

2013 - 14

Annual Report



**The Nottinghamshire
Local Government Pension Scheme**

administered by

 **Nottinghamshire
County Council**

for you, for now, for the future
lgps
2014

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Chair's Foreword

This is my second year as Chair of the Nottinghamshire Pension Fund Committee and it has seen the global economic recovery continue. Towards the end of 2013/14, stock markets in the developed world had returned to pre-crisis levels helping the Fund to generate returns of over 6% in the year. This has contributed to an increase in assets of the Fund of over £200m to stand at just over £3.7 billion.

The Fund's membership also continues to grow and is now in excess of 106,000 members. However, some of this growth has resulted from increases in deferred members and pensioners, a symptom of the continuing reductions in public service expenditure. This has led to increased pressure on the contributions from employers and a greater focus on cash flow. Investment returns, and in particular investment income, help to mitigate this pressure and allows the fund to continue to adopt a long term investment strategy.

This strategy helped in the Fund's triennial valuation which was concluded in March, and which I am happy to say resulted in a slight increase to the funding level of the Fund. This allowed the actuaries to keep pension contributions relatively stable and this helps local employers to set their budgets. The valuation also took into account the new Local Government Pension Scheme (LGPS) which commenced in April 2014 after much preparation work undertaken by the Pension's Office. Details of all such changes continue to be communicated to members by the Fund's newsletter, Nest Egg, as well as via the dedicated pension fund website (www.nottspf.org.uk).

Central government continues to consider changes to the structure of the LGPS in order to reduce costs. While Fund mergers seem to be off the agenda for now, the current proposal is that greater use be made of passive management of investments. Our Fund already benefits from low cost passive management within its In-house portfolio but it also retains long term relationships with a limited number of external managers, and performance from these managers over the long term has been very beneficial to the Fund. Our administration costs are also benchmarked against other authorities and consistently show good value.

The Fund takes a long term responsible approach to its investments, actively voting its equity holdings and engaging with companies through its investment managers and membership of the Local Authority Pension Fund Forum. In order to increase the transparency of how the Fund operates, we now publish all investment holdings each quarter on the Fund website along with summary details of the quarter's voting record.

Cllr Stella Smedley MBE JP

Chair of the Nottinghamshire Pension Fund Committee

Management and Financial Performance

Scheme management and advisers

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme within Nottinghamshire for which it invests and administers funds with over 200 contributing employers and over 39,000 contributing members.

The Governance Compliance Statement (page 44) sets out the governance arrangements of the pension fund and covers:

- the delegation of authority to the Nottinghamshire Pension Fund Committee supported by two sub-committees

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

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

Nottinghamshire officers responsible for the fund

Service Director – Finance & Procurement	Paul Simpson
Group Manager – Financial Strategy and Compliance	Nigel Stevenson
Senior Accountant – Pensions & Treasury Management	Simon Cunnington
Service Director HR & Customer Service	Marjorie Toward
Group Manager - Business Support Centre and Employee Services Centre	Sarah Stevenson
Payroll & Pensions Team Manager	Jon Clewes

Other organisations/individuals

Main Investment Managers used by the fund	Schroders Kames Capital Aberdeen Asset Management
Fund custodian	State Street
Fund AVC providers	Prudential Scottish Widows
Fund actuary	Barnett Waddingham Public Sector Consulting
Banker to the fund	The Co-operative Bank
The fund auditor	KPMG
Independent advisor	Eric Lambert

Risk management

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

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

The latest approved risk register is on page 75.

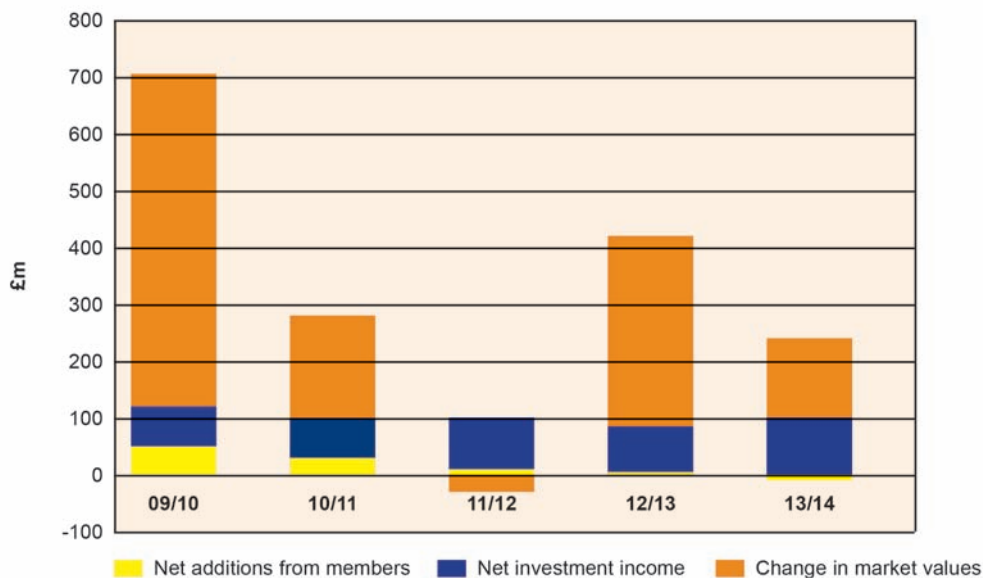
Financial Performance

The pension fund accounts are shown in detail on pages 15 to 43.

The Fund Account shows a cash outflow of £5m from net dealings with members. This is down by £10m compared to last year mainly as a result of reduced contributions and transfer values received. Investment income for the year was £105m, an increase of 19% on the previous year, and this has been complemented by £141m of net profits from sales and increases in the market value of the Fund's investments.

Overall, the value of the fund has increased by £237m over the year to stand at £3,733m. The chart below shows how the 3 main components have contributed to the Fund's value over the last 5 years.

Change in Market Value of the Fund



Investment Policy and Performance

Investment Policy

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

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

The Funding Strategy Statement (page 49) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme. Its purpose is to explain:

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

The funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

It is recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers. The Statement of Investment Principles (page 55) sets out detailed responsibilities relating to the overall investment strategy of the fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the fund's approach to responsible investment and corporate governance issues.

The following principles underpin the Fund's investment activity:

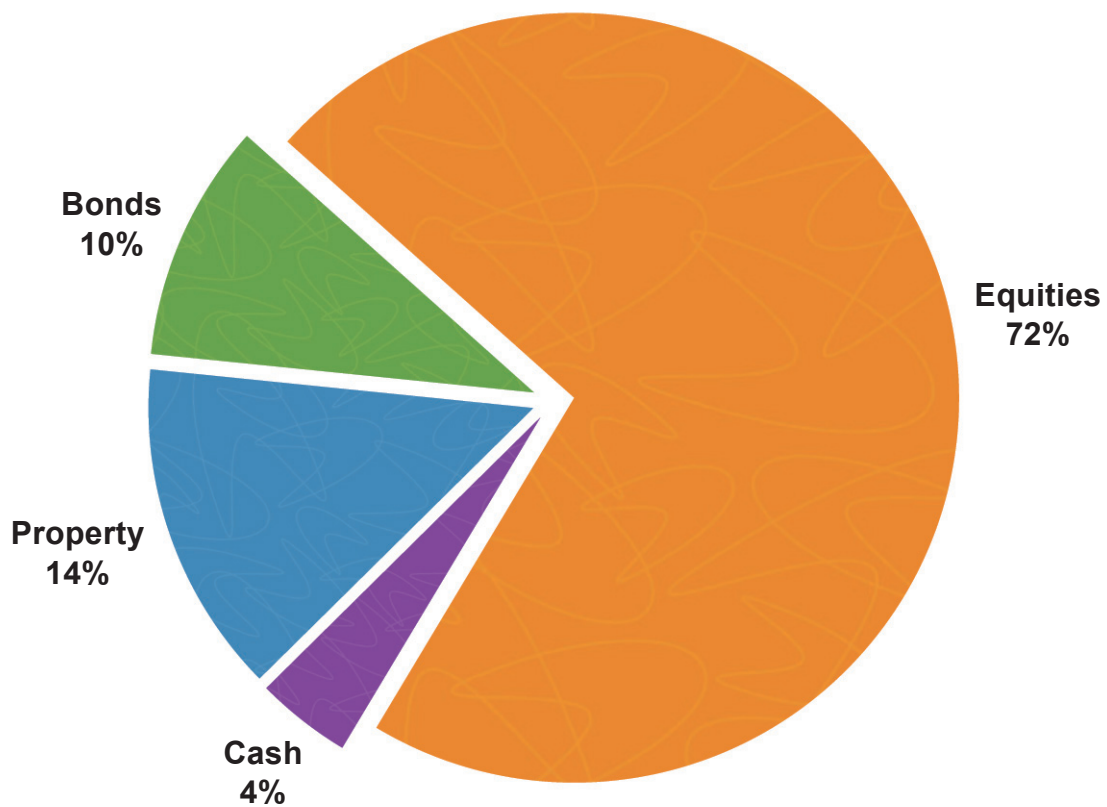
- The Fund will aim to be sufficient to meet all its obligations on a continuing basis.
- The Fund will be invested in a diversified range of assets.
- Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
- The Fund will aim to conduct its business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

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

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

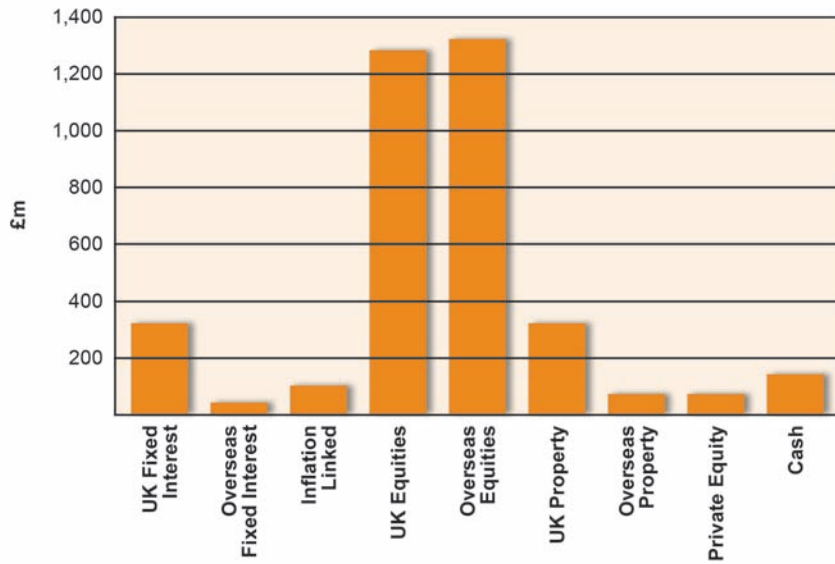
At the end of the financial year 2013/14 the actual asset allocation was as shown in the chart below. These allocations are within the agreed ranges.

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

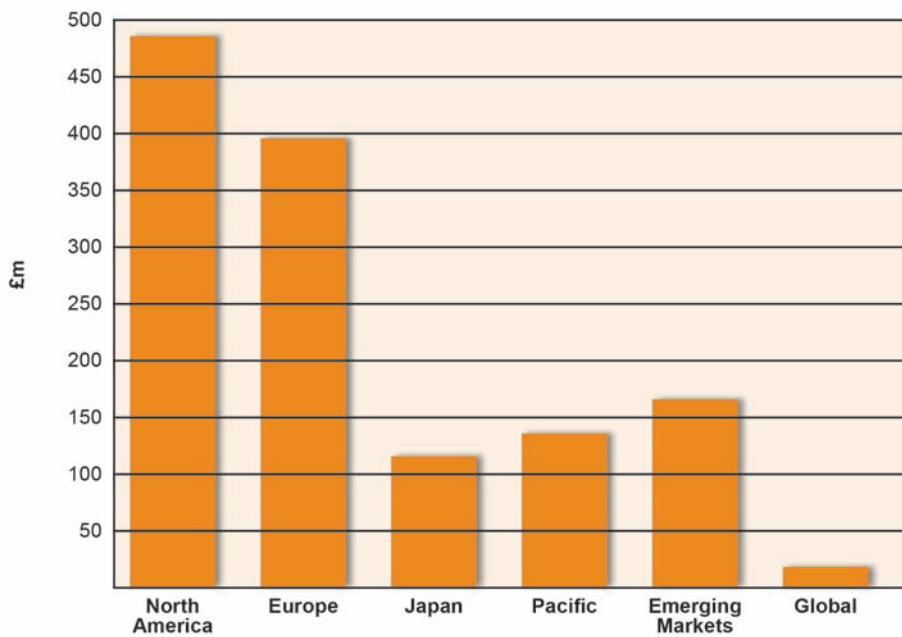


More detail on the actual asset allocation is shown in the following charts.

Asset Allocation of the Fund 31 March 2014



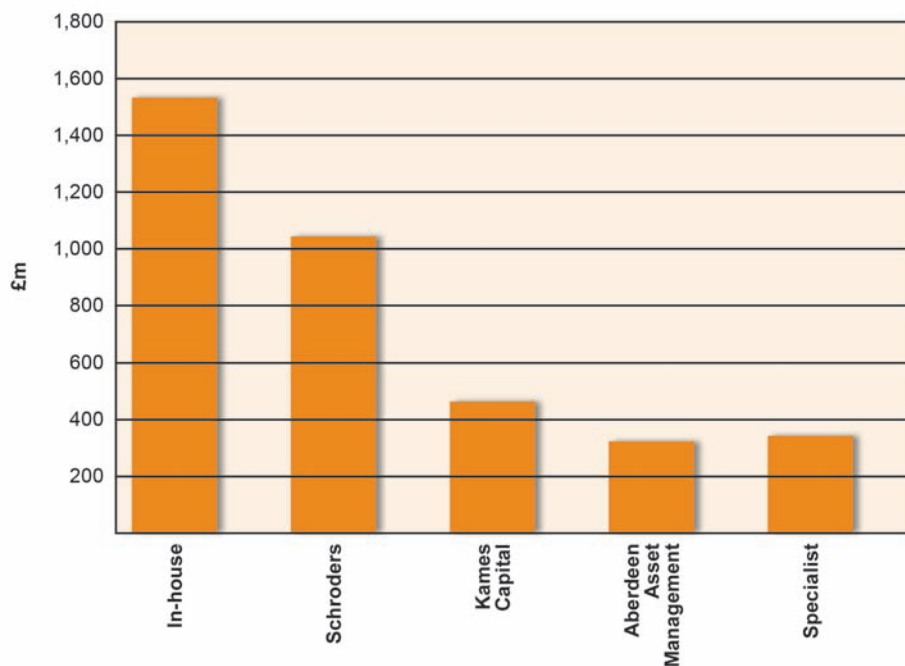
Breakdown of Overseas Equities



The Pension Fund Committee also determines the investment management arrangements to implement the agreed strategy. The assets of the Fund are

managed within five portfolios and a breakdown of these as at 31 March 2014 is shown below:

Management of Funds 2013/14



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

Investment Performance

In 2013/14, the Fund achieved an overall return from its investments of 7.1% compared with a benchmark return of 6.0%. Detailed performance figures are shown in the table below. Equities provided a return of 8.8% over the year and continue to show strong longer term performance. UK bonds returned

negative growth of 1.4% as confidence in the global economic recovery continued to grow. This confidence also fed through to the property market where the Fund made a healthy return of 11.2% for the year.

The Fund's long term performance remains strong with returns of 12.4% pa over 5 years and 7.8% pa over 10 years, both slightly ahead of benchmark.

Of the Fund's main external managers, Schroders and Aberdeen both exceeded their benchmark over the year (by 2.1% and 3% respectively). Kames' performance was 1.0% below benchmark for the year but remains in-line with or ahead of benchmark over the longer term.

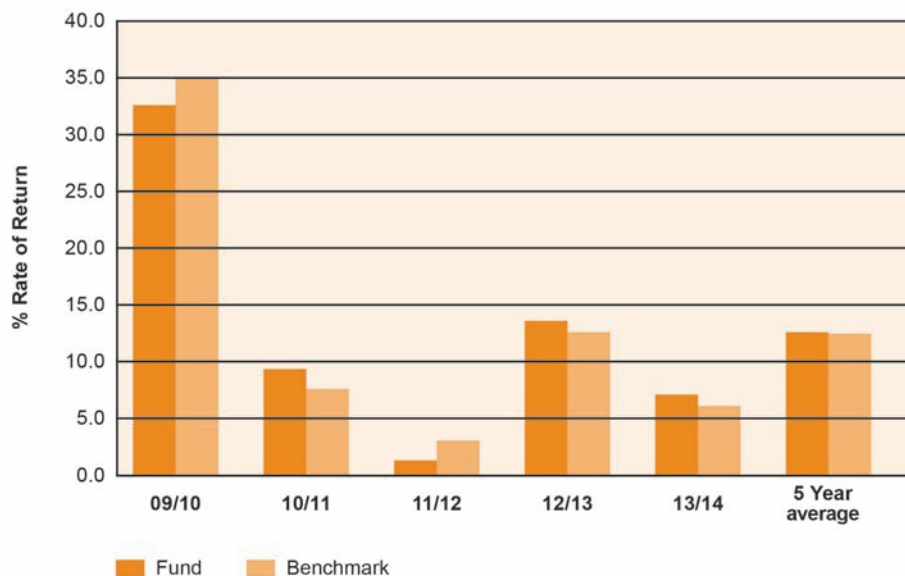
The strong equity returns have helped both the In-house portfolio and Schroders to perform ahead of benchmark over all periods (1, 3, 5 and 10 years).

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

To 31 March	1yr %pa	3yrs %pa	5yrs %pa	10yrs %pa
Equities	8.8	8.6	16.5	9.1
UK Bonds	-1.4	6.9	7.6	-
Property	11.2	5.3	7.9	5.2
Cashes	0.3	1.7	1.3	2
Total	7.1	7.4	12.4	7.8

Information on returns is provided by State Street.

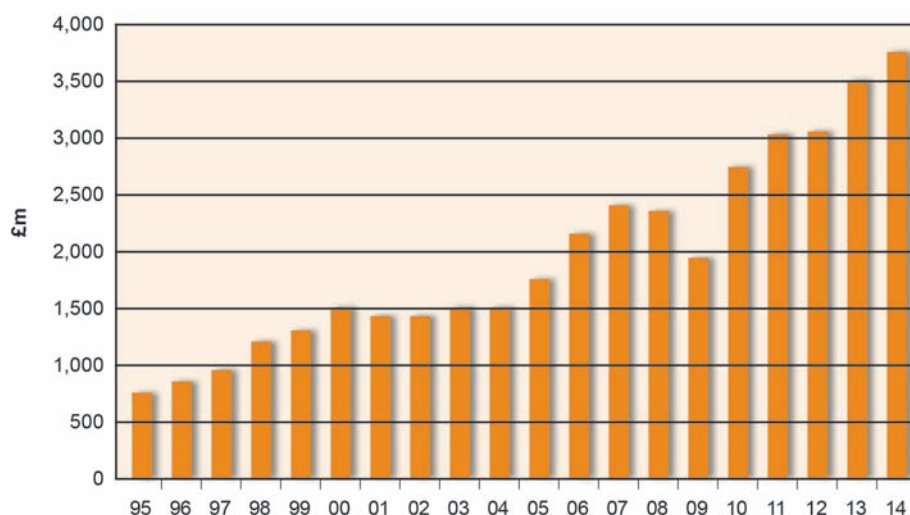
Investment Performance of the Fund over the last 5 years



TOP 20 HOLDINGS AS AT 31 MARCH 2014

Holding	£m		
Sgst Schroder North American Equity Fund	165,506,944	4.6%	Equity Fund
Kames Inflation Linked Fund Class B (Acc) Oeic	102,542,846	2.9%	Mixed Fund
Legal & General Asia Pac Ex Jap Dev Eqty Index	94,686,065	2.7%	Index Tracker
Rwc Specialist Uk Focus Fund	66,595,216	1.9%	Equity Fund
Legal & General Japan Equity Index	63,634,764	1.8%	Index Tracker
Rwc European Focus Fund	55,804,077	1.6%	Equity Fund
Legal & General Global Emerging Mkts Index	49,528,790	1.4%	Index Tracker
Schroder Instl Dev Mkts Fund A Units	43,334,643	1.2%	Equity Fund
Royal Dutch Shell Eur0.07 'B' (Uk)	43,285,207	1.2%	Equity
Schroder Ut Ltd Instit Pacific Fund Inc	39,855,760	1.1%	Equity Fund
Legal & General Uk Smaller Cos Fund	32,845,234	0.9%	Index Tracker
Hsbc Holdings Plc Ord Us\$0.50	31,584,800	0.9%	Equity
Aberdeen Dynamic European Property Fof Class A (1)	30,011,066	0.8%	Property Fund
Keills Property Trust	28,391,065	0.8%	Property Fund
Royal Dutch Shell Eur0.07 'B' (Uk)	28,293,158	0.8%	Equity
Hsbc Holdings Plc Ord Us\$0.50	27,933,330	0.8%	Equity
Bp Plc Ord Us\$0.25	27,600,000	0.8%	Equity
Relational Investors Us	27,476,817	0.8%	Equity Fund
Glaxosmithkline Plc Ord 25P	27,457,733	0.8%	Equity
Standard Life European Property Growth - A Units	24,653,586	0.7%	Property Fund
Total	1,011,021,101	28.4%	

FUND VALUATION OVER LAST 20 YEARS



Scheme Administration Arrangements

The Pensions Office

The Pensions Office is the part of the Nottinghamshire Pension Fund responsible for the administration of the Nottinghamshire Local Government Pension Scheme (LGPS), including the Councillors' LGPS. The Pensions Office undertakes the 'nuts and bolts' of pensions work from setting up a new member to continuously updating their record to finally making payment of their benefits. In addition, the office also undertakes some of the employer related work of the LGPS for Nottinghamshire County Council.

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

- Pensions Administration & Employers Support
- Pensions Systems
- Technical/Communications
- Technical/Performance (Support)

Pensions Administration System

The Pensions Office primarily administers the Nottinghamshire LGPS through the Pensions Administration System using up to date modules such as task management, document imaging and workflow procedures. All member documentation received in the office is scanned and indexed on to the system. The system allows an officer to be allocated to a group of work, for example processing of retirement benefits, and to view relevant scanned documents. It also enables the officer to place appropriate notes on the member record relating to the stage of the procedure reached, thereby allowing another pensions officer to be allocated this work in the future and complete it as required. The system is now being upgraded for implementation in November 2014 which will bring additional benefits to employers and pensioners through more efficient processing of pension data.

Benchmarking

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

Communications

The Communications Strategy Statement (page 69) details the overall strategy for involving stakeholders 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 has sent annual benefits statements to members of the Nottinghamshire LGPS (actives, deferred and councillors) since 2005. The statement informs the scheme member of not just their present or future values of benefits, but also, in brief, how they have been calculated.

Nest Egg

The bright and informative newsletter, Nest Egg, is produced twice a year. It is accessible to members on the Fund's website or via an e-mail link, although paper copies are available for those who request one. The publication informs the scheme member, in plain English, of issues related to the pension scheme, for instance complex regulation, fund performance, meeting dates/times etc.

Website Development

Launched in 2007, the website of the Nottinghamshire Pension Fund (www.nottspf.org.uk) 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 on fund information which gives details on the investment performance of the fund and other matters.

There is a separate micro-site which provides guidance for employing organisations who participate in the Nottinghamshire Pension Fund. The aim of the site is to make the content relevant and accessible and to assist with the administration procedures and interpretation of the new 2014 LGPS regulations.

Employer Support and Compliance function

The Pensions Office's Employer Support and Compliance function liaises with scheme employers on a range of LGPS matters, including: the organisation of events for scheme members; the development of improved communication methods between the Pensions Office and its members/ employers; the provision of support and training for employers; and the review and improvement of information and administrative systems. The Employer Support and Compliance function liaises with scheme employers in a number of ways, including undertakes:

- supporting employers in undertaking their responsibilities as LGPS employers;
- communicating Regulation and process changes to LGPS employers;
- undertaking 'training' of employer representatives, as required;
- resolving problems in relation to the quality of information supplied by LGPS employers;
- the development of improved communication methods between the Pensions Office and LGPS employers;
- the review and improvement of information and administrative systems;

This includes undertaking regular meetings with LGPS Scheme Employer representatives:-

- Year end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end
- New employer meetings are regularly undertaken (e.g. in line with schools converting to Academy status and therefore becoming LGPS Employers in their own rights)
- Ad hoc support and training sessions with LGPS Employers are arranged, as required.

The team also works in partnership with the Fund's AVC providers, Prudential and Scottish Widows, who attend most organised pension events.

A range of communication methods have been used during the events. They include:

- a) PowerPoint presentations to members with Question & Answer sessions;
- b) DVD showing at roadshows/events of the LGPS to members;
- c) Meetings with employers to inform of the important aspects of the LGPS;
- d) Workshops with employers to train representatives on the administrative requirements of the LGPS. An employer guide and an end of year procedure guide have been developed to assist the employer in undertaking their responsibilities;
- e) Stands at staff conferences to discuss issues with members/prospective members of the LGPS;
- f) One-to-one sessions with members at roadshows, where they can discuss issues relating to their membership, but also view their records, and have a retirement estimate calculated and printed for their information;
- g) LGPS slot on induction courses across the county at employer venues to inform new employees of the LGPS;

A range of promotional material and literature has been produced for members, which are also used at the different pension events and roadshows, for example, specific guides and fact sheets on how the LGPS works. All the material contains clear information about the LGPS and advertises the Pensions Office telephone helpline number and website address, and is available online at www.nottspf.org.uk/welcome/members/membersguides/.

Employers

The Pensions Office arranges employer meetings. The opportunity is taken to discuss LGPS issues such as end of financial year procedures and responsibilities for new employers, with a view to driving the pensions agenda forward by giving clear guidance, direction and advice.

This year the Technical and Communications Team have run a series of events for employers on the new 2014 regulations and continue to update information as information on the new regulations is updated. The aim is to improve the quality and timeliness of information received on the new regulations.

Membership

All new employees with a contract of at least 3 months are brought into the pension scheme automatically. Employees can elect to opt out of the scheme after their first day of employment. Following the County Council's Auto Enrolment Staging Date 01.11.2012 those existing employees at staging date subsequently became eligible for auto enrolment and have been enrolled within the LGPS with an option of to opt out should they wish. The membership of the fund over the past three years has been:

	31/03/12	31/03/13	31/03/14
Contributors	38,383	37,840	39,151
Deferred Benefits	33,838	35,187	36,311
Pensioners	28,475	29,797	30,824
Total	100,696	102,824	106,286

Statement by the Actuary

Introduction

The last full triennial valuation of the Nottinghamshire County Council Pension Fund ("the Fund") was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2014.

The most recent full actuarial valuation of the Fund was at 31 March 2013 and the results were published in March 2014. This statement gives an update on the funding position as at 31 March 2014 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2014 is just based on market movements over the year rather than being a full valuation with updated member data.

2013 Valuation

The results for the Fund at 31 March 2013 were as follows:

- The Fund as a whole had a funding level of 85% i.e. the assets were 85% 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 £620m.
- To cover the cost of new benefits and to also pay off the deficit over a period of 20 years, a total contribution rate of 18.8% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit.

Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2014 are summarised below:

Assumption	31 March 2013	31 March 2014
Discount rate	6.0% p.a.	6.1% p.a.
Pension increases	2.7% p.a.	2.8% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	2.8% until 31 March 2015 then 4.6% p.a.
Mortality	S1PA tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum.	
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	

The effect of the change in the assumptions over the year is discussed in the final section.

Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date so the asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

At 31 March 2013, the value of the assets used was £3,496m and this has increased over the year to an estimated £3,708m.

Updated position

The estimated funding position at 31 March 2014 is a funding level of 87% which is an improvement on the position at 31 March 2013.

The assets have given a return of 7% over the year, which was slightly better than expected at the 2013 valuation. Payment of deficit contributions during 2013/14 in line with agreed contribution schedules has improved the position. Changes in the assumptions used to value the liabilities between 31 March 2013 and 31 March 2014 have marginally offset these gains.

The next formal valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

Alison Hamilton FFA

Partner, Barnett Waddingham LLP

Pension Fund Accounts, Net Assets Statement and Notes

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

The Authority administers the pension fund for over 300 participating employers and over 106,000 members. The employers include the County Council, the City Council, District Councils and organisations which used to be part of local government (such as Nottingham Trent University, Colleges, Police civilian staff and Academies). They also include organisations which satisfy the conditions to participate in the LGPS and have been admitted to the Fund by the Authority. In general, these organisations are non-profit making, or are undertaking a service which was, or could be, carried out by a local authority.

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

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 Statement of Investment Principles 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 the pension fund website. The annual report includes the accounts and the published policies as well as information on the investment 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 2013/14 requires:

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

Pension Fund Accounts 2013-14

FUND ACCOUNT FOR YEAR ENDED 31 March 2014

	Notes	2012/13 £000	2013/14 £000
Contributions	4		
Employer contributions		(127,132)	(123,905)
Member contributions		(42,829)	(41,018)
		(169,961)	(164,923)
Transfers in from other pension funds		(11,535)	(6,638)
Benefits	5		
Pensions		127,078	132,832
Commutation of pensions and lump sum retirement benefits		28,187	23,115
Lump sum death benefits		3,714	3,793
		158,979	159,740
Payments to and on account of leavers		16,048	15,326
Administration Expenses	6	1,409	1,442
Net additions from dealings with members		(5,060)	4,947
Investment Income	7	(88,307)	(105,388)
Profits & losses on disposal of investments & changes in value		(334,869)	(141,271)
Taxes on income		580	644
Investment management expenses	8	3,506	4,369
Net Returns on Investments		(419,090)	(241,646)
Net (increase)/decrease in net assets available for benefits during the year		(424,150)	(236,699)
Opening net assets of the Fund		3,072,296	3,496,446
Net assets available to fund benefits		3,496,446	3,733,145

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 March 2014

	Notes	31 March 2013 £000	31 March 2014 £000
Investment Assets	9 & 14		
Fixed Interest Securities		323,555	360,883
Index Linked Securities		80,738	-
Equities		1,675,534	1,818,478
Pooled Investment Vehicles		1,028,119	1,091,132
Property		288,075	288,140
Forward Foreign Exchange		621	191
Cash deposits		81,269	153,469
Other Investment Balances	11	16,360	21,670
Investment liabilities	11	(3,157)	(2,650)
		3,491,114	3,731,313
Current assets	12	18,481	10,033
Current liabilities	12	(13,149)	(8,201)
		5,332	1,832
Net assets of the fund available to pay benefits at the year end		3,496,446	3,733,145

The actuarial present value of promised retirement benefits, as required by IAS 26, is shown at note 2c.

Notes to the Accounts

1 ACCOUNTING POLICIES

a) Basis of Preparation

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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 2007 (the Pensions SORP) or to individual International Accounting Standards (IAS).

Disclosures in the Pension Fund accounts have been limited to those required by the Code.

b) Debtors and Creditors

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

c) Investments

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

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

- i) 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.
- ii) 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.
- iii) Unquoted securities and pooled private equity investments are valued at fair value by the fund managers at the year end in accordance with industry accepted guidelines.
- iv) 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.
- v) Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date.

Acquisition costs are included in the purchase cost of investments.

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 9(b).

d) Investments Income

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

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

e) Taxes on Income

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

f) Foreign Currencies

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

g) Contributions

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

Administration and investment 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.

2 OPERATION OF THE FUND

a) Contributions and Solvency

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

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

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

b) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £3,470 million. The Actuary has estimated that the value of the Fund was sufficient to meet 85% of its expected future liabilities in respect of service completed to 31 March 2013. The certified

contribution rates are expected to improve this to 100% within a period of 20 years. The full actuarial valuation report is available on the Fund's website at www.nottspf.org.uk.

The Actuarial Valuation was carried out using the projected unit method and the assumptions used within the valuation are shown below along with the equivalent assumptions from the 2010 valuation.

	31st March 2010 % pa	31st March 2013 % pa
Expected investment returns:		
Equities	7.5%	6.7%
Gilts	4.5%	3.3%
Property	5.6%	5.8%
Discount Rate	6.9%	6.0%
Retail price inflation (RPI)	3.5%	3.5%
Consumer price inflation (CPI)	3.0%	2.7%
Long term pay increases	5.0%	4.5%
Pension Increases	3.0%	3.5%

The 2013 valuation produced an average employer contribution rate of 18.8% (2010 18.0%). Employer contributions were certified by the actuaries for the years 2014/15 to 2016/17. 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 employers' contribution rates paid in 2013/14 were set by the 2010 valuation. The following list shows the contributions payable by the main employers:

Certified employer contributions		2013/14	2014/15	2015/16	2016/17
Nottinghamshire County Council		18.3%	13.2%	13.2%	13.2%
	Plus:		£12,638,000	£12,979,000	£13,330,000
Nottingham City Council		18.0%	12.5%	12.5%	12.5%
	Plus:		£8,031,000	£8,880,000	£9,356,000
Ashfield District Council		22.4%	12.3%	12.3%	12.3%
	Plus:		£1,021,000	£1,144,000	£1,272,000
Bassetlaw District Council		22.1%	13.5%	13.5%	13.5%
	Plus:		£1,890,000	£2,027,000	£2,127,000
Broxtowe Borough Council		18.7%	13.2%	13.2%	13.2%
	Plus:		£716,000	£735,000	£755,000
Gedling Borough Council		18.2%	12.3%	12.3%	12.3%
	Plus:		£555,000	£569,000	£585,000
Mansfield District Council		20.5%	13.9%	13.9%	13.9%
	Plus:		£1,075,000	£1,250,000	£1,433,000
Newark and Sherwood District Council		21.9%	12.5%	12.5%	12.5%
	Plus:		£946,000	£1,065,000	£1,189,000
Rushcliffe Borough Council		19.5%	13.0%	13.0%	13.0%
	Plus:		£478,000	£556,000	£638,000

c) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits has been calculated by the Fund's actuaries in accordance with IAS 19. To do this, the actuaries rolled forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2013 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 2012		31 March 2013		31 March 2014	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases	3.3%	-	3.4%	-	3.6%	-
CPI increases	2.5%	(0.8%)	2.6%	(0.8%)	2.8%	(0.8)%
Salary Increases	4.7%	1.4%	4.8%	1.4%	4.6%	1.0%
Pension Increases	2.5%	(0.8%)	2.6%	(0.8%)	2.8%	(0.8)%
Discount Rate	4.6%	1.3%	4.5%	1.1%	4.5%	0.9%

The net liability under IAS 19 is shown below.

	31 March 2012	31 March 2013	31 March 2014
	£000	£000	£000
Present value of funded obligation	4,966,881	5,476,127	5,733,792
Fair value of scheme assets	3,061,212	3,477,023	3,708,200
Net Liability	1,905,669	1,999,104	2,025,592

The present value of funded obligation consists of £5,434,513,000 in respect of Vested Obligation and £299,279,000 in respect of Non-Vested Obligation.

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

d) Investment Strategy

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

The Nottinghamshire Pension Fund Committee, advised by the Pensions Sub-Committee, is responsible for determining the investment strategy of the Fund and the type of investment management to be used. The Pensions Sub-Committee consists of nine elected County Councillors, 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. Meetings are also attended by an independent adviser and representatives of the Chief Financial Officer.

The investments are managed by officers of the Authority or by organisations specialising in the management of pension fund assets. The Investments Sub-Committee is responsible for monitoring performance of the fund and meets on a quarterly basis to review the Fund's main investment managers and their performance.

e) External Audit

A separate fee is payable to KPMG LLP for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2013/14 is £26,806 (£29,926 for 2012/13).

3 CONTRIBUTORS AND PENSIONERS

Members at 31 March 2014

	County Council	City Council	District Councils	Others	Total
Contributors	15,244	8,210	3,286	12,411	39,151
Deferred Beneficiaries	16,932	7,850	3,456	8,073	36,311
Pensioners	14,702	6,114	4,479	5,529	30,824
					106,286

Members at 31 March 2013

	County Council	City Council	District Councils	Others	Total
Contributors	15,162	8,084	3,285	11,309	37,840
Deferred Beneficiaries	16,319	7,831	3,409	7,628	35,187
Pensioners	14,276	5,874	4,421	5,226	29,797
					102,824

4 ANALYSIS OF CONTRIBUTIONS

	Employers		Members		Total	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
County Council	41,794	39,473	13,612	12,956	55,406	52,429
Scheduled Bodies	81,371	79,817	27,832	26,441	109,203	106,258
Admitted Bodies	3,967	4,615	1,385	1,621	5,352	6,236
	127,132	123,905	42,829	41,018	169,961	164,923

5 ANALYSIS OF BENEFITS

	2012/13	2013/14
	£000	£000
Pensions	127,078	132,832
Commutation and lump sum	28,187	23,115
Lump sum death benefits	3,714	3,793
	158,979	159,740
Comprising of:		
County Council	64,206	65,160
Scheduled Bodies	90,511	89,657
Admitted Bodies	4,262	4,923
	158,979	159,740

6 ADMINISTRATION EXPENSES

	2012/13 £000	2013/14 £000
Printing & stationery	37	36
Subscriptions and membership fees	6	-
Actuarial fees	5	54
Audit fees	15	14
Other external fees	121	211
Administering Authority Costs	1,225	1,127
	1,409	1,442

7 INVESTMENT INCOME

	2012/13 £000	2013/14 £000
Interest from fixed interest securities	(12,575)	(13,472)
Income from index-linked securities	(1,304)	(684)
Dividends from equities	(51,357)	(66,959)
Income from pooled investment vehicles	(5,099)	(5,401)
Income from property pooled vehicles	(1,531)	(3,055)
Net rents from property	(14,683)	(14,461)
Interest on cash deposits	(1,088)	(854)
Other	(670)	(502)
	(88,307)	(105,388)
Directly held property		
Rental income	(17,623)	(17,001)
Less operating expenses	2,940	2,540
Net rents from property	(14,683)	(14,461)

8 INVESTMENT MANAGEMENT EXPENSES

	2012/13	2013/4
	£000	£000
Training & conferences	5	9
Subscriptions and membership fees	19	21
Actuarial fees	-	2
Audit fee	15	13
Custody fees	263	299
Investment management fees	2,589	3,420
Other external fees	249	232
Administering Authority Costs	366	373
	3,506	4,369

9 INVESTMENTS

	31 March 2013 £000	31 March 2014 £000
Fixed Interest Securities		
UK Public Sector	118,757	89,020
UK Other	119,028	233,576
Overseas Public Sector	69,666	-
Overseas Other	16,104	38,287
Index Linked Securities		
Public Sector	50,140	-
Other	30,599	-
Equities		
UK	1,101,770	1,150,350
Overseas	571,770	665,788
Unlisted	1,994	2,340
Pooled Investment Vehicles		
Unit Trusts	324,988	400,043
Other Managed Funds	581,176	572,005
Pooled Vehicles Invested in Property		
Property Unit Trusts	26,551	32,743
Other Managed Funds	95,404	86,341
Property	288,075	288,140
Forward Foreign Exchange	250	191
Cash and Currency	81,269	153,469
Total Investments	3,477,541	3,712,293

The original values of investments are based on purchase cost plus expenses. 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 2013	31 March 2014
	£000	£000
Market Value	3,477,541	3,712,293
Original Value	2,600,107	2,688,995
Excess/ (Deficit) of Market Value over Original Value	877,434	1,023,298

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

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

No investments have been made contrary to these limits.

b) Reconciliation of Opening and Closing Values of Investments 2013/14

	Value at 1 April 2013 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market value £000	Value at 31 March 2014 £000
Fixed Interest Securities	323,555	480,789	(420,813)	(22,648)	360,883
Index Linked Securities	80,739	7,219	(84,291)	(3,667)	-
Equities	1,675,534	246,295	(226,450)	123,099	1,818,478
Pooled Investment Vehicles	906,164	67,114	(26,579)	25,349	972,048
Property Pooled Vehicles	121,955	2,886	-	(5,757)	119,084
Property	288,075	12,354	(37,425)	25,136	288,140
	3,396,022	816,657	(795,558)	141,512	3,558,633
Forward Foreign Exchange	250	158,731	(158,549)	(241)	191
	3,396,272	975,388	(954,107)	141,271	3,558,824
Cash deposits	81,269				153,469
	3,477,541				3,712,293

Reconciliation of Opening and Closing Values of Investments 2012/13

	Value at 1 April 2012 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market value £000	Value at 31 March 2013 £000
Fixed Interest Securities	288,011	272,909	(254,623)	17,258	323,555
Index Linked Securities	75,344	25,440	(27,402)	7,357	80,739
Equities	1,439,872	228,930	(196,257)	202,989	1,675,534
Pooled Investment Vehicles	733,096	64,318	(12,649)	121,399	906,164
Property Pooled Vehicles	121,393	1,284	-	(722)	121,955
Property	266,603	34,340	-	(12,868)	288,075
	2,924,319	627,221	(490,931)	335,413	3,396,022
Forward Foreign Exchange	-	158,842	(158,048)	(544)	250
	2,924,319	786,063	(648,979)	334,869	3,396,272
Cash deposits	137,382				81,269
	3,061,701				3,477,541

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 £1,860,540 in 2013/14 (£1,844,156 in 2012/13). 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 2013		31 March 2014	
	£000	%	£000	%
In-house	1,425,382	41.0%	1,557,437	42.1%
Schroder Investment Management	925,194	26.6%	1,011,414	27.2%
Kames Capital	404,544	11.6%	361,074	9.7%
Aberdeen Property Investors	291,456	8.4%	294,459	7.9%
Specialist	430,965	12.4%	487,909	13.1%
Total	3,477,541	100%	3,712,293	100%

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

	31 March 2013		31 March 2014	
	£000		£000	
In-house				
Legal & General	268,870		259,562	
Specialist				
Kames Capital	467,034		102,543	
RWC Capital	141,751		134,638	
Standard Life	52,019		49,428	

d) Asset Allocation

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

	31 March 2013		31 March 2014	
	£000	%	£000	%
UK Fixed Interest	237,785	6.8%	322,597	8.7%
Overseas Fixed Interest	85,770	2.5%	38,287	1.0%
Index Linked Securities	80,738	2.3%	-	-
UK Equities	1,211,834	34.8%	1,287,335	34.7%
Overseas Equities:				
US	423,694	12.2%	488,001	13.2%
Europe	337,287	9.7%	397,607	10.7%
Japan	102,688	3.0%	117,074	3.2%
Pacific Basin	151,890	4.4%	134,542	3.6%
Emerging Markets	198,907	5.7%	169,878	4.6%
Global	17,450	0.5%	18,094	0.5%
UK Property	322,672	9.3%	327,785	8.8%
Overseas Property	87,358	2.5%	79,439	2.1%
Private Equity	75,209	2.2%	75,451	2.0%
Multi-Asset	62,740	1.8%	102,543	2.8%
Forward Foreign Exchange	250	-	191	-
Cash	81,269	2.3%	153,469	4.1%
Total	3,477,541	100.0%	3,712,293	100.0%

e) Property

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

	31 March 2013 £000	31 March 2014 £000
Freehold	268,375	288,140
Leasehold more than 50 years	19,700	-
	288,075	288,140
Original Value	313,798	285,068

f) Analysis of Pooled Investment Vehicles

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

	31 March 2013 £000	31 March 2014 £000
UK Equities	134,421	158,665
Overseas Equities:		
US	158,177	192,984
Japan	62,525	72,746
Europe	71,198	71,166
Pacific Basin	151,890	134,542
Emerging Markets	172,554	148,198
Global	17,450	18,094
UK Property	34,597	39,645
Overseas Property	87,358	79,439
Private Equity	75,209	73,110
Multi-Asset	62,740	102,543
Total	1,028,119	1,091,132

g) Private Equity Funds

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

Funds	Currency	Commitment millions
Wilton Private Equity Fund LLC	USD	14
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	5
Coller International Partners IV	USD	10
Schroders Private Equity Fund of Funds III	EUR	22
DCM Private Equity Fund II	USD	18
Pantheon Europe Fund V	EUR	15
Coller International Partners V	USD	18
Catapult Growth Fund LP	GBP	4
Altius Associates Private Equity Fund	USD	10
Partners Group Secondary 2008	EUR	13
DCM Private Equity Fund III	USD	16
Coller International Partners VI	USD	16
Altius Associates Private Equity Fund II	USD	15
Partners Group Global Infrastructure	EUR	12
Foresight Nottingham Fund LP	GBP	10
Altius Real Assets Fund I	USD	15
Altius Real Assets Fund - Infrastructure Opportunity	EUR	12
DCM Private Equity Fund IV	USD	16

These commitments are drawn by the funds over time as investments are made in underlying companies. The undrawn commitment as at 31 March 2014 was £79.3 million (£53.1 million at 31 March 2013). Of the funds above, the following were new commitments made during 2013/14:

Funds	Currency	Commitment millions
Foresight Nottingham Fund LP	GBP	10
Altius Real Assets Fund I	USD	15
Altius Real Assets Fund - Infrastructure Opportunity	EUR	12
DCM Private Equity Fund IV	USD	16

h) Analysis of derivatives

Open Forward Foreign Exchange contracts at 31 March 2014

Settlement	Currency Bought	Local Value £000	Currency Sold	Local Value £000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	12,503	EUR	(15,000)	97	0
Up to 3 months	GBP	25,900	USD	(43,000)	94	0
					191	0
Total net forward foreign exchange contracts					191	

Open Forward Foreign Exchange contracts at 31 March 2013

Settlement	Currency Bought	Local Value £000	Currency Sold	Local Value £000	Asset Value £000	Liability Value £000
Up to one month	GBP	10,500	USD	(15,946)	-	(2)
Up to one month	GBP	13,436	USD	(20,000)	263	-
Up to one month	GBP	9,661	EUR	(11,000)	358	-
Up to one month	USD	31,325	GBP	(21,000)	-	(368)
					621	(371)
Total net forward foreign exchange contracts					250	

10 INVESTMENTS

The fund has 19 private equity funds which have undrawn commitments as at 31 March 2014 of £79.3 million (£53.1 million at 31 March 2013).

11 OTHER INVESTMENT BALANCES AND LIABILITIES

	31 March 2013 £000	31 March 2014 £000
Other investment balances		
Outstanding investment transactions	1,760	1,376
Investment income	14,600	20,294
	16,360	21,670
Contingent Liabilities		
Outstanding investment transactions	(536)	-
Investment income	(2,621)	(2,650)
	(3,157)	(2,650)

12 CURRENT ASSETS AND LIABILITIES

	31 March 2013 £000	31 March 2014 £000
Current Assets		
Contributions due from employers	17,297	8,865
Other	1,184	1,168
	18,481	10,033
Current Liabilities		
Payments in advance	(3,261)	(720)
Sundry creditors	(1,455)	(838)
Other	(8,433)	(6,643)
	(13,149)	(8,201)

13 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 2013	31 March 2014
	£000	£000
Prudential	32,337	33,667
Scottish Widows	3,254	3,282
	35,591	36,949

14 FINANCIAL INSTRUMENTS

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 2014

	Designated at Fair Value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	Totals £000
Financial Assets				
Fixed Interest Securities	360,883	-	-	360,883
Index Linked Securities	-	-	-	-
Equities	1,818,478	-	-	1,818,478
Pooled Investment Vehicles	972,048	-	-	972,048
Property Pooled Vehicles	119,084	-	-	119,084
Forward Foreign Exchange	191	-	-	191
Cash deposits	-	153,469	-	153,469
Other investment balances	-	21,670	-	21,670
Current Assets	-	10,033	-	10,033
	3,270,684	185,172	-	3,455,856
Financial Liabilities				
Investment Liabilities	-	-	(2,650)	(2,650)
Current Liabilities	-	-	(8,201)	(8,201)
	-	-	(10,851)	(10,851)
	3,270,684	185,172	(10,851)	3,445,005

31 March 2013

	Designated at Fair Value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	Totals £000
Financial Assets				
Fixed Interest Securities	323,555	-	-	323,555
Index Linked Securities	80,739	-	-	80,739
Equities	1,675,534	-	-	1,675,534
Pooled Investment Vehicles	906,164	-	-	906,164
Property Pooled Vehicles	121,955	-	-	121,955
Forward Foreign Exchange	621	-	-	621
Cash deposits	-	81,269	-	81,269
Other investment balances	-	16,360	-	16,360
Current Assets	-	18,481	-	18,481
	3,108,568	116,110	-	3,224,678
Financial Liabilities				
Investment Liabilities	-	-	(3,157)	(3,157)
Current Liabilities	-	-	(13,149)	(13,149)
	-	-	(16,306)	(16,306)
	3,108,568	116,110	(16,306)	3,208,372

No financial assets were reclassified during the accounting period.

b) Valuation of financial instruments 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.

As at 31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss	3,073,809	119,084	77,791	3,270,684
Loans and receivables	185,172			185,172
Total	3,258,981	119,084	77,791	3,455,856
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(10,851)	-	-	(10,851)
Total	(10,851)	-	-	(10,851)
Net	3,248,130	119,084	77,791	3,445,005

As at 31 March 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss	2,909,408	121,955	77,205	3,108,568
Loans and receivables	116,110			116,110
Total	3,025,518	121,955	77,205	3,224,678
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(16,306)	-	-	(16,306)
Total	(16,306)	-	-	(16,306)
Net	3,009,212	121,955	77,205	3,208,372

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:

- Statement of Investment Principles
- Funding Strategy Statement
- Governance Compliance Statement
- Risk Management Strategy and Risk Register.

The Risk Register identifies the highest risks as arising from:

- Significant variations from assumptions used in the actuarial valuation
- Fund assets assessed as insufficient to meet long term liabilities.

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

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible
- to take a prudent longer-term view of funding those liabilities.

The most significant effect on the funding level arises from changes in the discount rate used by the actuaries. The sensitivity analysis below 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)	5,627,558	5,733,792	5,842,136

The Fund deficit at the last triennial valuation was £620 million. With no other change in assumptions, an increase in the discount rate of just under 0.6% would reduce the deficit to nil.

For the first time, contribution income for 2013/14 was insufficient to cover benefit payments but the Fund continues to receive significant investment income. It is therefore unlikely that assets will have to be realised in order to meet pension benefits. This allows the Fund to implement a long term investment strategy and minimise the impact of short term fluctuations in investment and currency markets. The strategy, and the assumptions that underpin it, are reviewed on a regular basis and cash flows are monitored closely to ensure there is sufficient liquidity to meet forecast cash flows.

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

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

15 RELATED PARTY TRANSACTIONS

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

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

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

Disclosures are required for:

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

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

Governance Compliance Statement

1. Introduction

1.1 This is the governance compliance statement of the Nottinghamshire pension fund which is part of the Local Government Pension Scheme and administered by Nottinghamshire County Council (the council). The statement has been prepared as required by the Local Government Pension Scheme (Administration) Regulations 2008.

2. Governance Arrangements

2.1 Under the terms of the council's constitution, the functions of the council as administering authority of the pension fund are delegated to the **Nottinghamshire Pension Fund Committee**. This is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA).

2.2 The **Nottinghamshire Pension Fund Committee** meets four times a year and its members act in a quasi-trustee capacity. Under the constitution, it is responsible for Administering the Nottinghamshire Pension Fund, including investments by and management of pension funds.

2.3 The Pensions Investment Sub-Committee **has responsibility for investment performance management of the Fund Managers and making appropriate recommendations to the Nottinghamshire Pension Fund Committee**. Meetings are held four times a year. The sub-committee may appoint a working party to consider future policy & development.

2.4 **The Pensions Sub-Committee has responsibility for making recommendations to the Nottinghamshire Pension Fund Committee on matters relating to the administration and investment of the Pension Fund**. Meetings are held four times a year.

2.5 The number of voting members of the **Nottinghamshire Pension Fund Committee** is determined by the Council at its annual meeting. The number of voting members of the sub-committees is determined by the **Nottinghamshire Pension Fund Committee** on the basis of the council's constitution.

3 Functions and Responsibilities

3.1 The **Nottinghamshire Pension Fund Committee** separately approves the pension fund's Funding Strategy Statement, Statement of Investment Principles, Risk Management Strategy and Communications Strategy Statement.

3.2 The Funding Strategy Statement sets out the aims and purpose of the pension funds and the responsibilities of the administering authority as regards funding the scheme. Funding is the making of advance provision to meet the cost of accruing benefit promises and the long term objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities. These responsibilities are delegated to the **Nottinghamshire Pension Fund Committee**, advised by the two Sub-Committees.

3.3 The Statement of Investment Principles 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 funds' policy on trustee training and expenses and states the funds' approach to socially responsible investment and corporate governance issues. These responsibilities are delegated to the **Nottinghamshire Pension Fund Committee**, advised by the two Sub-Committees.

3.4 **Financial Regulations specify that the Service Director (Finance) is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).**

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

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

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

Responsibility for the communications strategy is delegated to the **Nottinghamshire Pension Fund Committee**, advised by the Pensions Sub-Committee.

4. Representation

4.1 The **Nottinghamshire Pension Fund Committee** has 9 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. All members have full voting rights.

4.2 The Pensions Investment Sub-Committee has 17 members consisting of the following representatives:

- County Councillors (9)
- Nottingham City Council (3)
- Nottinghamshire Local Authorities' Association (2)
- scheduled and admitted bodies (1)
- trade unions (2)

4.3 The **Pensions Sub-Committee** has 19 members consisting of the following representatives:

- County Councillors (9)
- Nottingham City Council (3)
- Nottinghamshire Local Authorities' Association (2)
- scheduled and admitted bodies (1)
- trade unions (2)
- pensioners (2)

4.4 All members on both sub-committees have voting rights where allowed by relevant regulation.

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

5. Stakeholder Engagement

- 5.1 An annual meeting of the pension funds is held in October to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the pension funds.
- 5.2 A number of other initiatives to involve stakeholders are currently in place including:
- regular employers meetings
 - meetings between employers and actuaries
 - Nottinghamshire Finance Officers meetings
 - the annual report for the pension funds
-
- Nest Egg magazine for all members
 - Pensions road shows at various venues around the County
 - dedicated pension fund web site.

6 Review and Compliance with Best Practice

- 6.1 This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the pension funds.
- 6.2 The regulations require 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 these 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.	Fully compliant
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.	Fully compliant
B	Representation	
a.	That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :- <ul style="list-style-type: none"> i employing authorities (including non-scheme employers, eg, admitted bodies); ii scheme members (including deferred and pensioner scheme members), iii independent professional observers, and iv expert advisors (on an ad-hoc basis). 	Fully compliant The sub-committees include representatives from employing authorities, scheduled and admitted bodies and scheme members. An independent adviser attends the sub-committee meetings.
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 and its sub-committees 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

Ref	Principles	Compliance and Comments
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 4 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.	Fully compliant The Pensions Sub-committee meets 4 times a year. The Investment Sub-Committee meets 4 times a year.
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.	Fully compliant
G	Access	
a.	That subject to any rules in the councils 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 Scheme issues are decided by the Nottinghamshire Pension Fund Committee after consideration at the Pensions Sub-committee.
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).

Funding Strategy Statement

Introduction

- 1 This is the Funding Strategy Statement (FSS) for the Nottinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”) and describes Nottinghamshire County Council’s strategy, in its capacity as Administering Authority, for the funding of the Nottinghamshire County Council Pension Fund (“the Fund”).
- 2 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

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

Purpose of the Fund

- 4 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

- 5 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.
- 6 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.

Key Parties

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

The Administering Authority

- 8 The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:
 - Collect employee and employer contributions
 - Invest the Fund’s assets
 - Pay the benefits due to Scheme members
 - Manage the actuarial valuation process in conjunction with the Fund Actuary
 - Prepare and maintain this FSS and also the Statement of Investment Principles (SIP) after consultation with other interested parties as appropriate
 - Monitor all aspects of the Fund’s performance.

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.

Funding Strategy

- 11 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.

- 12 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.

Funding Method

- 13 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.
- 14 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.
- 15 For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:
- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit

- The future service funding rate which is the level of contributions required from the individual employers which, in combination with employee contributions, is expected to support the cost of benefits accruing in future.
- 16 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.
- 17 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

- 18 In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover.
- 19 The assumptions adopted at the valuation can therefore be considered as:
- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid
 - The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.
- 20 An explanation of these key assumptions is included in the following paragraphs but further details of all of the assumptions adopted can be found in the latest actuarial valuation report.

Future Price Inflation

- 21 The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

Future Pay Inflation

- 22 As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term.

Future Pension Increases

- 23 Pension increases are linked to changes in the level of the Consumer Price Index (or "CPI"). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

Future Investment Returns/Discount Rate

- 24 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.
- 25 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.

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

Asset Valuation

- 28 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.

Statistical Assumptions

- 29 The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Deficit Recovery/Surplus Amortisation Periods

- 30 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.
- 31 Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers’ contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.
- 32 The period that is adopted for any particular employer will depend on:
- The significance of the surplus or deficit relative to that employer’s liabilities
 - The covenant of the individual employer and any likely limited period of participation in the Fund
 - The implications in terms of stability of future levels of employers’ contribution.

Pooling of Individual Employers

- 33 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.
- 34 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.

- 35 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.

Cessation Valuations

- 36 On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
- 37 In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions from those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

Links with the Statement of Investment Principles

- 38 The main link between the FSS and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the SIP.
- 39 As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and Counter Measures

- 40 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.
- 41 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

- 42 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.
- 43 The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the valuation of the liabilities by 10 per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.
- 44 However, the Pensions Investment Sub-Committee regularly monitors the investment returns achieved by the fund managers and receives advice from officers and independent advisers on investment strategy.
- 45 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

- 46 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%.
- 47 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.
- 48 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements. However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory Risks

- 49 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.
- 50 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.
- 51 However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Employer Risks

- 52 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.
- 53 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.
- 54 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

- 55 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.
- 56 The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Statement of Investment Principles

Introduction

- 1 The County Council is an administering authority of the Local Government Pension Scheme (the “Scheme”) as specified by the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations). It is required by Regulation 53 of the LGPS Regulations to maintain a pension fund for the Scheme.
- 2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the “Investment Regulations”) govern the management of the pension fund and the investment of fund money. According to Regulation 12 of the Investment Regulations an administering authority is required to prepare, maintain and publish a Statement of Investment Principles (SIP).
- 3 The SIP must cover policy on:
 - the types of investment to be held
 - the balance between different types of investments
 - risk, including the ways in which risks are to be measured and managed
 - the expected return on investments
 - the realisation of investments
 - the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments
 - the exercise of the rights (including voting rights) attaching to investments
 - stock lending.
- 4 The SIP must also state the extent to which the administering authority complies with relevant guidance given by the Secretary of State, and give reasons for any areas of non-compliance. The relevant guidance is published by CIPFA in

the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*. This provides best practice for managing investments and includes a guide to the application of the 2008 *Investment Governance Group Principles* to LGPS funds.

Purpose of the Fund

- 5 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.

Principles

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

Key Parties

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

The Administering Authority

- 8 The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee supported by two Sub-Committees. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement.
- 9 The members of the Committees act in a quasi-trustee capacity and are hereafter referred to as "Trustees".

Trustees

- 10 The Trustees recognise their full responsibility for the oversight of the Fund, and operate to a Code of Conduct. The Trustees shall:
 - 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.

Chief Finance Officer

- 11 Under the Council's constitution, the Service Director (Finance & Procurement) is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Strategy & Compliance) 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 Authorised signatories for operational matters relating to pension fund investments are:
 - Service Director (Finance & Procurement)
 - Group Manager (Financial Strategy & Compliance)
 - Group Manager (Financial Management)
 - Senior Accountant (Pensions & Treasury Management)
 - Investments Officer
- 13 Representatives of the Service Director (Finance & Procurement) provide advice to the Trustees and attend meetings of the Pension Fund Committees as required.

Independent Adviser

- 14 The Fund has an Independent Adviser who attends meetings of the Pensions Investment Sub-Committee, Pensions Sub-Committee and Pensions Working Party as required.
- 15 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.

Asset Allocation

- 16 It is widely recognised that asset allocation is the most important factor in driving long term investment returns. The balance between different asset classes depends largely on the expected returns from each asset class and the target return for the Fund. It is also recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers.
- 17 Employers' contributions are determined as part of the triennial actuarial valuation of the Fund. The actuarial valuation involves a projection of future cash flows to and from the Fund and its main purpose is to determine the level of employers' contributions that should ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.
- 18 The Fund Actuary estimates the future cash flows which will be paid from the Fund for the benefits relating to service up to the valuation date. They then discount these projected cash flows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the

future investment return was equal to at least the discount rate used.

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

Asset Class	Expected Return (pa)
Equities	6.7%
Gilts	3.3%
Corporate Bonds	3.9%
Property	5.8%
Cash	3.1%
Discount Rate	6.0%

- 20 At the latest valuation, the Fund was assessed to have a deficit of £620m and a funding level of 85%. 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.
- 21 The agreed asset allocation ranges for the Fund are shown below along with the Fund's strategic benchmark and liability based benchmark.

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

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

Investment Policy

- 25 The policy of the Fund will be to treat the equity allocation as a block aimed at maximising the financial returns to the funds (and thus minimising employers’ contributions) consonant with an acceptable level of risk. The block of Bonds, Property and Cash is aimed at lowering overall risk (at the cost of anticipated lower return).
- 26 The Trustees have agreed an allocation to private equity and infrastructure. This will be effected principally through fund of funds arrangements to increase diversification and reduce risk. The allocation is based on *committed* amounts and, owing to the nature of these funds, the actual net investment level will be significantly lower. New investments will be made over time to target a commitment level of 10% of the Fund (within an allocation range up to 15% to allow for movements in market value).
- 27 Investments, such as private equity and infrastructure, that fall outside the high level asset classes will be included within the most appropriate class for reporting purposes and assessed against the relevant part of the strategic benchmark.
- 28 Cash will be managed and invested on the Fund’s behalf by the County Council in line with its treasury management policy. The policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield. If losses occur, however, the Fund will bear its share of those losses.
- 29 Pension fund cash is separately identified each day 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.
- 30 Joint investments using a combination of Fund cash and County Council cash may be made where this is in the best interests of the Fund. In considering such investments, guidance issued by the Department for Communities and Local Government will be followed and the Fund will receive its fair share of interest in proportion to the share of cash invested.
- 31 Other asset classes, such as hedge funds and currency, will be reviewed as part of the regular asset allocation strategy review and, if a decision to invest in other assets is made, the Statement of Investment Principles will be revised accordingly.

Risk Management

32 The Fund has adopted a Risk Management Strategy to:

- a) identify key risks to the achievement of the Fund's objectives
- 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 a regular basis
- g) report the outcome of the review to the Nottinghamshire Pension Fund Committee.

33 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.

34 A key part of managing the investment risk is by ensuring an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets, which will be reviewed regularly by the Pensions Investment Sub-committee. The level of risk in the equities block will be managed by a balance between passive and active management that may be varied from time to time, according to performance and emerging knowledge and experience of the market.

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

36 The correlation between UK and overseas markets has increased significantly over recent time, reflecting the increasing globalisation of the market. The Fund will therefore make no distinction between the relative holdings of UK and overseas equities, but will take into account exchange rate risks when deciding the balance. As a long term investor, the Fund does not undertake currency hedging. Individual managers may hedge currency risks but only with prior approval from the Fund.

37 In addition, the following constraints will apply. These constraints will be reviewed from time to time, and if changes are made, these will be incorporated into a revised Statement of Investment Principles, and amendments will be published.

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

Other Issues

38 The Fund's assets are held in custody by a combination of an independent custodian, investment managers and in-house. The performance of fund managers will be measured against individual benchmarks, and the overall fund, including cash returns, against

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

- 39 The Fund has an independent adviser who will be present at meetings of the Sub-Committee along with appropriate officers of the administering authority. This is considered best practice in accordance with the requirements for "proper advice" in the governing regulations.
- 40 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.
- 41 This Statement of Investment Principles will be kept under review and will be revised following any material changes in policy.
- 42 The following appendices are attached:
- Appendix A – the Fund's Statement on Responsible Investment
 - Appendix B – compliance with the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*.

Appendix A

Statement on Responsible Investment

1 Statement of Principles

- 1.1 The Nottinghamshire Fund adopts a long term approach to responsible investment. The Trustees recognise their full responsibility for the oversight of the Funds and are charged with determining the overall investment strategy and the type of investment management used. The investment strategy is aimed at achieving best returns whilst minimising risk and overall variability in future employers' contribution rates. Environmental, social and governance (ESG) issues will be taken into account where these are considered likely to impact on returns.
- 1.2 The Fund supports best practice in corporate governance and adopts the Stewardship Code as recommended by the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*. The Code states that institutional investors should:
- Publicly disclose their policy on how they will discharge their stewardship responsibilities.
 - Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.
 - Monitor their investee companies.
 - Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
 - Be willing to act collectively with other investors where appropriate.
 - Have a clear policy on voting and disclosure of voting activity.
 - Report periodically on their stewardship and voting activities.
- 1.3 The Fund has adopted a number of specific policies to implement its approach to long term responsible investment and its responsibilities under the Stewardship Code.

2 Policies Adopted

- 2.2 The Fund adopts a policy of positive engagement with the companies in which it invests in order to promote high standards of corporate governance. It believes that this will help to raise standards across all markets and that this is in the best long term interests of the Fund, its beneficiaries and other stakeholders.
- 2.2 Investment performance is monitored on a quarterly basis and the Fund expects investment managers to engage with companies to address concerns affecting performance. The Fund also holds a number of investments that specifically focus on engaging with the management of under-performing companies in order to generate superior returns.
- 2.3 The Fund believes that the greatest impact on behaviour can be achieved when working together with others. It is a member of the Local Authority Pension Fund Forum (LAPFF) which exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Fund actively supports the work of LAPFF and sees this as an important element of its stewardship responsibilities.
- 2.4 The Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds. The Fund retains responsibility for voting (rather than delegating this to investment managers) and proxy votes are submitted for the majority of its global equity holdings.
- 2.5 Voting is in line with corporate governance best practice and the Fund subscribes to independent research services for voting advice. Voting activity is reported to the Pensions Sub-Committee and disclosed on the Fund website. In exceptional circumstances

the Fund will combine with others on a specific issue but only after appropriate consultation.

- 2.6 In order to ensure ownership rights can be exercised, the Fund holds and will continue to hold, investments in its own name where possible, rather than in the name of investment managers. It will continue to oppose those processes, such as stock lending, which also deprive the Fund of the ability to meet its corporate governance objectives.

Summary of Compliance with the Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
<p>1. Effective Decision Making</p> <p>a) Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation.</p> <p>b) Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</p>	<ul style="list-style-type: none"> ● Separate Committee responsible for the Pension Fund. ● Governance Compliance Statement published. ● Roles of Members, officers, external advisors and managers defined. ● Committee has specified appropriate skills. ● Skills and knowledge audit of Committee's membership occur. ● Committee has sub committees or a panel to progress significant areas between meetings of the Committee. ● Committee obtains proper advice from officers and external investment managers. ● Training plan for Members in place. ● Papers and reports should be clear and comprehensive and circulated in advance of meetings. ● A medium term business plan for the Pension Fund should be in place. 	<p>Generally compliant</p>	<p>1. A training needs assessment will be carried out with members of the Committees.</p>

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
<p>2. Clear Objectives</p> <p>An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.</p>	<ul style="list-style-type: none"> ● In setting objectives, the Committee has considered: <ul style="list-style-type: none"> • the fund's liabilities • the adequacy of assets • the maturity of the Fund's liabilities • its cashflow and has sought proper advice. ● Risk is considered as part of the asset allocation strategy. ● Funding levels and employer contribution rates are considered and the advice of the Actuaries sought. ● The Committee considers whether to request an Asset Liability Study. ● The Committee states the range of investments it is prepared to include in its asset allocation and say why some asset classes may have been excluded. ● The Committee takes proper advice, including from specialist independent advisors where appropriate. ● Advisors are appointed in open competition and are set performance objectives. ● The Committee understands transaction related costs incurred, including commission, and has a strategy for ensuring these costs are properly controlled. 	<p>Generally compliant</p>	<p>2. A report is provided to a future Sub-Committee on transaction related costs.</p>

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
<p>3. Risk and Liabilities</p> <p>a) In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>b) These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<ul style="list-style-type: none"> ● The Committee sets an overall investment objective for the fund that represents its best judgement of what is necessary to meet the fund's liabilities and takes account of the Committee's attitude to risk. ● Appropriate performance benchmarks have been set. ● Statement of Investment Principles includes a description of the risk assessment framework used for potential and existing investments. ● The triennial valuation includes a risk assessment in relation to the valuation of its liabilities/assets and factors affecting long term performance. ● The Committee uses internal and external audit reports to satisfy itself on the fund's internal controls. ● The Investment Strategy is suitable for the fund's objectives and takes account of the ability to pay of the employers in the fund. ● The Annual Report includes an overall risk assessment in relation to each of the fund's activities. 	<p>Generally compliant</p>	<ol style="list-style-type: none"> 3. The triennial valuation report is presented to the Pensions Investment Sub-Committee highlighting key factors such as the need for risk assessments in relation to the Fund's liabilities and assets. 4. Relevant Audit reports be presented to future Sub-Committees as appropriate. 5. Undertake employer risk analysis and consider actions arising to mitigate risks to the Fund.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
<p>4. Performance Assessment</p> <p>a) Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.</p> <p>b) Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.</p>	<ul style="list-style-type: none"> ● The Committee should consider whether existing index benchmarks are appropriate and consider whether active or passive management are appropriate for managing the Fund's assets. ● Performance targets in relation to a benchmark should specify clear time periods and risk limits, and monitoring arrangements should include reports on tracking errors. ● In addition to overall Fund returns, the return achieved in each asset class should be measured so that the impact of different investment choices can be assessed. ● Although returns will be measured quarterly, a longer timeframe (typically 3–7 years) should be used to assess the effectiveness of Fund management arrangements. ● Returns should be obtained from specialist performance measurement agencies independent of the fund managers. ● Actuarial services should be market tested periodically. ● When assessing managers and advisors, the extent to which decisions have been delegated should be considered. ● The Committee should set out its expectations of its own performance in its business plan which should be assessed and reported in the fund's Annual Report. 	<p>Partially compliant</p>	<ol style="list-style-type: none"> 6. Reports on Fund performance from the Fund's performance measurement agency are presented to the Pensions Sub-Committee. 7. The Fund's strategic and portfolio benchmarks to are kept under regular review. 8. The Sub Committees to consider setting a performance framework to help assess their own performance.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
<p>5. Responsible Ownership Administering Authorities should:</p> <p>a) adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents</p> <p>b) include a statement of their policy on responsible ownership in the Statement of Investment Principles</p> <p>c) report periodically on the discharge of such responsibilities.</p>	<ul style="list-style-type: none"> ● Policies regarding responsible ownership must be disclosed in the statement of Investment Principles. ● The Committee should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company that is acceptable within the Committee's policy. ● Funds should be aware of the ISC Code on the Responsibilities of Institutional Investors and the United Nations Environment Programme Finance Initiative. ● Authorities may wish to consider seeking alliances with other pension funds to enhance its influence on environmental, social and governance issues e.g. LAPFF. 	<p>Generally compliant</p>	<p>9. The Statement on Responsible Investment within the Statement of Investment Principles to be updated as necessary to reflect guidance available and presented to the Pensions Sub-Committee as appropriate.</p>

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
<p>6. Transparency and Reporting</p> <p>Administering Authorities should:</p> <p>a) act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.</p> <p>b) provide regular communication to scheme members in the form they consider most appropriate.</p>	<ul style="list-style-type: none"> ● The Governance Compliance Statement should be maintained regularly. ● The Communication Statement should contain sufficient information. ● The Annual Report should be compared to the regulations setting out the required content. ● The content of the Statement of Investment Principles, the Funding Strategy Statement and the Governance Compliance Statement should comply with the relevant guidance and requirements. 	<p>Compliant</p>	<p>10. The core source documents namely the Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement and the Communication Statement continue to be updated as necessary to reflect guidance available and presented to the Pensions Sub-Committee as appropriate.</p>

Communications Strategy Statement

1. Purpose

- 1.1 To inform the Pensions Administration Committee of the Communications Strategy, which has been developed by the Nottinghamshire Pensions Office.

2. Background

- 2.1 The Local Government Pension Scheme is one of the most important benefits that the Employer offers, and the giving of information and its feedback can only enhance the Pension Scheme. An effective communications strategy is therefore vital for an organisation like ours which strives to provide a high quality and consistent service to its customers.
- 2.2 The Office of the Deputy Prime Minister on 28 November 2005 issued The Local Government Pension Scheme (Amendment) (No.2) Regulations 2005, which required each pension fund administering authority to prepare and publish and maintain a policy statement on governance, and a policy statement on its communication strategy.
- 2.3 The policy statement on the communication strategy is required to set out how the authority would communicate with members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities. The first such policy statement must be published on or before 1 April 2006, and a revised statement to be published thereafter whenever there is a material change. In the authority's policy. The ODPM expects administering authorities to submit a copy of their policy statement after 1 April 2006.
- 2.4 A report was presented to the Pensions Administration Sub-Committee on 24 October 2005, outlining key aspects of a Communications Strategy and based on the views of the Committee the final draft is as noted below in 3.

3. Strategy

- 3.1 This report intends to consult the Committee about the potential and the scope of communications. The report sets out the mechanisms which are to be used to meet those communication needs. The Pensions Office would use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.
- 3.2 There are six distinct groups with whom the Pensions Office needs to communicate with:
 - a) Trustees
 - b) Scheme Members
 - c) Prospective Scheme Members
 - d) Scheme Employers
 - e) Administration Staff
 - f) Other Bodies

Trustees

- 3.3 The Pensions Office would aim to develop a micro site on the County Council Intranet to contain relevant information for Trustees with regard to training and the roles of the trustees. The development of knowledge and training can be provided by Officers under investment and administration matters, and supplemented by attendance at relevant external training sessions, conferences, and seminars. The role of the Trustees can be supplemented through the Pensions Committee, Investment Committee, and the Pensions Administration Sub Committee, at which specific advice can be provided by Officers. All the respective Committees will be provided with information and reports on all relevant pension matters, and where approval and leadership on issues is required.
- 3.4 It is worth noting the ten investment principles as set out in the Myner's report in relation to the role of Trustees and Fund Management. The principles are as set out below:

- a) Effective Decision Making
- b) Clear Objectives
- c) Focus On Asset Allocation
- d) Expert Advice
- e) Explicit Manager Mandates
- f) Activism
- g) Appropriate Benchmarks
- h) Performance Measurement
- i) Transparency
- j) Regular Reporting

The Pension Fund already complies with most parts of the principles, and the extent of compliance is disclosed in the Statement of Investment Principles. There is currently a Government Treasury Working Party which is looking to assess the extent of compliance by Pension Funds generally, and it is already apparent that Public Sector Schemes are doing better than Private Sector Schemes. Nevertheless, the Working Party is likely to re-emphasise the importance of Trustees having 'familiarity' with investment matters.

Scheme Members

- 3.4 The Pensions Office would aim to develop an extensive internet website containing scheme details, scheme leaflets, etc. There would be links to other organisations relevant to scheme members, e.g. Employers, AVC Providers, Employers' Organisations, etc.
- 3.5 The publication of 'Nest Egg' for Active Members and Pensioners would continue, which would target specific issues related to their needs. The communications with Pensioners needs to be developed in the context of informing on pertinent issues, such as Health, Finances, etc. It is intended that the Pensions Office would liaise with Employers to ascertain up to date address details of members in order to send the 'Nest Egg' to home addresses. It would then request members to inform the office of any address

changes. This would ensure that all Active Members of the LGPS received a copy of the publication. We would also consider upon request attending various Pensioner forums or meetings to inform on issues or answer questions relating to the LGPS.

- 3.6 The Pensions Office would send Benefit Illustrations to all Active and Deferred Members. There is development work underway to improve upon the timing of the despatch of such illustrations, so that members receive the statements soon after the end of the previous year end.
- 3.6 An extensive range of scheme literature is produced by the Pensions Office and is supplied to employing bodies and Scheme Members directly. Copies of the scheme literature will form part of the website.
- 3.7 The Pensions Office continues to issue periodic pay advices to scheme pensioners. This can be utilised as a communication mechanism, as messages can be included on the advice, e.g. to reinforce the needs for pensioners to ensure that in the event of their demise or change of address that the service is notified promptly.
- 3.8 The Pensions Office utilises both surface and e-mail to receive and send correspondence.
- 3.9 A dedicated telephone help line has been established and is widely publicised in scheme literature.
- 3.10 The Pensions Office aims to provide more frequent Pensions Roadshows around the County, whilst undertaking satellite Roadshows and surgeries, as requested, by specific organisations.
- 3.11 There would be other miscellaneous actions taken for Scheme Members, such as Customer Satisfaction Surveys, Specific Customer Complaints and Commendations, and the tracking and contacting of Deferred Beneficiaries.

Prospective Scheme Members

- 3.12 As part of the Government's aim to encourage the public to save for the future, the Pensions Office would aim to target prospective members. This would be done by ensuring that all new appointees receive the scheme booklet. There would be specific information on the website for non-joiners and with data from Employers would focus on specific groups to market the scheme, e.g. by messages on payslips.
- 3.13 Staff from the Pensions Office would attend induction courses for new recruits to inform of the scheme and the benefits the LGPS offers. We would utilise the Pension Roadshows to, and in partnership with the Department of Works & Pensions and AVC Providers, target specific non-members to provide a more informed choice.
- 3.14 The Pensions Office would work with the Trade Unions to ensure that the scheme is understood, and that all related pension issues are communicated effectively through the Unions.

Scheme Employers

- 3.15 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 information, and identify and resolve cases. A 'Technical Newsletter' would be developed to communicate issues under current debate and any changes on Employer functions.
- 3.16 We currently have an Employer's Guide through which they are informed of administration responsibilities. An Internet site would be developed for manuals and scheme literature to be available for Employers.

- 3.17 It is intended that Employer Forums would be established to facilitate discussion with small employers and subsequently improve communication. Staff from the Pensions Office attend Pre-Retirement Courses at District Councils to inform retiring members of specific retirement issues.
- 3.18 The Pensions Office uses the 'Axis' database to hold member records. It is intended to achieve greater web compatibility and the transmission of data electronically. Furthermore, we intend to develop systems so that major Employers have access through the internet to pension records of employees together with a calculation suite, for the provision of estimates direct to employees.

Administration Staff

- 3.19 The Pensions Office currently ensures that all new staff receive robust induction and training, so that they are able to undertake their duties and responsibilities effectively. The Pensions Office has Team Meetings and Management Team Meetings to discuss issues ranging from planning to communications. It is intended to establish an Issues Meeting which will require a cross section of staff from the Pensions Office to discuss issues and concerns.
- 3.20 There is currently an Intranet site for the administration staff called 'Documents on Line', which needs to be further developed. A Review Group would also be established to review on a periodic basis the Pensions Office's work practices and process, including communications.

Other Bodies

- 3.21 The Trade Unions are a valuable organisation for the Pensions Office to ensure that the details of the LGPS's availability are brought to their members' attention. The management of the Pensions Office regularly attend various national and regional forums to share issues of common interest and develop and establish best practice, i.e. the National Information Forum, and the East Midlands Pensions Officer Group. The Pension Manager attends the annual Pension Managers' conference in Torquay to discuss various common and pertinent issues. The meeting of the Additional Voluntary Contribution Providers are also attended on a regular basis to discuss various issues, and to, as required, circulate information to scheme members.
- 3.22 The Pensions Office is a member of the Pensions 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.
- 3.23 Staff from the Pensions Office undertake visits to Comparator Administering Authorities to learn and share new practices and systems, and to facilitate new ideas and solutions which have a common goal.

Risk Management Strategy

1. Aims and Purpose of the Pension Funds

1.1 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.

1.2 The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the relevant regulations.

1.3 In terms of its investments the Fund will:

- aim to be sufficient to meet all of its obligations on a continuing basis
- be invested in a diversified range of assets
- obtain independent advice on the suitability of types of investment on a regular basis.

1.4 Subject to the requirements of the points set out above, the Fund will aim to conduct its business and to use its influence in a long term responsible way.

2. Risk Management

2.1 Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its aims and purpose. Proper management of those risks 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.

2.2 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 (wherever possible) and minimise the severity of the consequences if they do occur.

3. Pension Fund Risk Management Strategy

3.1 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 Pensions Committee annually.

3.2 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. These actions will link to the Business Plan process currently reported to the Pensions Investment Sub Committee in accordance with the Myners Principles.

4. Roles and Responsibilities

- 4.1 All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee and its two Sub Committees 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
 - approve the agreed Risk Register actions
 - receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process.
- 4.2 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.

Risk Register

Objectives

- The objectives of the Risk Register are to:
 - identify key risks to the achievement of the Fund's objectives
 - consider the risks identified
 - assess the significance of the risks.

Risk Assessment

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

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. The 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.

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

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% chance
2	Minor	6 to 20% chance
3	Moderate	21 to 50% chance
4	Significant	51 to 80% chance
5	Catastrophic	81%+ chance

Nottinghamshire Pension Fund Risk Register

Risk	Rating	Impact	Change
Risk V1. Significant variations from assumptions used in the actuarial valuation	16	VERY HIGH	★
Risk G6. Fund assets are assessed as insufficient to meet long term liabilities.	12	VERY HIGH	★
Risk G3. An effective performance management framework is not in place.	9	HIGH	↑
Risk A2a. Fund manager mandates	8	HIGH	↔
Risk A2b. Custody arrangements	8	HIGH	↓
Risk G1. Pension Fund governance arrangements are not effective	8	HIGH	↑
Risk G4. Inappropriate investment strategy is adopted.	8	HIGH	↓
Risk A1. Standing data & permanent records are not accurate or do not reflect changes of circumstances.	8	MEDIUM	↓
Risk A2c. Accounting arrangements	6	MEDIUM	↓
Risk A2d. Financial Administration	6	MEDIUM	↔
Risk A2e. Pensions Administration	6	MEDIUM	↓
Risk A3. Inadequate resources are available to manage the pension fund.	6	MEDIUM	★
Risk G2. Pension Fund objectives are not defined and agreed.	6	MEDIUM	↑
Risk G5. Fund cash is insufficient to meet its current obligations.	6	MEDIUM	★
Risk R1. Failure to adhere to relevant statutory regulations including updates from LGPS.	6	MEDIUM	↓
Risk A2f. Stewardship	4	LOW	★
Risk A4. Failure to communicate adequately with all relevant stakeholders.	4	LOW	↓

Key to Risk Rating change since previous version of Risk Register:

 Increase
  Decrease
  No Change
  New

Pension Fund Governance

Risk G1. Pension Fund governance arrangements are not effective

(Myners' Principle 1 / 6)

Likelihood	2	Impact	4	Risk rating	↑	8	HIGH
Current Controls	<ul style="list-style-type: none"> The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee (NPF Committee), supported by two Sub-Committees. The terms of reference of each Sub-Committee 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 all new Members to attend the Local Government Employers training course. Officers of the Council attend meetings of the Pensions Committee and Sub-Committees. The Fund has a formal contract for an independent adviser to give advice on investment matters. They are required to attend each meeting of the Pension fund investment sub-committees. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance)			Timescale	On-going		

Pension Fund Governance

Risk G2. Pension Fund objectives are not defined and agreed.

(Myners' Principle 2)

Likelihood	2	Impact	3	Risk rating	↑	6	MEDIUM
Current Controls	<ul style="list-style-type: none"> Objectives are defined in the Funding Strategy Statement and approved by the NPF Committee. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Continue to monitor via existing processes. 						
Responsibility	NPF Committee; Group Manager (Financial Strategy & Compliance)			Timescale	On-going		

Pension Fund Governance

Risk G3. An effective performance management framework is not in place.

(Myners' Principle 4)

Likelihood	3	Impact	3	Risk rating	↑	9	HIGH
Current Controls	<ul style="list-style-type: none"> A performance management framework involving quarterly performance reports to the Pensions Investment Sub Committee is in place. Poor performance is highlighted and addressed directly by the Pensions Investment Sub Committee and ultimately the NPF Committee. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Devise performance framework to monitor effectiveness of asset allocation decisions. 						
Responsibility	Pensions Investment Sub-Committee; Group Manager (Financial Strategy & Compliance)			Timescale	September 2013		

Pension Fund Governance

Risk G4. Inappropriate investment strategy is adopted.

(Myners' Principle 2)

Likelihood	2	Impact	4	Risk rating	↓	8	HIGH
Current Controls	<ul style="list-style-type: none"> The Investment Strategy is in accordance with LGPS investment regulations. The Investment Strategy is documented, reviewed and approved by the Pensions Committee. The Strategy takes into account the Fund's liabilities. A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party. An external advisor provides specialist guidance to the Pensions Investment Sub Committee on the investment strategy. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Consider the need for an explicit assessment of the strategic risk inherent in the Fund's Investment Strategy. This could form part of an Investment Strategy Review following the triennial valuation. 						
Responsibility	Group Manager (Financial Strategy & Compliance)			Timescale	March 2014		

Pension Fund Governance

Risk G5. Fund cash is insufficient to meet its current obligations.
(Myners' Principle 3)

Likelihood	2	Impact	3	Risk rating	★	6	MEDIUM
Current Controls	<ul style="list-style-type: none"> Fund cash flow is monitored daily and reported to Investment Sub-Committee annually 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 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Consider the need for an Investment Strategy Review following the latest actuarial valuation. 						
Responsibility	Investments Sub-Committee; Group Manager (Financial Strategy & Compliance)			Timescale	On-going		

Pension Fund Governance

Risk G6. Fund assets are assessed as insufficient to meet long term liabilities.
(Myners' Principle 3)

Likelihood	3	Impact	4	Risk rating	★	12	VERY HIGH
Current Controls	<ul style="list-style-type: none"> 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 advisor provides specialist guidance to the Pensions Investment Sub Committee on the investment strategy. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Consider the need for an Investment Strategy Review following the latest actuarial valuation. 						
Responsibility	Investments Sub-Committee; Group Manager (Financial Strategy & Compliance)			Timescale	March 2014		

Pension Fund Administration

Risk A1. Standing data and permanent records are not accurate or do not reflect changes of circumstances.

Likelihood	4	Impact	2	Risk rating		8	MEDIUM
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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 policy.

- Change of details form sent out to members alongside annual statement.

- Data matching exercises (National Fraud Initiative) identifies discrepancies.

Additional Controls/
Action Required

- Existing arrangements are sufficient and will continue.

Responsibility	Group Manager (BSC)	Timescale	On-going
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Pension Fund Administration

**Risk A2. Inadequate controls to safeguard pension fund assets.
A2a. Fund manager mandates.**

Likelihood	2	Impact	4	Risk rating		8	HIGH
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Current Controls

- Complete and authorised client agreements are in place. This includes requirement for fund managers to report quarterly on their performance.

- Client portfolios are managed in accordance with investment objectives.

- AAF 01/06 reports on internal controls of service organisations reviewed for external managers.

- In House Fund has a robust framework in place which is regularly tested by internal audit.

- Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.

Additional Controls/
Action Required

- Continue to monitor via existing processes.

Responsibility	Group Manager (Financial Strategy & Compliance); Senior Accountant - Pensions & TM	Timescale	On-going
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Pension Fund Administration

Risk A2. Inadequate controls to safeguard pension fund assets.

A2b. Custody arrangements

Likelihood	2	Impact	4	Risk rating	↓	8	HIGH
Current Controls	<ul style="list-style-type: none"> • Complete and authorised agreements are in place with external custodian. • AAF 01/06 report on internal controls of service organisations reviewed for external custodian. • Regular reconciliations carried out to check external custodian records. • In-house custody arrangements require physical stock certificates to be held in secure cabinet to which access is limited. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Senior Accountant - Pensions & TM			Timescale	On-going		

Pension Fund Administration

Risk A2. Inadequate controls to safeguard pension fund assets.

A2c. Accounting arrangements

Likelihood	3	Impact	2	Risk rating	↓	6	MEDIUM
Current Controls	<ul style="list-style-type: none"> • Pension Fund accounting arrangements conform to the Local Authority Accounting Code 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 external custodian and investment managers. • Internal Audits are carried out on an annual basis. • External Audit review the Pension Fund's accounts annually. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Senior Accountant - Pensions & TM			Timescale	On-going		

Pension Fund Administration

Risk A2. Inadequate controls to safeguard pension fund assets.

A2d. Financial Administration

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

Pension Fund Administration

Risk A2. Inadequate controls to safeguard pension fund assets.

A2e. Pensions Administration

Likelihood	3	Impact	2	Risk rating	↓	6	MEDIUM
Current Controls	<ul style="list-style-type: none"> The Pension fund maintains a bank account which is operated within legislative guidelines Data is backed up on an incremental basis daily and fully backed up weekly Audit trails and reconciliations are in place. There is no home working on the Pensions system (Axis) by Pensions Section staff. Systems are protected against viruses and other threats. Software is regularly updated to meet LGPS requirements. 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 policy. Change of details form sent out to members alongside annual statement. Data matching exercises help to identify discrepancies 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Group Manager (BSC)			Timescale	On-going		

Pension Fund Administration

Risk A2. Inadequate controls to safeguard pension fund assets.

A2f. Stewardship (Myners' Principle 5)

Likelihood	2	Impact	2	Risk rating	★	4	LOW
Current Controls	<ul style="list-style-type: none"> The pension fund aims to be a responsible investor and has adopted the FSA's Stewardship code. It is a member of Local Authority Pension Fund Forum, National Association of Pension Funds and supports their work on shareholder engagement. The pension fund has a contract in place for a proxy voting service and voting is reported to the Pensions sub-committee each quarter. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Senior Accountant - Pensions & TM			Timescale	On-going		

Pension Fund Administration

Risk A3. Inadequate resources are available to manage the pension fund.

Likelihood	2	Impact	3	Risk rating	★	6	MEDIUM
Current Controls	<ul style="list-style-type: none"> The pension fund is managed by the Pensions & Treasury Management and HR Pensions teams. Operating costs are recharged to the pension fund in accordance with regulations. Staffing levels and structures are kept under regular review. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Group Manager (BSC)			Timescale	On-going		

Pension Fund Administration

Risk A4. Failure to communicate adequately with all relevant stakeholders.
(Myners' Principle 6)

Likelihood	2	Impact	2	Risk rating	↓	4	LOW
Current Controls	<ul style="list-style-type: none"> • A communications strategy is in place. <hr/> • Website periodically updated. <hr/> • Nest Egg newsletter is published twice a year. <hr/> • The Pensions Investment Sub Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies. <hr/> • Regular Pension road shows and communication takes place. <hr/> • Meetings are held regularly with employers within the Fund. <hr/> • Benefit Illustrations are sent annually to contributing and deferred Fund members. <hr/> • Annual report prepared in accordance with statutory guidelines which include all key strategies and is published on the website. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 						
Responsibility	Group Manager (BSC)			Timescale	On-going		

Regulatory

Risk R1. Failure to adhere to relevant statutory regulations including updates from LGPS.

Likelihood	2	Impact	3	Risk rating	↓	6	MEDIUM
Current Controls	<ul style="list-style-type: none"> • An established process exists to inform members and officers of statutory requirements and any changes to these. <hr/> • Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme. <hr/> • Membership of relevant Pensions professional groups ensures changes in statutory requirements are registered before the implementation dates. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> • Continue to monitor statutory requirements via the DCLG website and Pension Groups meetings. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Senior Accountant - Pensions & TM			Timescale	On-going		

Valuation

Risk V1. Significant variations from assumptions used in the actuarial valuation

Likelihood	4	Impact	4	Risk rating	★	16	VERY HIGH
Current Controls	<ul style="list-style-type: none"> • Assumptions made by actuaries reviewed by officers and members. <hr/> • Sensitivity analysis undertaken on assumptions to measure impact. <hr/> • Valuation undertaken every 3 years. <hr/> • Monitoring of cash flow position and preparation of medium term business plan. <hr/> • Contributions made by employers vary according to their member profile. 						
Additional Controls/ Action Required	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 						
Responsibility	Group Manager (Financial Strategy & Compliance); Senior Accountant - Pensions & TM			Timescale	On-going		

List of Active Fund Employers

Employer Name

A1 Housing Bassetlaw Ltd
Abbey And Kilton B C
Advance Housing & Support Ltd
Alcoholic Advisory Council
Alderman White School
All Saints Catholic Vol Acad
Ambleside Primary School
Archbishop Cranmer Ce Academy
Arnbrook Primary School
Arnold & Carlton College
Arnold Hill Foundation Tust
Ashfield Citizens Advice Bur.
Ashfield Dc Members
Ashfield District Council
Ashfield Homes Ltd
Ashfield School
Ashfield Women's Centre
Aslockton Parish Council
Aspley Boys Club
Balderton Parish Council
Barnby Road Trust
Barnsley Premier Leisure Ltd
Basford Hall College
Bassetlaw Citizens Advice Bur
Bassetlaw Dc Members
Bassetlaw District Council
Beeston Citizens Advice Bureau
Bespoke Cleaning Services Ltd
Bestwood Advice Centre
Bestwood Community School
Bestwood Partnership Forum
Bilborough College
Bingham Town Council
Birklands Primary School
Bishop Alexander Lead Academy
Bksb Limited
Blessed Robert Widmerpool Acad
Blidworth Parish Council
Blue Bell Hill Primary School
Bluecoat Academy
Bluecoat Beechdale Academy
Bookworms/Bookstart Project
Brackenhurst College
Bramcote Crematorium Jnt C'tte
Broxtowe Bc Members
Broxtowe Borough Council
Broxtowe College
Broxtowe Partnership Trust Ltd
Bulwell Academy
Bulwell Vision Ltd
Burton Joyce Parish Council
C.L.A.S.P.
Calverton Parish Council
Capita It Services (Bsf) Ltd
Carers Federation Nottm
Carillion Serv Ltd (City Bsf)
Carillion Serv Ltd (Farnboro)
Carlton Academy -Redhill Trust
Carlton In Lindrick Parish Cn
Carlton Le Willows Academy
Castle Cavendish Foundation
Castle College Nottingham
Central College Nottingham
Chetwynd Primary Academy
Child Migrants Trust
Christ The King Cath Academy
Citizens Advice Broxtowe
City Arts
City Of Nottingham Scout Dist
Clarendon College
Clifton Advice Centre
Colwick Parish Council
Compass Contract Serv (Uk) Ltd
Cossall Parish Council
Cotgrave Candleby Lane School
Cotgrave Town Council
Creswell Craggs Heritage Trust
Creswell Groundwork Trust
Cropwell Bishop Parish Council
Disabilities Living Centre
Djanogly City Academy
Djanogly Northgate Academy
Djanogly Strelley Academy
E.M.E.U
East Bridgford St Peters Ce Ac
East Leake Academy

East Mid Area Museum Service
East Mid Further Education Cnl
East Mid Regional Exams Board
East Mid's Airport (Post 1987)
East Mid's Airport Joint C'tte
East Midlands Arts Board
East Mids Screen Commission
Eastwood Town Council
Eastwood Voluntary Bureau
Edale Rise Prim & Nursery Sch
Edna G Olds Academy
Edwinstowe Parish Council
Em Media Company Ltd
Enviroenergy Ltd
Experience Nottingham Limited
Fairfield Primary Academy
Faith In Families
Family Action
Family Care
Farndon Parish Council
Fernwood Parish Council
Firbeck Academy
First Data (Training) Ltd
Foxwood Academy
Foxwood Grant Maintn'd School
Futures Advice,Skills & EmPLYt
Gedling Bc Members
Gedling Borough Council
Gedling Homes
George Spencer Academy
George Spencer G M School
Glenbrook Primary School
Greasley Parish Council
Greater Nottingham Partnership
Greenfields Centre Limited
Greenwood Dale G M School
Groundwork Ashf'ld & Mansfield
Groundwork Greater Nottingham
Guideline Career Services Ltd
Guideline Careers Service Ltd
Harworth And Bircotes P.C
High Pavement College
Highbank Primary & Nursery Sch
Hillside Primary & Nursery Sch
Hint
Hist Pens-Pre 1-4-74

Hogarth Primary & Nursery Sch
Holme Pierrepont Leisure Trust
Holy Cross Primary Cath Acad
Holy Trinity Catholic Vol Acad
Huntingdon Academy
Hyson Green Boy Club
Independent Cleaning Serv Ltd
Int Of Cemetery & Crematorium
Intermedia Film And Video
Jesse Boot Sports Trust Ltd
Keyworth Parish Council
Kgb Cleaning & Support Service
Kimberley School
Kimberley Town Council
Kingston Park Academy
Kirkby College
L.E.A.D. Multi Academy Trust
Laneham Internal Drainage Brd
Langar Cum Barnstone Pc
Leamington Primary Academy
Leverton C Of E Academy
Lowdham Parish Council
Magnus Church Of England Acad
Manor Academy Trust
Mansfield & Dist Crem Jnt Com
Mansfield Citizens Advice Bur.
Mansfield Cncl For Vol Service
Mansfield Dc Members
Mansfield Dist Leisure Trust
Mansfield District Council
Mansfield Info Technology Cntr
Mansfield Primary Academy
Mansfield Rd Baptist Housing
Mansfield Soc For Deaf People
Marriage Guidance Council
Mary Ward College
Meadows Advice Group
Meadows Boys Club
Meadows Partnership Trust
Meden School 'A Torch Academy'
Meden Valley Making Places Ltd
Meden Valley Partnership
Mellors Csl (Ellis Guilford)
Mellors Csl (Rushcliffe)
Mellors Csl (Southwark)
Mercury Cleaning Solutions Ltd

Metropolitan Housing Trust
Milford Academy
Mind (Central Notts Health)
Mla East Midlands
Monty Hind Boys Club
Museum Of Law Trust Company
N.E.C.T.A. Ltd
National Ce Academy
National College For L'ship
Nethergate School
New College Nottingham
Newark & Sherwood College
Newark & Sherwood D.C.
Newark & Sherwood D.C. Members
Newark And Sherwood Homes Ltd
Newark Emmaus Trust Limited
Newark Town Council
Newark Youth Enterprise Org
Newstead Parish Council
Norbridge Academy
North Muskham Parish Council
North Notts Coll (Early Years)
North Notts College Of F.E.
Nottingham Academy
Nottingham City Cnl Members
Nottingham City Council
Nottingham City Council - Emc
Nottingham City Homes
Nottingham City Transport Ltd
Nottingham Comtemporary
Nottingham Emmanuel School
Nottingham Girls Academy
Nottingham Ice Centre Limited
Nottingham Independent Venture
Nottingham Regeneration Ltd.
Nottinghamshire Age Concern
Nottinghamshire Cc
Nottinghamshire Cc Members
Nottinghamshre Deaf Society
Nottm & Dist Racial Equal Coun
Nottm Citi Care Partnership
Nottm Citizens Advice Bureau
Nottm City (Lgr Transfers)
Nottm Community Housing Assoc
Nottm Council Fr Voluntary Ser
Nottm Development Enterprise

Nottm Info Technology Centre
Nottm Reg Soc For Autistic C/A
Nottm Trent Students Union
Nottm Univ Samworth Academy
Nottm Youth Action
Notts Assoc Of Local Councils
Notts Boys Probation Hostel
Notts Cc
Notts Combined Fire Authority
Notts County Scout Association
Notts Fire&Rescue (Trading)Ltd
Notts Magistrates Court Cmmtte
Notts Police Authority
Notts Probation Trust
Nuthall Parish Council
Old Basford School
Ollerton & Boughton Town Cncl
Our Lady & St Edwards Vol Acad
Our Lady Perp Succ Cat Prm Sch
Outwood Academy Portland
Outwood Academy Valley
Pcfc Rchg Eaton Hall
Peafield Lane Academy
Pearson Centre For Young Peopl
Peoples College Of Tertiary Ed
Police & Crime Commissioner
Portland School
Priory Catholic Vol Academy
Provison Catering & Facilities
Quarrydale Academy
Queen Elizabeth's Academy
R.A.C.O.F.E.E.M.
Radcliffe On Trent Parish Coun
Rainworth Parish Council
Ravensdale Middle School
Ravenshead Parish Council
Redhill Academy
Regeneration East Midlands
Renewal Trust
Retford Oaks Academy
Royal Society Mencap
Ruddington Parish Council
Rural Community Action Notts
Rushcliffe Bc Members
Rushcliffe Borough Council
Rushcliffe Homes Ltd

Rushcliffe School
Russell Youth Club
Sacred Heart Primary Cat Acad
Samworth Church Academy
Scape System Build Ltd
Selston Parish Council
Serlby Park Academy
Sherwood & Newark Citizens Adv
Sherwood E-Act Academy
Skegby Junior Academy
Sneinton St Stephen's Primary
South Nottinghamshire Academy
South Wolds Academy
Southern Electric Contracting
Southwark Primary
Southwell House
Southwell Leisure Centre
Southwell Town Council
Sports & Leisure Management
St Ann's Well Academy
St Augustines Cath Primary
St E Champion Catholic Primary
St Hugh's College
St Margaret Clitherow Cat Acad
St Mary's Cath Primary School
St Patrick's Catholic School
St Patricks Catholic Primary
St Teresa's Cath Primary Sch
Stapleford Town Council
Stone Soup Academy
Stonham Housing Association
Sunnyside Spencer Academy
Sutton Community Academy
Sycamore Academy
T-Poly Pre 1-4-89
Tarmac Limited
Tech Aid For Nottm Communities
The Becket School
The Beech Academy
The Bramcote School
The Brunts Academy
The Chief Constable
The Dukeries Academy
The Elizabethan Academy
The Fernwood School
The Flying High Academy

The Glapton Academy
The Good Shepherd Cat Academy
The Holgate Academy
The Joseph Whitaker School
The Kirkby Trust
The Newark Academy
The Nottm Trent University
The Partnership Council
The Trinity Catholic School
The Trinity School
The West Bridgford School
Thera East Midlands
Tollerton Parish Council
Toot Hill School
Top Valley Academy
Trent Valley Int Drainage Brd
Trowell Parish Council
Tuxford Academy
Tuxford Primary Academy
United Response
Upp (Nottingham) Ltd
Upton Parish Council
Valuation Tribunal Service
Voluntary Org Skill Exchange
Wainwright Primary Academy
Warren Hill Academy
Warsop Parish Council
Wastenotts (Reclamation) Ltd
Wastenotts Ltd
Webb Support Services Limited
West Notts College Of F.E.
Whitemoor Academy
William Olds Boys Cl
Windmill Lead Academy



The Nottinghamshire Local Government Pension Scheme

is administered by Nottinghamshire County Council

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