

Nottinghamshire Pension Fund Committee

Thursday, 06 June 2019 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- 1 To note the appointment by Full Council on 16 May 2019 of Councillor Eric Kerry as Chairman and Councillor Stephen Garner as Vice-Chairman of the Nottinghamshire Pensions Fund Committee for the 2019-20 municipal year.

- 2 To note the membership of the Committee for the 2019-20 municipal year as follows:

Nottinghamshire County Council

Councillors Eric Kerry, Stephen Garner, Reg Adair, Chris Barnfather, Sheila Place, Mike Pringle, Francis Purdue-Horan, Helen-Ann Smith and Parry Tsimbiridis.

Nottingham City Council

Councillors Graham Chapman, Anne Peach and Sam Webster.

Nottinghamshire Local Authorities' Association

Councillor Richard Jackson – Broxtowe Borough Council (TBC)
Executive Mayor, Andy Abrahams – Mansfield Council (TBC)

Trades Unions

Mr Andy Woodward and Mr Chris King.

Scheduled Bodies

Mrs Sue Reader – Nottingham Trent University

Pensioners' Representatives

Mr Terry Needham
Vacancy

Independent Adviser

Mr William Bourne

- | | | |
|---|--|--------|
| 3 | Minutes of the last meeting 9 May 2019 | 5 - 8 |
| 4 | Apologies for Absence | |
| 5 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 6 | Pensions and Lifetime Savings Association (PLSA) - Local Authority Conference 2019 | 9 - 16 |

7	Work Programme	17 - 22
8	Fund Valuation and Performance	23 - 26

9 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

"That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

Note

If this is agreed the public will have to leave the meeting during consideration of the following items.

EXEMPT INFORMATION ITEMS

10 Fund Valuation and Performance EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

11 Independent Adviser's Report EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12 Managers' Reports

12a Aberdeen Standards Investment EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12b Kames Capital EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12c Schrodgers Investment Management EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12d Legal & General Investment Management EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Peter Barker (Tel. 0115 977 4416) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

minutes

Meeting NOTTINGHAMSHIRE PENSIONS FUND COMMITTEE

Date Thursday 9 May at 10.30am

membership

Persons absent are marked with 'A'

COUNCILLORS

Eric Kerry (Chairman)
Stephen Garner (Vice Chairman)

Reg Adair	Francis Purdue-Horan
Chris Barnfather - A	Helen-Ann Smith - A
Sheila Place - A	Parry Tsimbiridis
Mike Pringle - A	

Nottingham City Council

Councillor Graham Chapman
Councillor Anne Peach
Councillor Sam Webster - A

Nottinghamshire Local Authorities' Association

Councillor Richard Jackson – Broxtowe Borough Council - A
TBC – Mansfield District Council

Trades Unions

Mr A Woodward - A
Mr C King

Scheduled Bodies

Mrs Sue Reader - A

Pensioners

Vacancy
Mr T Needham

Independent Adviser

William Bourne

Officers in Attendance

Pete Barker	(Chief Executive's Department)
Ciaran Gilfoyle	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)

1. MINUTES

The minutes of the last meeting held on 7 March 2019, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Barnfather, Councillor Place, Councillor Pringle, Councillor Webster, Mr Woodward and Mrs Reader.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

4. UPDATE ON THE LOCAL GOVERNMENT SCHEME ADVISORY BOARD

Mrs Stevenson introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2019/016

That the Pension Committee ensure that the Administering Authority implements the recommendations of the Board once they are formally communicated to Pension Funds.

5. PROXY VOTING

Mr Guilfoyle introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2019/017

That no further actions are required as a direct result of the contents of the report.

6. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) BUSINESS MEETING

Mr Guilfoyle introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/018

That no further actions are required as a direct result of the contents of the report.

7. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) ANNUAL CONFERENCE

On a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/019

That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to investments.

8. REVISION OF FUND STRATEGIES

Mrs Rabbitts introduced the report and informed Committee that the following wording should be added to paragraph 21 of the Investment Strategy Statement:

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

On a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/020

That the revised Funding Strategy Statement, Investment Strategy Statement, including the wording above, the Risk Management Strategy and the Governance Compliance Statement be approved.

9. WORK PROGRAMME

On a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/021

That the report entitled ‘Pension Administration Annual Performance & Strategy Review’ originally scheduled for the meeting on 6 June 2019 be deferred to the meeting on 18 July 2019.

10. LGPS CENTRAL LTD: PRESENTATION ON PROGRESS

On a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/022

That the presentation by LGPS Central Ltd be received in the closed part of the meeting.

11. FUTURE OF THE FIXED INCOME PORTFOLIO

On a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/023

That the Recommendations contained in the report be considered in the closed part of the meeting.

12. EXCLUSION OF THE PUBLIC

RESOLVED: 2019/024

That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

And that Mr William Bourne, the Independent Adviser, be permitted to stay in the meeting during discussion of the exempt items.

EXEMPT INFORMATION ITEMS

13. FUTURE OF THE FIXED INCOME PORTFOLIO

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2019/025

- 1) That the corporate bonds within the fixed income portfolio be transferred to the LGPS Central Global Active Investment Grade Corporate Bond Multi Manager fund.
- 2) That the gilts held within the current portfolio will be managed for us by LGPS Central on a discretionary mandate.

14. LGPS CENTRAL LTD: PRESENTATION ON PROGRESS

On a motion by the Chairman, duly seconded it was:

RESOLVED: 2019/026

That no further actions are required as a direct result of the contents of the presentation.

The meeting concluded at 12.17pm

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) LOCAL AUTHORITY CONFERENCE 2019****Purpose of the Report**

1. To report on the PLSA Local Authority Conference 2019 held in the Cotswolds.

Information

2. The PLSA Conference 2019 was held on 13th to 15th May 2019 at the Cotswold Water Park Four Pillars Hotel in Gloucestershire. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills; the conference was attended by Councillor Eric Kerry and Mr Nigel Stevenson (Service Director – Finance, Infrastructure and Improvement). The theme of this year's conference was 'Cost and Complexities – Governing the LGPS'.
3. ***Pre-Conference Meetings***
The conference commenced with a number of sessions covering topics such as alternative credit, getting to grips with climate change and UK Real Estate. These included presentations from East Lodge Capital, Hymans Robertson and Aberdeen Standard Investments. The presentation on climate change was particularly interesting as Hymans explained how actuaries will be reviewing how pension funds are responding to this risk at the next valuation and also how events unfolded at the first presentation on the following day.
4. ***Richard Butler, Chair, PLSA***
The main conference began with Richard welcoming everyone to the Conference and setting the tone for the event.
5. ***View from Whitehall***
Rishi Sunak MP, Local Government Minister gave his personal views on progress being made on pooling, the Fair Deal proposals and on the consultation for changes to the valuation cycle. Unfortunately, members of the climate change awareness group, Extinction Rebellion, interrupted his speech. Following the initial disruption, the Extinction Rebellion members sat and listened to the remainder of his presentation, waiting for the opportunity to press the MP on climate change issues in relation to local authority pension scheme

investments. Rishi Sunak responded that “It's not my job to tell anyone in this room individually in how to invest their funds... Everyone in this room represents their scheme members to the best of their ability and ensures that they're fulfilling their fiduciary responsibilities, engaging with their various stakeholders and providing them with security in retirement... each [pension manager] in their own individual funds can put in environmental or responsible investing guidelines as they see fit, in consultation with their stakeholders.”

6. ***The Floor to Ceiling View***

The cost cap and ceiling consultation has been paused, impacting the 2019 valuations. What should funds expect and how can they plan for it? This session also saw the launch of the Scheme Advisory Board's Annual Report, setting out the scene for this year's conference. This session included presentations from Jeff Houston, LGA, Councillor Roger Phillips, Chair of the Scheme Advisory Board and Michael Scanlon from the Government Actuary's Department.

Roger's presentation set out the context for the LGPS such as the continued financial challenges for Local Authorities, Political uncertainties, the good relationships with the Minister and MHCLG, Asset pooling, the 2019 Valuation, the work of the Board (Good governance, RI guidance, Fair Deal, academies and third tier), the Code of Transparency and the launching at Conference of the LGPS Annual Report 2018.

Michael's presentation concentrated on the 2019 valuation touching on the issues of the cost cap benefits being paused, the uncertain implications of the McCloud case, the history of very good investment returns but predicted lower returns for the future and the stalling of improvements in mortality rates which may have implications on employer contribution rates at the valuation.

Jeff's presentation concentrated on two specific issues. He went into more detail on the potential permutations arising from the McCloud case and the guidance issued by the SAB/LGA on how to represent this in the 2018/19 accounts and the forthcoming valuation. He explained the inconsistencies in the current consultation on the Public Sector Exit Payments Cap, in particular how that aimed at the so called 'fat cats' in public service will impact upon pensions of all long term members of the fund on salaries of £35,000 or above because strain costs would be captured under the current proposals.

7. ***Concurrent Sessions***

A number of concurrent sessions were delivered:

a) *Valuations fit 4 the future*

A move to quadrennial valuations means that post-2019, the next one may not take place until 2024. Funds will need a dynamic funding governance structure to ensure they can proactively manage contributions and risk. This session discussed the practical steps funds must take to achieve this, and what are the benefits. This session included presentations from Paul Middleman, Mercer and Simon Taylor, West Midlands Pension Fund. Although the presenters were in favour of remaining with the 3 year valuation cycle they agreed that in moving to the 4 year cycle with the option to perform an interim valuation, then it was important to set out the triggers for that interim valuation at the outset, such as Market opportunity (Protect gain? Lower contributions? Reduce/Increase risk via strategy?), Employer objectives change (Change investment strategy? Change

contributions?) and Employer covenant change (Change investment strategy?, More/Less cash or security?, Managed exit?).

b) *The UN's Sustainable Development Goals and Impact Investing: Private Versus Public Markets*

Many asset owners understand the benefits of impact investing in illiquid investments and demand is growing to include more liquid asset classes, such as public equities. This session discussed the practical considerations for the LGPS funds and pools to consider when hoping to achieve sustainable impact in private and public markets. This session included presentations from Jon Dean, AXA IM Impact Investments, Karen Shackleton, Independent Adviser and Ian Smith, AXA IM Framlington Equities. The presenters indicated there was a move away from traditional investing to ones that included both social and environmental impacts that mitigated ESG risks and tolerated or accepted lower market returns. It was important therefore to set out the Fund's investment beliefs and how these would be measured. Their argument was that it was possible in the long term to achieve high returns from impact focussed investments.

c) *Strengthening Pension Protection – Understanding the new Fair Deal amendments*

The new Fair Deal consultation concluded in January, with the goal of protecting members' benefits in the cases of those who have been compulsorily transferred to the employment of a new service provider. This session set out what should local authorities understand about the New Fair Deal and their thoughts on the best way to communicate this to scheme members. This session included presentations from Annemarie Allen, Barnett Waddingham, Con Hargrave, MHCLG and Glyn Jenkins, UNISON.

The session began with a run through the history of the Fair Deal consultations and Regulations together with the latest proposals. The key objectives of which is that being outsourced should not potentially ruin a member's future pension expectations, to create a level playing field between bids for services by not allowing a bid that offered inferior and cheaper pension provision and to ensure that service providers admitted to the LGPS were an acceptable risk for the LGPS Fund.

Con finished the session by setting out the broad themes from the last consultation, namely, the introduction of Fair Deal in the LGPS is positive, and the proposals address several of the issues from the 2016 consultation; deemed employer status is potentially a useful addition, but SAB guidance will be crucial; using two admission routes may add complication, but most want the admission body route to be retained; engaging LGPS employers will continue to be challenging – should there be a fall-back entry route?; and, asset/liability transfer proposals are supported but the need for fund/ employer consent should be considered.

8. *Refining the LGPS – LA Relationship*

The relationship between local government pension schemes and their host authorities may create conflicts of interest which need to be addressed and managed appropriately, taking into account the need for the LGPS to be properly resourced and able to deliver its functions. The first of the afternoon sessions began presentations and a discussion about the latest consultation commissioned by the SAB and being delivered by Hymans Robertson regarding a review into LGPS governance structure. The presenters included Bob Holloway, LGA and Catherine McFadyen, Hymans Robertson.

Catherine gave some clarity on what the project isn't about. It is not a 'separation project' (although one of the four options is a new body). The feeling was driving up standards and identifying and adopting best practice was the preferred way forward. It is not a survey to confirm that structures are not working or that the role of S151 officers is not working. It is not about solving a known problem – they admitted they don't know what the extent of the (perceived) problem is. Their expectation is that the 'consultation' will identify any issues, solutions and best practice. They were also clear they will be providing a factual response to the SAB who then make the recommendation to the Minister. The intention is for a report to go to SAB in July – and we are encouraged to respond by the end of May deadline.

Bob provided an update on progress and put some questions to the audience. He was very clear to say on a couple of occasions that the review was not a criticism of S151 officers, but the examples provided did contradict this. A presentation the following day by the Pension Regulator indicated that they were satisfied with the conflict policies of Pension Funds and were not aware of any issues, contradicting Bob's views.

9. **Concurrent Sessions**

A number of concurrent sessions were delivered.

a) *Uniting diverse perspectives – local authorities in action*

The efficacy of the LGPS relies on many people with different ideas working together, including pension board and committee members, employers, unions and local authority officers. This session was aimed at providing advice on how we can use this tremendous diversity of opinion to the advantage of the scheme. The presenters included Sean Collins, Oxfordshire County Council, Councillor John Horner, Warwickshire County Council and Emelda Nicholroy, University and Colleges Employers Association.

b) *Cost Transparency and the LGPS*

The LGPS has been using its Code of Transparency since 2017. As disclosure becomes more mainstream, and the Cost Transparency Initiative framework comes into place across the pensions industry this session considered what the LGPS experience can tell us and what happens next. The presenters included Joe Dabrowski, PLISA, Jill Davys, West Midlands Pension Fund and Jonathan Lipkin, Investment Association. The presenters explained their approach and experience with adopting the Code. Various templates have been produced to help Funds identify all transactions costs relating to their investments. Although some Funds have accepted the Code, including Pools, which will enable more benchmarking across Funds there is some reluctance by a few to sign up to the voluntary Code.

c) *Capitalising on disruption*

Investors are increasingly short-term orientated and new products afford them the ability to act on their worst behavioural finance instincts, resulting in markets becoming less efficient. With internet platforms disrupting entire industries, reshaping market share and profits, this session set out to help investors ensure they are making the best decisions for long-term growth. The presenters included Rob Almeida, MFS and Andrien Meyers, London Borough of Lambeth. The rapid growth in the use of technology platforms has disrupted traditional commerce, not only affecting the high street but also allowing technology to analyse and benchmark market data and automate stock selection. Further disruption to Funds include Brexit and Pooling. The conclusion being that Funds should

have policy, procedures and training for dealing with this increasing change and potential disruption.

10. *Understanding the local impact of global events*

Trade wars, Brexit, climate change and geopolitical uncertainty comprise just some of the elements of the world's complicated state. These events have the potential to impact local authority finance as well as those of the LGPS. Sabina Kalyan, Co-Head of Research & Global Chief Economist, CBRE Global Investments explained why understanding how, why and when impacts may be felt is critical to the LGPS decision-making process. Sabina ran through the normal economist view of the global economic experience and outlook. Responding to the climate change agenda and risk was becoming more important. She gave an example for the need for greater awareness for investors in property, both in terms of the need to respond to the market as it moves to shorter tenancies, but more importantly to the need to respond to the climate risk by ensuring buildings are more energy efficient.

11. *This house believes the LGPS should be required to build social housing and infrastructure for the good of the nation*

Nearly everyone agrees that the UK needs more investment in social housing and infrastructure, but agreement on its funding is less clear. Should it be the responsibility of the LGPS? The first day of the Conference concluded with a team of talented student debaters from Debate Mate joining industry experts to thrash out this question in full. The industry experts included Ted Frith, GLIL Infrastructure and William Bourne, Independent Advisor. Although the motion was lost this was a highlight of the Conference as four young people demonstrated their debating skills to the conference attendees before they returned to school, college and university.

12. *TPR and the LGPS: Strengthening ties*

Day two of the Conference began with Fiona Frobisher, Head of Policy, The Pension Regulator, setting out how the TPR's new corporate plan sets out its strategic approach to be clearer, quicker and tougher and what this actually means for its regulation of LGPS governance and administration. She also set out how they plan to build effective relationships with the LGPS. The gist of the new approach entails earlier discussion with LGPS on areas of risk and seeking responses as to how they are responding. This allows a more targeted approach to those areas of particular concern. In addition, Fiona indicated that they had done a survey of LGPS which showed that the largest schemes were better governed, including policies to deal with conflicts of interest. The main barriers to improving the governance of Funds included complexity, lack of resources/time, the volume of legislative changes, recruitment/training/retention of staff and employer compliance.

13. *Investment pool governance – effective Boards and Committees*

Local authority funds in England and Wales have all joined investment pools. Statutory guidance on governance, investment strategy, structure and reporting must be balanced between providing consistency of direction without being too prescriptive. Representatives from 3 pooling areas explained their experience of the pools and what things to avoid. Presenters included Ronald Graham, Pension Board Chair, Derbyshire County Council, Fiona Miller, COO, Border to Coast and Councillor Andrew Reid, Chair of Pensions Committee, Surrey County Council.

Fiona reminded everyone that there are 8 pools with 5 variants of operating model, including owned companies and rented companies. It was evident that investment managers find this

confusing and so too would the public. As a consequence the role of Boards, which is sometimes confusing within Funds, in this new world is something that requires clarification.

14. *Preparing for the old age revolution*

The Ministry of Housing, Communities and Local Government set out the Government's perspective and key priorities for the LGPS, including an update on the Fair Deal amendments and on asset pooling. In this presentation by Baroness Camilla Cavendish, author of *Extra Time: 10 Lessons for an Aging Society*, we learnt her views on how middle age was now expanding well into your sixties and how as a society we should prepare for the change in demographics.

15. *What's the big deal about big data*

Whether it's what we will buy, how healthy we are or how long we will live, big data has the power to change our lives and help us predict what is going to happen. The host of Radio 4's *Future Proofing*, Timandra Harkness', presentation was a mix of humour and seriousness as she gave her view of the big picture of big data. One thought she left us with was that although big data and AI might help us infer something it is only humans that should and can predict.

Statutory and Policy Implications

16. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to pension administration and investments.
- 2) That Members consider if there are any actions they require in relation to the issues contained within the report

Nigel Stevenson

Service Director - Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Nigel Stevenson

Constitutional Comments (KK 22/05/2019)

17. Pension Fund Committee is the appropriate body to consider this report.

Financial Comments (NS 18/5/19)

18. There are no financial implications arising from this report

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

**REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE
AND EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To consider the Committee's work programme for 2019/20.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

6. To assist the committee in preparing its work programme.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

RECOMMENDATION/S

- 1) That the Committee considers whether any amendments are required to the Work Programme.

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact: Pete Barker, x74416

Constitutional Comments (HD)

8. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

9. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME

Report Title	Brief summary of agenda item	Report Author
18 July 2019		
Transforming Delivery		Sarah Stevenson
Pension Administration Annual Performance & Strategy Review	Report detailing the Administering Authority and Scheme Employers performance against the Admin Strategy including any data breaches	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 2 of 2019	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LAPF Strategic Investment Forum	Report from LAPF Strategic Investment Forum	Tamsin Rabbitts
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
12 September 2019		
Fund Valuation & Performance – Qtr 2	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers

3 October 2019		
Annual General Meeting		
Administration Update		Jon Clewes
14 November 2019		
Administration Performance	6 Months Update	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 3 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
12 December 2019		
Fund Valuation & Performance – Qtr2	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers
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13 February 2020		
Governance Conference	Update Report	Jon Clewes
Admission Body Status Update	Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)	Andy Durrant
Fund Strategies	Review of Fund Strategies	Tamsin Rabbitts
LAPFF Conference	Report from the LAPFF conference	Keith Palframan
Proxy Voting	Summary of voting activity during quarter 4 2019	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
<i>LGPS Scheme Advisory Board Update</i>	<i>6 monthly report updating members on the work of the SAB if anything of note</i>	<i>Jon Clewes/Ciaran Guilfoyle</i>
12 March 2020		
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers

11 June 2020		
Administration Performance	12 Months Update	Jon Clewes
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers
9 July 2020		
Pension Administration Annual Performance & Strategy Review	Report detailing the Administering Authority and Scheme Employers performance against the Admin Strategy including any data breaches	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 1 of 2020	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>

6 June 2019

Agenda Item: 10

REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

FUND VALUATION AND PERFORMANCE

Purpose of the Report

1. To report on the total value and performance of the Pension Fund to 31 March 2019.

Information

2. This report is to inform the Pension Fund Committee of the value of the Pension Fund at the end of the latest quarter and give information on the performance of the Fund. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendices.
3. The table below shows a summary of the total value of the investment assets of the Fund as at 31 March 2019, in comparison with the benchmark, together with the comparative position 3 and 12 months previously. The majority of the changes are due to the drop in equity markets in the last quarter. The benchmark was reviewed and changed early in 2019. This is a long term target and it will take some years to achieve it

	Latest Quarter		Long term	Previous Quarter		Previous Year	
	31 Mar 2019		Benchmark	31 Dec 2018		31 Mar 2018	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,222	59.6%	56%	2,943	57.5%	3,195	62.2%
Private	448	8.3%	12%	385	7.5%	263	5.1%
Property	732	13.5%	15%	796	15.5%	691	13.5%
Bonds							
Gilts	176	3.3%	2%	147	2.9%	125	2.4%
Other Bonds	699	12.9%	13%	696	13.6%	721	14.0%
Cash	131	2.4%	2%	154	3.0%	138	2.7%
	5,407	100%	100%	5,120	100%	5,133	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £260.3m or 4.8% of the fund. Infrastructure commitments amount to

5.8% of the fund. There is a long term target for investments in infrastructure to be 8% of the fund.

5. The Fund investments have increased by £286.9 million (5.6%) since the previous quarter. Fund investments have increased by £274.0 million (5.3%) over the last 12 months. The table below shows the Fund Account for 2018/19 along with the full year figures for 2017/18.

	Q4	Full Year
Summary Fund Account	2018/19	2017/18
	£000	£000
Employer contributions	(135,001)	(193,459)
Member contributions	(46,216)	(45,176)
Transfers in from other pension funds	(9,473)	(9,813)
Pensions	162,267	153,122
Commutation of pensions and lump sums	34,937	27,700
Lump sum death benefits	4,495	4,741
Payments to and on account of leavers	34,732	16,713
Net (additions)/withdrawals from dealings with members	45,741	(46,172)
Administration Expenses	2,112	1,953
Oversight & governance expenses	1,630	488
Investment Income	(162,772)	(149,816)
Profits & losses on disposals & changes in value	(154,446)	(51,189)
Taxes on income	850	620
Investment management expenses	5,410	4,895
Net Returns on Investments	(310,958)	(195,490)
 Net (increase)/decrease in net assets	 (261,474)	 (239,221)

6. The equity markets dropped significantly in the previous quarter but markets recovered the majority of this last quarter, increasing the overall fund value during the year.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That members consider whether there are any actions they require in relation to the issues contained within the report.

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Constitutional Comments

8. This is an updating information report and Pension Committee is the correct body for considering that information and any further action which members may wish to take in light of that information.

Financial Comments (TMR 13/5/2019)

9. There are no direct financial implications arising from this report.

