Disaster Recovery Plan and Security Plan are agreed and in place				
	• New back up arrangements are in place				
	• Software is regularly updated to meet LGPS requirements.				
	• Audit trails and reconciliations are in place. • GDPR plan is in place				
	• Documentation is maintained in line with agreed policies.				
	• Physical records are held securely. • Pensions and other related administration staff undertake data management training as required.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC) Pension Manager		**Timescale:**	On-going	

Administration					
Risk description: Adm3 - Failure to communicate adequately with all relevant stakeholders.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• A communications strategy is in place and is regularly reviewed.				
	• The Fund website is periodically updated.				

	• Member information guides are reviewed.			
	• The Fund has an annual meeting aimed at all participating employers.			
	• The Nottinghamshire Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.			
	• Meetings are held regularly with employers within the Fund. • District and City Council employers and other adhoc employer meetings take place as required • A briefing for employers takes place in February or March each year in preparation for year end			
	• Benefit Illustrations are sent annually to contributing and deferred Fund members.			
	• Annual report, prepared in accordance with statutory guidelines, is published on the website.			
Action Required:	• Continue to monitor via existing processes.			
Responsibility:	Group Manager (BSC) Pension Manager	**Timescale:**	On-going	

Administration					
Risk description: Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk) **Potential data quality issues.**					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	★
Current Risk:	2	3	**6**	**MEDIUM**	★
Current Controls:	• Clear communication of requirements to scheme employers.				
	• Undertake employer data review planned as part of the data improvement plan.				
	• Planned roll out of the employer portal to improve the transfer of data to the Pension Fund.				
	• Actuary makes prudent assumptions at valuation.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC)	**Timescale:**	On-going		

	Pension Manager		

Administration					
Risk description: Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	★
Current Risk:	2	3	**6**	**MEDIUM**	★
Current Controls:	• Information Governance oversee policies and procedures				
	• Data breach procedure in place				
	• Assurance obtained from third party providers and contractors on compliance with relevant legislation.				
	• Identified Data Protection Officer				
	• Appropriate access levels in the Pension Administration system.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC) Pension Manager		**Timescale:**	On-going	