



Mapping the route to member protection

► Can you tell us a bit about what prompted the fund to become a signatory to The Pensions Regulator's (TPR) pledge to combat pension scams?

Since April 2017, pension scam losses totalling £30,857,329 have been reported according to complaints filed with Action Fraud, says the Financial Conduct Authority (FCA) and TPR.

Scammers target pension pots big and small, with reported losses ranging from under £1,000 to as much as £500,000.

However, the true number of victims is likely to be much higher as savers fail to spot the signs of a scam and don't know how much is in their pension pots.

A 2019 survey by Action Fraud reported that individual loss is about £82,000. TPR reports this figure being higher at £91,000. Pension scams are on the increase in the UK. Every day fraudsters are using sophisticated ways to part savers from their money and the internet, and advances in digital communications mean these kinds of scams are getting more common and harder to identify. A lifetime's savings can be lost in moments.

TPR states: "Pledging to combat pension scams shows your intent to protect your members. It tells your members and the pensions industry that you are committed to stopping scammers in their tracks. Once you have taken the pledge it's up to you and your scheme or organisation to take action."

Nottinghamshire Pension Fund's (NPF) commitment to TPR's pledge to combat pension scams demonstrates our intent to protect our members.

✓ **The Nottinghamshire Pension Fund is one of the latest pension schemes to back TPR's pledge to combat pension scams after the Nottinghamshire Pension Fund committee approved the pledge at its latest meeting. Sophie Smith sits down with Councillor, Eric Kerry, to discuss what prompted the scheme to back the pledge, and how it has worked to protect members' benefits amid the pandemic and climate concerns**

Putting it into action

The scheme has outlined a step-by-step plan for the action needed to address the pledge requirements. This includes developing and delivering an annual pension scam communication plan, including annual benefit statements and transfer requests, as well as plans to refresh the pension scams section of its website and to support TPR and FCA campaigns through social media and online member communications. Additionally, all Nottinghamshire Pension Administration staff, Pension Committee and Pension Board members will complete the scam modules.

The fund's broader action plan also includes an end-to-end review of the current pension transfer process and the development of a checklist process for completion for each transfer, expected to be completed by the end of 2021. Additionally, the fund plans to add a pension scam section to the *Pension Administration Annual Performance Report*, with the next report due June 2022.

And how has the scheme worked to meet the requirements under the pledge?

Now the Nottinghamshire Pension Fund Committee has approved the pledge, we are to undertake the work to enable us to then complete the self-certification of the TPR's pledge to combat scams.

The pension fund has also developed an action plan covering other activity we will undertake to implement to protect the fund and our members from scams. Basically, the fund will be reviewing what we already do to protect the fund and our members and expanding this further.

Concerns around pension scams have increased amid the onset of Covid-19, but has the pandemic impacted the scheme, and how has the fund worked to protect members' benefits amid this?

Staff had laptops and previously had some opportunity to work from home prior to the pandemic. Following the announcement from the Prime Minister and our own chief executive, staff began working from home in late March.

There was a short period of settling

into this new way of working, but pension staff have continued to deliver a full administration service during the pandemic and have worked in accordance with the regulator's Covid-19 requirements with a concentration on processing death benefits, retirements into payment and the ongoing payment of existing pensions. Staff have also continued with the transformation programme – progressing the rollout of the scheme employers portal and plans to rollout members self-service in the future.

The fund has seen an increase in pension members seeking access to pension benefits, where members have deferred benefits who are able to take their benefits at 55 or over on a reduced basis. The pension fund also enacted the advice from TPR at the start of the emergency, by placing increased warnings in documents alerting members about pension scams.

Nottinghamshire Pension Fund also set up a Covid-19 risk register to enable the fund to monitor specific Covid-19 risks which included:

- National concern about pension freedoms and members accessing pensions early to offset financial issues due to the pandemic
- Resource availability due to illness (however this did not transpire)
- Concern about the collection of contributions from employers, monitored closely

- Monitored the mortality in the fund as we saw an increase death over our normal statistics, this created more work of the processing of death benefits

Pension scams are not the only area to see increased focus over the past year, with pressure for pension schemes to act on climate change growing. In light of this, can you tell us a bit about how the fund has integrated environmental, social and governance (ESG) considerations into its investment strategy?

Nottinghamshire Pension Fund Committee considers the fund's approach to ESG in three key areas:

- Selection – considering the financial impact of ESG factors on its investments.
- Stewardship – acting as responsible and active owners, through considered voting of shares and engaging with investee company management as part of the investment process. The committee supports the stewardship.
- Transparency and disclosure – commitment to reporting the outcomes of the fund's stewardship activities

Could you tell us a bit more about how the scheme used engagement, and why this approach is favoured over divestment?

The fund is strongly of the view that engagement with companies we invest in is much more likely to lead to improvements than simply divesting its

shares. If the fund were to sell its fossil fuel holdings to another less engaged investor the pressure on those companies would reduce with potentially a negative impact on carbon emissions and speed of transition.

The fund actively influences companies through engagement through our investment managers and the Local Authority Pension Fund Forum (LAPFF), and through exercising our voting rights. Our voting record is disclosed on our website on a quarterly basis.

Does the scheme have any future plans in relation to net-zero targets or investments in fossil fuels?

The pension fund has been proactive, being one of the leaders, in its work in understanding climate risk. The recent climate risk analysis indicates the pension fund already has a lower exposure to fossil fuel reserves and a lower carbon footprint than the benchmark. Over time we expect this to reduce as the fund reduces the passive listed equity weightings and reinvests into sustainable equities and infrastructure in particular.

The fund's pool, LGPS Central Ltd, is currently working at creating a new sustainable investment product, in which NPF is collaborating. Furthermore, over the past few years the fund has significantly increased the allocation to infrastructure, much of which is invested in renewable energy, which will decrease the exposure of the fund to fossil fuels, and this is likely to continue.

Over the past year, the fund has implemented a Climate Risk Action Plan, published a Taskforce for Climate-related Financial Disclosure (TCFD) report, a Climate Strategy and Climate Stewardship Plan and through its partners continues to engage with companies to implement Paris-aligned strategies.

Written by Sophie Smith

