

# **Nottinghamshire Pension Fund Committee**

**Thursday, 14 September 2023 at 10:30**

**County Hall, West Bridgford, Nottingham, NG2 7QP**

---

## **AGENDA**

- |   |  |         |
|---|--|---------|
| 1 | Minutes of the last meeting held on 6 July 2023  | 3 - 6   |
| 2 | Apologies for Absence  |         |
| 3 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 4 | Department for Levelling Up, Housing and Communities (DLUHC) consultation  | 7 - 10  |
| 5 | Pensions and Lifetime Savings Association Local Authority Conference 2023  | 11 - 18 |
| 6 | Independent Adviser's report   | 19 - 22 |
| 7 | Work Programme   | 23 - 28 |
| 8 | Fund valuation and performance   | 29 - 36 |

## 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 appendix
  - Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11 Fund Managers Presentations
  - a) Schroders
  - b) Abrdn

## **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 Jo Toomey (Tel. 0115 977 4506) 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>

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 6 July 2023 at 10.30 am

**membership****COUNCILLORS**

Eric Kerry (Chairman)  
Mike Introna (Vice Chairman) - **Apologies**

André Camilleri	Sheila Place
John Clarke MBE - <b>Apologies</b>	Francis Purdue-Horan
Bethan Eddy - <b>Apologies</b>	Tom Smith
Stephen Garner	Lee Waters
Roger Jackson	

**SUBSTITUTE MEMBERS**

Councillor Errol Henry JP for Councillor John Clarke MBE  
Councillor Nigel Turner for Councillor Mike Introna  
Councillor Jonathan Wheeler for Councillor Bethan Eddy

**NON-VOTING MEMBERS:****Nottingham City Council**

Councillor Graham Chapman  
Councillor Zafran Khan  
Vacancy

**District / Borough Council Representatives**

Councillor Davinder Virdi, Rushcliffe Borough Council – **Absent**  
Councillor Dan Henderson, Bassetlaw District Council - **Absent**

**Trades Unions**

Yvonne Davidson - **Apologies**  
Chris King

**Scheduled Bodies**

Sue Reader - **Apologies**

**Pensioners' Representatives**

Vacancy x 2

**Independent Adviser**

William Bourne

## **Officers in Attendance**

Jon Clewes	(Chief Executive's Department)
Ciaran Guilfoyle	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Nigel Stevenson	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)
Jo Toomey	(Chief Executive's Department)

### **1. MINUTES OF THE LAST MEETING HELD ON 8 JUNE 2023**

The minutes of the last meeting held on 8 June 2023 were confirmed as a correct record.

### **2. TO NOTE THE APPOINTMENT OF COUNCILLOR DAN HENDERSON FROM BASSETLAW DISTRICT COUNCIL AS THE SECOND DISTRICT/BOROUGH COUNCIL REPRESENTATIVE ON THE COMMITTEE**

The appointment of Councillor Dan Henderson was noted.

### **3. APOLOGIES FOR ABSENCE**

- Councillor John Clarke (other reasons) substituted by Councillor Errol Henry
- Councillor Bethan Eddy (other reasons) substituted by Councillor Jonathan Wheeler
- Councillor Mike Introna (other County Council business) substituted by Councillor Nigel Turner
- Yvonne Davidson (Trade Union representative)
- Sue Reader (Scheduled Bodies representative)

### **4. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS**

None were disclosed.

### **5. LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM PENSION RECTIFICATION – UPDATE REPORT**

The Group Manager, Business Services Centre and the Pensions Manager introduced the report summarising the history behind the rectification and outlining work undertaken to date.

During discussions, Members:

- Asked how the Fund would support affected pensioners where their change in income might have benefits or tax implications or, where the pension was reduced, people may not be able to meet their expenditure commitments
- Were advised about the communications plan that would be rolled out in conjunction with the rectification
- Sought assurance that pensioners would be advised about how they could appeal any changes
- Were advised that the actuary had taken account of the rectification work when considering the fund's liabilities as part of the recent valuation

## **RESOLVED 2023/025**

The Nottinghamshire Pension Fund Committee:

1. Notes the requirement to adjust any underpayments of pension and confirms that following verification of final adjustment calculations and the communication process these should be paid to members and interest paid in line with LGPS Regulations.
2. Agreed that there should be no recovery of any past overpayments of pension made to members of the Nottinghamshire Local Government Pension Scheme which have been identified through the HMRC minimum pension reconciliation exercise for the reasons set out in the report.
3. That the write-off of any individual overpayments in accordance with this decision be undertaken by the Section 151 Officer in line with the delegation in the Council's Financial Regulations.
4. Agreed that members should be given a minimum 2 months' written notice before any reduction identified by this exercise is applied to members' pensions.

## **6. LGPS CENTRAL LTD PRESENTATION**

John Burns, Interim CEO of LGPS Central, together with its Responsible Investment and Engagement Manager, Basyar Salleh gave a presentation. The presentation gave the Committee the background on pooling and updated members on LGPS Central as a company and pooling progress. It also included an investment overview, highlighted new funds under development and discussed net zero and climate risk.

During discussions, Members:

- Heard about governance arrangements at LGPS Central and plans for recruitment of a permanent CEO
- Asked about risk assessment of investments in new technology and how long they were held given the speed at which technology could become obsolete

## **RESOLVED 2023/026**

The Committee noted the contents of the report.

## **7. PROXY VOTING**

## **RESOLVED 2023/027**

The Committee noted the contents of the report.

## **8. LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING**

## **RESOLVED 2023/028**

The Committee noted the contents of the report.

## **9. WORK PROGRAMME**

A question was raised about the item on the work programme on reviewing the Fund's governance arrangements. Members were advised that a meeting had been arranged to discuss how good governance work would be brought forwards.

One member referred to a request made at a previous meeting which would add an item to the work programme on the Fund's tobacco holdings. Members noted that tobacco holdings were considered by the working party in January 2022, when it was decided that the fund would continue to monitor those holdings. The Committee was advised that the current fund holding was due to be repaid within 9 months. Agreement was reached that this would be discussed with the enquiring member outside the meeting.

#### **RESOLVED 2023/029**

That the work programme be agreed.

The meeting concluded at 11:21am

**CHAIR**

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT****DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC) CONSULTATION****Purpose of the Report**

1. To inform Members of the consultation issued by DLUHC on proposals relating to the investments of the Local Government Pension Scheme (LGPS) and seek delegated approval for the S151 Officer in consultation with the Chairman of the Committee to finalise and submit the consultation response. The consultation covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

**Information and Advice**

2. The DLUHC has made policy proposals in five areas:
  - Pooling: a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
  - Levelling up: requiring that funds have a plan to invest up to 5% of assets to support levelling up in the UK
  - Private equity: an ambition to increase investment into high growth companies via unlisted equity
  - Investment consultants: regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
  - Definition of investments: a technical change to the definition in the LGPS Investment Regulations 2016.
3. The full consultation document can be accessed online at <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments> .
4. Broadly the motivation behind these proposals is shared and welcomed, but some of the specific suggestions need refining, defining and prioritising. Above all, the purpose of the LGPS is to secure pensions for its members at reasonable cost to employers, taxpayers and members and no proposals should drive activity counter to this aim.

5. The questions from the consultation are shown in Appendix A. Views of Members are welcomed on these questions and any other matter relevant to the consultation. It is proposed to agree a response with the Chair of the Nottinghamshire Pension Fund Committee for submission by the consultation deadline.
6. The consultation closes on 2<sup>nd</sup> October 2023.

## **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) Members are asked to provide their views and responses to the consultation questions; and
- 2) Delegated authority is given to the S151 Officer and the Chair of the Nottinghamshire Pension Fund Committee to prepare, finalise and submit a response from the Nottinghamshire County Council Pension Fund by the consultation deadline.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure and Improvement**

**For any enquiries about this report please contact:**

Tamsin Rabbitts, Senior Accountant – Pensions and Treasury Management

## **Constitutional Comments (SSR 23.08.2023)**

8. Approval of consultation responses, except for responses to day-to-day technical consultations, will be agreed with the Chairman and reported to the next available Committee following their submission.

## **Financial Comments (TMR 18/08/23)**

9. There are no direct financial implications arising from the 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.



## Appendix A

### List of consultation questions

#### Chapter 2: Asset pooling in the LGPS

**Question 1:** Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

**Question 2:** Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

**Question 3:** Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

**Question 4:** Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

**Question 5:** Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

**Question 6:** Do you agree with the proposals for the Scheme Annual Report?

#### Chapter 3: LGPS investments and levelling up

**Question 7:** Do you agree with the proposed definition of levelling up investments?

**Question 8:** Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

**Question 9:** Do you agree with the proposed requirements for the levelling up plan to be published by funds?

**Question 10:** Do you agree with the proposed reporting requirements on levelling up investments?

#### Chapter 4: Investment opportunities in private equity

**Question 11:** Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

**Question 12:** Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

#### Chapter 5: Improving the provision of investment consultancy services to the LGPS

**Question 13:** Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

**Question 14:** Do you have any comments on the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

**Question 15:** Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT****PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) LOCAL AUTHORITY CONFERENCE 2023****Purpose of the Report**

1. To report on the PLSA Local Authority Conference 2023 held in the Cotswolds.

**Information**

2. The PLSA Conference 2022 was held on 26th to 28th June 2022 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 Mr Chris King and Mr Nigel Stevenson (Service Director – Finance, Infrastructure and Improvement).
3. ***Pre-Conference Meetings***  
The conference commenced with a number of sessions covering topics ranging from the need for data management plans, data insights, private equity investment strategies and understanding the consequences of emission categories (entitled the Paris alignment paradox). These included presentations from Haywood Pensions Technologies, Foresight Group and Storebrand Asset Management. The presentation on the Paris alignment paradox reaffirmed the significant gaps in data especially with Scope 3 emissions and the difficulty of making decarbonisation decisions without that data. Consequently, measuring alignment of portfolios to net zero goals is challenging and may lead to unintended consequences if portfolios focus too much on carbon targets rather than solutions.
4. ***Emma Douglas, Chair, PLSA***  
The main conference began with Emma welcoming everyone to the Conference and setting the tone for the event.
5. ***Taking the temperature of the LGPS***  
With the launch of the England and Wales Scheme Advisory Board (SAB) Annual Report 2021/22, this session examined the health of the scheme and reviewed the developments in Scotland and Northern Ireland. The panel discussed how macroeconomic uncertainties, the cost of living crisis and levelling up will dominate the future work of the scheme. This session included presentations from Councillor Roger Phillips, Chair of the SAB, Richard McIndoe, Strathclyde Pension Fund (SPF), David Murphy, Northern Ireland Local Government Officers

Superannuation Committee (NILGOSC) and Joanne Donnelly from the Local Government Association.

Here are some key LGPS highlights from the England and Wales Annual Report 2021/22:

- Total membership of the LGPS increased slightly, growing by 161,871 (2.6%) to 6.39m members in 2022 from 6.23m in 2021
- The total assets of the LGPS increased to £369bn (a change of +7.8%). These assets were invested in pooled investment vehicles (67%), public equities (12%) bonds (3%), direct property (3%), as well as other asset classes (15%)
- The Local Authority return on investment over 2021/22 was 8.1%. This compares to UK CPI year on year inflation of 8.8% (Sept – Sept)
- The scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.95m pensioners were paid over the year
- Life expectancy rebounded to similar levels pre-covid with an increase by 0.8 years and 0.6 years for males and females respectively (2021 figures v 2022)
- Total management charges increased by £385m (+22.5%) from £1,711m. This was primarily driven by a £381m (25.6%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable

Councillor Phillips launched the England and Wales SAB annual report to year end 2022. He discussed the potential reputational damage of regulatory delays with the Minister for Pensions, and urged funds to progress certain items without waiting, eg Good Governance, Task Force on Climate-related Financial Disclosures (TCFD) reporting. Richard provided an overview of the robust health of the SPF. He expects the 2023 actuarial valuation to show good results for most Scottish funds despite market challenges, investment performance and inflation. David advised of a similarly positive outlook across NI and discussed the regulatory challenges being faced in NI. Joanne expects that pooling will be discussed further in the Mansion House speech in July and a consultation launched before summer recess. A large volume of responses to the TCFD consultation are being analysed - earliest legislation next April (and this is a tight timetable). There's an increased likelihood of legal cases in the absence of regulation relating to the Goodwin ruling.

## 6. ***The future for LGPS Pooling***

The Department for Levelling Up, Housing and Communities (DLUHC) is to consult on the future of LGPS pooling in England and Wales. It will 'challenge' funds to move further and faster and explore whether few and larger Pools could optimise the benefits of scale. This session explored what these proposals might mean for the future of the LGPS, its investment approach and its governance and included presentations from Jill Davys (Redington), Neil Mason (Surrey County Council) and Peter Wallach (Mersyside Pension Fund).

Audience polling showed a mixed view in relation to 1) how much government should play a role in speeding up the transfer of all fund assets into pools, and 2) whether there should be further consolidation of pools. The panel supported a proactive approach by funds, not waiting for the government to formalise arrangements. Pooling has largely met its original aims with particular benefits in responsible investment and cost efficiencies. The panel agreed that articulating the objective of any proposed consolidation is key. Is consolidation needed to increase sustainability of Pools, or to increase asset value to meet government investment aims? There also needs to be focus and clarity on fiduciary duties.

## 7. **Concurrent Sessions**

A number of concurrent sessions were delivered:

- a) *Currency matters: understanding an “uncompensated risk” and using it to pay pensions*  
LGPS funds typically see 20%-40% of annual scheme risk coming from currency exposure, and yet we have been trained to believe that currency does not matter. Looking at Westminster Pension Fund, the panel discussed practical ways to view the FX risk, manage it, and use it to improve scheme returns to pay pensions. and included presentations from Bruce George, P/E Investments and Phil Trigg, City of Westminster.

An audience poll highlighted that while more than half of the LGPS assets are allocated overseas, currency risk was not a key focus at their most recent investment board meetings. Similarly, very few funds do not manage foreign exchange risk explicitly in their portfolios. Phil noted that the lack of consideration around this risk is long-standing in the LGPS. Currency risk management is often considered a zero-sum game. More conscious decisions are needed in this field. City of Westminster case study – recently reduced strategy from 30% in UK-based assets to global investments (a move not uncommon in the LGPS). Considered exposure to currency markets and the potential of using dynamic hedging strategies to reduce exposure. This can control volatility. Good governance is key to successful decision making, with officers keeping committees informed.

- b) *Infrastructure: a pooling case study*

A case study on how the eight constituent authorities within the Wales Pension Partnership and their consultant collaborated to create an infrastructure solution that suited everyone's requirements. The panel discussed the process, wins, challenges and potential learning. This session included presentations from Sam Gervaise-Jones, bfinance, Ravi Parekh, GCM Grosvenor, and Anthony Parnell, Carmarthenshire County Council.

Significant effort devoted to defining the requirements and expectations of the infrastructure programme. Two solutions have been developed to meet partner fund needs: an open-ended fund focusing on core assets and a closed-end fund on value-add assets. Both have strong ESG and local investment agendas, but financial risk and return remains the primary consideration. The panel discussed the strong commitment from Welsh partner funds – 5% allocation to infrastructure, all represented on proactive Limited Partner Advisory Committee (LPAC).

- c) *Biodiversity and Nature: The Why and How of Rescuing the Planet*

Pensions funds can play an important role in protecting nature and biodiversity. By investing in those listed companies and private projects providing impactful solutions, funds can achieve a dual objective of financial returns for members and positively contributing to the future of our planet. This session included presentations from Jon Dean and Stephane Lago, AXA Investment Managers, and Karen Shackleton Pensions for Purpose.

The audience poll showed that all agreed that funds had a role to play in protecting nature/biodiversity. Jon discussed the economic case for protecting nature and biodiversity and the key differences between these concerns and climate. Stephane advocated a threefold approach to the topic: protect; restore and reduce. Karen provided a view on the outputs of a Pensions for Purpose report on the approach of funds. The panel agreed that

the Taskforce on Nature-related Financial Disclosures (TNFD) Framework should provide some structure but that it was not yet widely in use (the focus remains on TCFD).

## 8. ***Operational Sustainability – Solving the Administration Dilemma***

Funds are continually pushed to do more with less. How can funds futureproof their operations given the complex environments and challenges faced? Regulatory burden, talent management, ensuring robust IT systems, digitisation, membership communications, and limited resources threaten to overwhelm the LGPS ecosystem. How can we ensure long-term operational sustainability? The presenters included Neil Mason, Surrey County Council, Andy Whitelaw, Brightwell, and Taylor Brightwell-Smith, Government Actuary's Department (GAD).

The audience poll demonstrated that concerns around workload, recruitment and training continue to drive challenges in the administration of the scheme. Neil called on funds to drive improvements through the Good Governance recommendations, particularly around the introduction of common reporting standards and training. The importance of administration to members is key - consolidation of services may be the answer, but bigger is not always better. Andy provided insight into the Brightwell experience and its recent expansion to become a provider. Focus on the right success measures, eg member satisfaction, using technology to be do more with less. Taylor provided an overview of GAD's interest in administration and the support available, with a particular emphasis on the need for good data. The panel discussed training and recruitment, eg best practice standards, career paths and accredited training. Can AI be harnessed? Data quality is still not at a standard where this is viable. Technological solutions are being developed which will help clear backlogs in the short term.

## 9. ***Concurrent Sessions***

A number of concurrent sessions were delivered.

### a) *Infrastructure – navigating a challenging environment*

What can we learn from the last two decades of infrastructure investing? How relevant is investing in private markets for UK institutional investors in the current environment? The presenters included Ian Berry, River and Mercantile Group, and Phil Triggs, City of Westminster.

Huge capex requirement to upgrade UK infrastructure over the next decade (decarbonisation, Levelling Up). Private sector capital will likely be required but an audience poll suggested 89% of funds are not planning to materially change their infrastructure allocations. Manager focuses on core operational assets and suggested that historic returns on the asset class (7-8% pa) could be maintained with lower levels of risk (given the rise in interest rates).

### b) *A new funding era*

What funding strategies does the LGPS need to continue its success and maintain sustainability in this new funding era? This was a discussion of a raft of new challenges, including post valuation asset volatility, emerging surpluses, exit credits, high inflation and life expectancy after a pandemic. The presenters included Catherine McFadyen, Hymans Robertson, and Richard McIndoe, Strathclyde Pension Fund (SPF).

Catherine shared information from the Hymans Big Picture report. The average reported funding level at the 2022 valuations was 106%. What options are available to manage surplus? Reducing employer contributions, changes to investment strategy, retaining a



surplus buffer, increasing margins for prudence, or doing nothing! The audience poll showed a majority in favour of a balance between rebuilding prudence margins and some employer contribution rate reductions. Richard shared how SPF has managed its surplus and retained a stable contribution rate across its main employers over the past 2 valuation cycles. He highlighted how the outlook for both lower employer contribution rates and increased benefits outflow will impact the cashflow position, and the necessity of planning investment strategy to manage a negative cashflow position. Both discussed the challenges of employer exits in a surplus environment.

c) *The dilution of investor rights in the UK – ramifications for pension funds*

With the proposed FCA reforms to the listing regime, there is a significant risk of a regulatory race to the bottom with the dilution of shareholder rights. This session explored the ramifications for funds and what could be done to prevent this degradation of long-standing UK corporate governance standards. The presenters included Daniel Summerfield, Pomerantz, and Owen Thorne, Merseyside Pension Fund.

An audience poll showed concerns around the FCA's recent consultation on equity listing leading to a weakening of shareholder rights. There needs to be an increased focus on ESG, particularly climate. The panel noted there may be good intentions behind the perceived de-regulation, which would give funds more investment freedom. Instead, these may impact on those investing in the UK and lead to poorer equity opportunities being available. Conflicts of interest are an area for concern, which could hinder good stewardship practices. The panel concluded that there could be negative implications around reduced regulation, which could have a negative impact on LGPS members. Attendees were asked to use their voices to respond to any consultations which have an effect on the operating or performance of schemes

## 10. **ESG 2.0 and the role for LGPS**

Becoming net zero positive is a key strategy for the LGPS but what are the main challenges and roadblocks? With the regulatory requirements changing, how can funds make sense of a vast range of different metrics and data in the RI space? What does this mean for TCFD rules and how can funds factor in biodiversity loss? The presenters were Mark Gayler, Devon County Council, Philip Latham, Clwyd Pensions, and David Crum, Minerva Analytics.

An audience poll suggested that where funds have a net-zero target between 2046 and 2050, they are not confident in meeting this date. David noted that funds should still focus on improving their stewardship until greater green investment choices are available. The key themes explored were around engagement and exclusion when tackling ESG. Divesting in high carbon-emitting firms will improve only the fund's net-zero position, but collaboration will reduce this globally. Engage with firms directly to help them make greener choices, which will have a knock-on effect across the market. Do not ignore the social and governance aspects of ESG eg local impact investments. Mark spoke of Devon's work towards its own 2050 goal. He highlighted the part that pools have to play to ensure the companies being invested in are making greener choices. Philip noted that, following recent elections, Clwyd's new committee members showed an even greater interest in ESG. Whilst positive, funds should be aware of the increased costs due to time spent investigating and implementing sustainable practices. The session closed with a call for further government action in this space, with confirmation of TCFD reporting requirements in the LGPS.

#### 11. ***Cost of living conundrum - communicating with employers and savers***

With the cost of living at the forefront of minds for funds, members and employers, what strategies and tools can be used to effectively engage these three groups? Day two of the Conference began with Jo Quarterman, Norfolk Pension Fund, Emelda Nicholroy, Universities and Colleges Employers Association (UCEA), and Jenny Wright, Money and Pensions Service (MaPS) setting out their thoughts on best practice and sharing case studies on good communication and engagement.

Jo provided an overview of Norfolk's communication strategy where key messages are selected and delivered repeatedly through different channels. The goal is to increase members' understanding, eg about the real cost/value of LGPS membership, the different options, where to find help and support. Emelda explained the challenges which higher education employers are facing due to the cost-of-living crisis, with contribution increases expected in unfunded public sector schemes. Positive LGPS valuation results logically mean higher education employers will want to discuss how they can benefit from this. Emelda called for greater consistency and collaboration between funds to improve working relationships with the sector. Jenny provided an overview of the cost-of-living crisis impacts on individuals, and shared details of the advice and guidance available from MaPS, including their guide for employers on financial wellbeing. The panel discussed the implications of the cost-of-living crisis on individual members. Opt outs will start to increase; funds should promote the 50:50 option through a multi-channel communications approach to maintain participation levels. Funds should encourage employers to support members directly.

#### 12. ***DLUHC priorities for the LGPS***

The conference received a video address by Lee Rowley MP, Minister for Local Government, whereupon he provided the Government's latest thinking about the LGPS. This was followed by a panel discussion to discuss the comments as well as wider considerations impacting the community including levelling up and the pensions and growth agenda. Here, the presenters were Neil Mason, Surrey County Council, Euan Miller, West Yorkshire Pension Fund, and Clare Scott, an independent advisor.

Lee Rowley MP urged stakeholders to participate in the open consultation on McCloud. The anticipated consultation on pooling will be published in due course. He championed action to drive good data as a way to deliver benefits to everyone in the scheme. Subsequent polling revealed that the audience most wanted the government to prioritise Good Governance, with 66% of voters having made changes or planning to make changes in relation to this topic. The panel interpreted the Minister's comments as suggesting no major changes which, in the current market, is positive. They also welcomed his comments on data quality and references to exemplary governance. They highlighted that further success stories have been seen in local investment and in improvements being made to administration, which were not noted in the Minister's message.

#### 13. ***Preparing for Dashboards – expert advice and next steps***

How to get ready for the future operational, technical and policy success of Dashboards and what are the implications of the programme reset? We heard how it is essential that funds continue work to understand the pensions dashboards ecosystem and continue their preparations for dashboards compliance when the time comes. This session included presentations from Yunis Gajra, West Yorkshire Pension Fund, Colin Lewis, Haywood Pension Technologies, and Richard Smith, PLSA.



Audience polls revealed that funds are feeling mostly informed about the dashboards programme but slightly less well prepared for implementation of dashboards, which chimed with the panel opinion. Richard provided an update on the programme. The statutory date of 31 October 2026 is the final date for connection, but the expectation is that the LGPS will get a much earlier guidance connection date. The Pensions Regulator (TPR) is advising funds to continue to keep working with their Internet Service Provider (ISP) partner to ensure they are ready to connect. Colin provided an overview of how Heywood had been heavily involved since the beginning of the programme and are working on an ISP which will be system agnostic, not just Altair specific. Yunus discussed the West Yorkshire approach to ISP procurement. Despite the uncertainty over the LGPS connection date, there is no slowing down as the fund wants to ensure lots of time for testing in advance of go live. The panel identified the key challenges which should be addressed before connection as data quality, uncertainty around the connection timetable, and the lack of certainty around what impact the uptake of the dashboard will have on fund resources post go-live. The question and answer session highlighted the potential for fraud as a downside of dashboards implementation, with panellists noting how effective communication with members and employers can help put further safeguards in place.

#### **14. *UK Politics - the inside scoop***

The UK political scene has been particularly turbulent over the past year. What is the current state of play across England, Wales, Scotland and Northern Ireland? What impact does this have on what the government can actually achieve as the general election looms? What should the governments priorities be? The Conference concluded with the views of Katy Balls, political editor of the Spectator, providing her thoughts on the changing landscape of UK politics.

Predictions at next General Election? 1. Conservative win – unlikely due to low popularity, prospects depend on upcoming by-elections and success in delivering their 5 priorities, 2. Labour majority – probable, they're likely to "play it safe" with no major, controversial policy announcements, 3. Labour/LibDem coalition – possible, and already being planned.

Katy set out the uncertainty of the timing of the next general election. She opined that the Conservatives expected to delay as long as possible, absent any unexpected good news/further crises. That a new Labour government would comprise a large number of new MPs and a handful of veterans from the Blair administration. Overall, relatively inexperienced from a pensions perspective. She predicted that early priorities would be around regulatory reform and housing policy, and that the Chancellor's speech at Mansion House in July was likely to include some announcement on HMG's expectations of the LGPS to use its capital to boost growth in the UK.

### **Statutory and Policy Implications**

15. 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 note the contents of the report

**Nigel Stevenson**

**Service Director - Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact: Nigel Stevenson**

### **Constitutional Comments (CEH 21/08/23)**

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

### **Financial Comments (NS 10/08/23)**

17. 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

**14 September 2023****Agenda Item: 6****REPORT OF THE ADVISOR TO THE NOTTINGHAMSHIRE PENSION FUND  
COMMITTEE****INDEPENDENT ADVISER'S REPORT****Purpose of the Report**

1. To provide an opportunity for the Advisor to the Committee to update and brief the Committee on matters relevant to the Pension Fund (Appendix A).

**Information**

2. The Nottinghamshire Pensions Fund Committee receives regular updates from its advisor. The updates set out issues affecting the fund, including matters on a national and global level.
3. The last update was presented to the Committee at its meeting on 8 June 2023.

**Statutory and Policy Implications**

4. 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.

**Financial Implications**

5. There are no financial implications arising as a result of this report.

**RECOMMENDATION/S**

- 1) That the report of the Advisor to the Nottinghamshire Pension Fund Committee be noted.

**William Bourne****Advisor to the Nottinghamshire Pension Fund Committee**

**For any enquiries about this report please contact:**

Jo Toomey, Advanced Democratic Services Officer  
Telephone: 0115 977 4506  
Email: jo.toomey@nottscc.gov.uk

**Constitutional Comments (KK)**

6. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

**Financial Comments (SES)**

7. There are no specific financial implications arising directly 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

**Electoral Division(s) and Member(s) Affected**

- All



## Independent Adviser's Report for Nottinghamshire Pension Fund Committee

William Bourne

18<sup>th</sup> August 2023

### Market Commentary

1. When I wrote in May I had changed my view from an expectation of recession to one of growth flatlining. My principal reason was that the response of central banks to regional bank (e.g., Silicon Valley Bank) collapses in the U.S. They substantially loosened monetary policy by expanding their balance sheets at the same time as they continued to raise interest rates to combat inflation. This was a more benign scenario for financial markets than the previous regime of tightening.
2. Three months later that broadly seems to have been the case. The U.S. has so far avoided recession, with GDP growth around 2%, while the U.K. and Eurozone are showing almost zero growth. Chinese growth has slowed down in the most recent quarter but is still positive. Japanese growth exceeded expectations but is still relatively modest at about 1% over the last 12 months.
3. More importantly, inflation is clearly coming down in most countries. The U.S. inflation rate in July stood at 3% compared to 8% nine months ago. There are some notable exceptions, however. China has fallen into deflation as the economy falters. In contrast, inflation in Japan, where the central bank's primary objective is to eradicate any deflationary psychology, has risen to around 3%. Finally, labour and supply side constrictions mean that U.K. inflation remains higher at around 7%.
4. Central banks have continued to raise rates, albeit at a slower pace than previously. The bond yield curve in most of the West is as a result steeply inverted (i.e., you get paid more for lending money to the Government short term rather than long term). This abnormal condition is impacting the pricing of a range of assets. As two examples, the Halifax index of U.K. house prices, where variable (i.e., short term) mortgage rates are a major input, it is now 2.4% lower than it was 12 months ago; and the valuations of infrastructure assets, which are priced off long term gilts, have seen 10 to 15% declines.
5. One question is whether bond yields have further to rise from the current 4 to 4.5% range. While inflation expectations are subsiding, there are good fundamental and technical reasons for expecting yields to rise further. Governments (U.S., and the U.K. in particular) have to issue a lot of debt; if the economy starts to recover, we can expect money to move away from safe havens; and the term

premium<sup>1</sup> is at an all-time low. In my view there is scope for further volatility in bond yields both on the upside (more likely) and the downside.

6. In this context we should note two important signals. Fitch, a major credit rating agency, downgraded U.S. Treasuries from AAA to AA+ on account of the rising public debt. As U.S. Treasuries are used as the risk-free asset in all financial theory, this may have secondary effects on all financial asset pricing. Secondly, after a considerable tussle with market speculators, the Bank of Japan is now allowing 10-year yields to rise from 0.5% to 1% (compared to the U.K. and U.S. above 4%). This may seem trivial, but suggests that even large central banks recognize they cannot completely buck the market.
7. Equities have remained remarkably resilient through this cycle of rising rates. One explanation is that investors are looking towards the next cyclical earnings upswing. An alternative one is that the indices are dominated by the big U.S. tech. stocks which are, at least in aggregate, still expanding their markets. A third is that markets think interest rates are close to a peak and will start to come down.
8. The U.K. remains in its own rather uncomfortable place. I note in particular that government debt is now 100% of annual GDP, having been around 40% for much of my lifetime. The Bank of England will have to issue around £240bn of gilts in this financial year, £100bn more than last year. U.K. equities are relatively cheap, possibly reflecting the higher risk premium which investors require on U.K. assets following the events of the last few years.
9. If inflation falls towards target levels, which is probably the consensus now, in the medium-term this environment is relatively benign for risk assets such as equities. However, there is scope for some negative surprise in the shorter term: Chinese deflation is worrying; bond yields are likely to rise further; central banks are likely to err by over-tightening to ensure they bring inflation down; geo-politics are unstable, especially with a U.S. presidential election only 15 months away, and the war in Ukraine seemingly moving into a new phase.
10. I therefore expect markets to be volatile in the shorter term, which from experience often begins with currency markets. U.K. gilts at 4.5% offer a good real yield if inflation comes down to the Bank of England's 2% target, but I believe they will trade at higher yields over the next couple of years, and inflation may be slower to come down. That said, there will come a time to allocate more to bonds, as they represent the best match for the Fund's future cash liabilities. But in my view it is not quite yet.

---

<sup>1</sup> The term premium is the extra return investors receive for being willing to lock in today's return for the long-term. It should theoretically be arbitrated away to zero, but currently stands at an extreme level of -1.5%. While there are some good fundamental reasons behind this, at some point it will revert to a more neutral level.

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

1. To consider the Committee's work programme.

**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.

**Other Options Considered**

4. None.

**Reason/s for Recommendation/s**

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

**Statutory and Policy Implications**

6. 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**

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:**

Jo Toomey, Advanced Democratic Services Officer

E-mail: [jo.toomey@nottsc.gov.uk](mailto:jo.toomey@nottsc.gov.uk)

Tel: 0115 977 4506

### **Constitutional Comments (HD)**

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

### **Financial Comments (NS)**

8. 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 (updated 30 August 2023)

<b>Report Title</b>	<b>Summary of agenda item</b>	<b>Report Author</b>
<b>12 October 2023</b>		
Update on transformation	An update on the transformation activity around Pension Fund administration	Sarah Stevenson
Pensions Administration performance report	An update on performance of Pensions administration	Jon Clewes
Climate risk metrics	Analysis from LGPS Central on the position as at 31 March 2023	Tamsin Rabbitts
Review of progress on the Climate Risk Action Plan	6-monthly report	Tamsin Rabbitts
Department for Levelling Up, Housing and Communities (DLUHC) consultation response	Report to update the Committee on the response submitted by the Fund to DLUHC	Tamsin Rabbitts
Presentation of the Pension Fund accounts	Formal presentation of the Pension Fund accounts to Committee before the Annual General Meeting	Tamsin Rabbitts
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
Local Authority Pension Fund Forum business meeting	Report from the Local Authority pension Fund Forum business meeting	Ciaran Guilfoyle
Local Authority Pension Fund Strategic Investment Forum Conference	Report on the presentations attended by representatives of the Fund at the Local Authority Pension Fund Investment Forum Conference held in July 2023	Keith Palframan
Review of the Pension Fund Risk Register		Sarah Stevenson Keith Palframan
<b>14 December 2023</b>		
Fund valuation and performance – quarter 2	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser
Managers presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM
Treasury Management mid-year report 2023/24	Summary of treasury management activity to 30 September 2023	Ciaran Guilfoyle
Good governance	Report on good governance of the pension fund	Marjorie Toward
McCloud Judgment update report	<a href="#">Page 25 of 36</a>	Jon Clewes

<b>Report Title</b>	<b>Summary of agenda item</b>	<b>Report Author</b>
<b>11 January 2024 (Annual General Meeting)</b>		
Nottinghamshire Pension Fund Annual Report	Annual report of the Nottinghamshire Pension Fund	
Actuarial issues	Barnett Waddingham LLP presentations	
Management and Financial Performance	Financial management presentation	
Investment Performance	Pensions and treasury management presentation	
Pensions administration	Presentation from the Pensions Administration Team	
Questions	Responses to questions submitted in writing no less 10 working days before the meeting	
<b>7 March 2024</b>		
Strategic asset allocation working party report	Report on the discussions and recommendations arising from the January working party meeting on the Fund's Strategic Asset Allocation and Investment Strategy and any other issues discussed	Tamsin Rabbitts
Treasury Management Strategy 2024/25	Strategy for the forthcoming financial year	Ciaran Guilfoyle
Conferences and training report	Planned training and conferences for 2024/25	Tamsin Rabbitts
Fund valuation and performance – quarter 3	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt Appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser
Managers presentations	Presentations by Fund Managers (exempt)	Schroders and Abrdn
Report on the Local Authority Pension Fund Forum conference	Report on the presentations attended by representatives of the Fund at the Local Authority Pension Fund Forum Conference held in December 2023	Tamsin Rabbitts
<b>18 April 2024</b>		
Review of progress on the Climate Risk Action plan	6-monthly report	Tamsin Rabbitts
Climate Stewardship report	Progress on the Fund's climate stewardship strategy	Tamsin Rabbitts

<b><u>Report Title</u></b>	<b><u>Summary of agenda item</u></b>	<b><u>Report Author</u></b>
Proxy voting	Summary of voting activity	Ciaran Guilfoyle
Local Authority Pension Fund Forum business meeting	Report from Local Authority Pension Fund Forum business meetings	Ciaran Guilfoyle
Report on the Local Government Pension Scheme Governance Conference	Report of the presentations attended by representatives of the Fund at the Local Government Pension Scheme Governance Conference held in January 2024	
<b>13 June 2024</b>		
Fund valuation and performance – quarter 4	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser
Managers presentations	Presentations by Fund Managers (exempt)	LGPS Central
<b>11 July 2024</b>		
Proxy voting	Summary of voting activity	Ciaran Guilfoyle
Local Authority Pension Fund Forum business meeting	Report from Local Authority Pension Fund Forum business meeting	Ciaran Guilfoyle
Annual administration performance report		Jon Clewes
Pooling update	An update will be provided on pooling arrangements	LGPS Central
Treasury management outturn 2023/24	Summary of Treasury management activity for the year ended 31 March 2023	Ciaran Guilfoyle
<b>To be placed</b>		
Pensions Administration – Tracing Service		Sarah Stevenson / Jon Clewes
Pension Fund Review of Cyber Security – Pension Regulator Requirement		Sarah Stevenson / Jon Clewes
Pension Regulator's Code of Practice		Jon Clewes



**14 September 2023**
**Agenda Item: 8**

## **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 30 June 2023.

#### **Information and Advice**

2. This report is to inform the Nottinghamshire 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 30 June 2023 in comparison with the benchmark, together with the comparative position 3 and 12 months previously. The benchmark is a long-term target which the fund will move towards over the next year.

	<b>Latest Quarter</b>		<b>Long term</b>	<b>Previous Quarter</b>		<b>Previous Year</b>	
	<b>30 June 2023</b>		<b>Benchmark</b>	<b>31 Mar 2023</b>		<b>30 June 2022</b>	
	£m	%		£m	%	£m	%
Growth	4,009	62.0%	60%	4,008	62.3%	3,683	58.6%
Inflation Protection	1,575	24.4%	28%	1,601	24.9%	1,660	26.4%
Income	647	10.0%	10%	633	9.8%	649	10.3%
Liquidity	234	3.6%	2%	194	3.0%	292	4.6%
	<b>6,465</b>	<b>100.0%</b>	<b>100%</b>	<b>6,436</b>	<b>100.0%</b>	<b>6,283</b>	<b>100.0%</b>

4. Liquidity includes the Fund's short bond portfolio which is designed to return cash to the Fund over the next year or so as commitments to less liquid investments are called.
5. Within Inflation Protection are investments in Infrastructure assets amounting to £506.8m or 7.8% of the fund. If funds committed but not yet drawn down are included, the allocation to infrastructure would total 9.7% of the fund. Following the decisions made by Pension Fund

Committee in March 22 there is a long-term target for investments in infrastructure to be 9.8% of the fund.

6. The table below shows the detailed breakdown by portfolio of the Fund as at 30 June 2023 together with the total value of each portfolio at the previous quarter end.

	Core Index		Schroders		LGPS Central		Aegon S		Abrdn		Specialist		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
<b>Growth</b>														
<b>UK Equities</b>	446.6	34%	666.0	37%	0.0	0%					0.0	0%	1,112.6	17%
<b>Overseas Equities</b>														
North America	269.4	21%	672.4	37%							0.0	0%	941.8	15%
Europe	256.3	20%	140.8	8%							160.0	10%	557.1	9%
Japan	127.3	10%	65.1	4%							71.1	5%	263.5	4%
Pacific	121.3	9%	49.1	3%									170.4	3%
Emerging Markets	77.9	6%	107.4	6%	126.9	11%					0.0	0%	312.2	5%
Global	0.0	0%	73.7	4%	366.0	31%					0.0	0%	439.7	7%
	<b>852.2</b>	66%	<b>1,108.5</b>	61%	<b>492.9</b>	41%					<b>231.1</b>	15%	<b>2,684.7</b>	42%
<b>Private Equity</b>					34.8	3%					176.6	11%	211.4	3%
<b>Inflation protection</b>														
<b>Property</b>														
UK Commercial									369.3	68%			369.3	6%
UK Commercial - Local									30.4	6%			30.4	0%
UK Strategic Land									2.0	0%			2.0	0%
Pooled - UK									37.3	7%	170.4	11%	207.7	3%
Pooled - Overseas									100.5	19%	43.2	3%	143.7	2%
									<b>539.5</b>		<b>213.6</b>	14%	<b>753.1</b>	12%
<b>Infrastructure</b>					106.1	9%					400.7	26%	506.8	8%
<b>Inflation Linked</b>											315.3	20%	315.3	5%
<b>Income</b>														
<b>UK Bonds</b>														
Gilts					126.5	11%							126.5	2%
Corporate Bonds					<b>126.5</b>	11%							<b>126.5</b>	2%
<b>Overseas Bonds</b>														
Corporate Bonds					291.9	24%							291.9	5%
					<b>291.9</b>	24%							<b>291.9</b>	5%
<b>Credit</b>					144.6	12%					84.3	5%	228.9	4%
<b>Liquidity</b>														
<b>Cash/Currency</b>	0.0	0%	40.0	2%	0.2	0%	0.0	0%	0.0		126.3	8%	166.5	3%
<b>Short bonds</b>							67.1	100%					67.1	1%
<b>Total</b>	<b>1,298.8</b>	20%	<b>1,814.5</b>	28%	<b>1,197.0</b>	19%	<b>67.1</b>	1%	<b>539.5</b>	8%	<b>1,547.9</b>	24%	<b>6,464.8</b>	
Previous Qtr Totals	1,287.0	20%	1,772.1	28%	1,195.0	19%	86.7	1%	536.1	8%	1,559.2	24%	6,436.1	

7. The value of the Fund's investments has increased by £28.7 million (0.4%) since the previous quarter. Over the last 12 months the value has increased by £181.8 million (2.9%).

8. The table below shows the first quarter Fund Account for 2023/24 with the unaudited full year figures for 2022/23.

<b>Summary Fund Account</b>	<b>Q1 2023/24 £000</b>	<b>Full Year 2022/23 £000</b>
Employer contributions	(34,755)	(175,315)
Member contributions	(10,360)	(54,643)
Transfers in from other pension funds	(3,848)	(18,937)
Pensions	53,613	197,937
Commutation of pensions and lump sums	11,239	36,224
Lump sum death benefits	1,929	6,202
Payments to and on account of leavers	1,163	17,991
<b>Net (additions)/withdrawals from dealings with members</b>	<b>18,981</b>	<b>9,459</b>
<b>Administration Expenses</b>	<b>12</b>	<b>2,687</b>
<b>Oversight &amp; governance expenses</b>	<b>(289)</b>	<b>1,701</b>
<b>Investment management expenses</b>	<b>(10,588)</b>	<b>21,838</b>
Investment Income	(37,271)	(90,118)
Profits & losses on disposals & changes in value	106	204,164
Taxes on income	169	404
<b>Net Returns on Investments</b>	<b>(47,584)</b>	<b>114,450</b>
 <b>Net (increase)/decrease in net assets</b>	 <b>(28,880)</b>	 <b>150,135</b>

### Sustainable investments and fossil fuels

9. The Pension Fund has been asked to publish figures showing the Fund's direct and indirect holdings of fossil fuel companies together with the Fund's investments in Sustainable equities and renewable energy.
10. This data is published together with detailed caveats below. It is anticipated that these figures will show a gradual increase in investment in Sustainable equities and renewable energy. It is further anticipated that investments in fossil fuels will decrease as a proportion of the Fund over time. However fossil fuel holdings will vary from quarter to quarter in Schroders (direct) portfolio as investments are made based on Schroders assessments of market opportunities. Valuations will also change from quarter to quarter in both categories due to changes in share prices which are highly correlated to the oil price. Consequently this downward trend is unlikely to be smooth.

	<b>Latest Quarter</b>		<b>Previous Quarter</b>		<b>Previous Year</b>	
	<b>30 Jun 2023</b>		<b>31 Mar 2023</b>		<b>30 Jun 2022</b>	
	£m	% of Fund	£m	%	£m	%
Schroders Fossil fuel	102.2	1.58%	103.8	1.61%	102.9	1.56%
Other Fossil fuel	88.4	1.37%	90.8	1.41%	85.3	1.30%
Total Fossil fuel	190.6	2.95%	194.5	3.02%	188.1	2.86%
Sustainable & Renewable	810.9	12.54%	823.4	12.79%	747.6	11.37%

11. There has been some easing in oil and energy prices globally recently, but they remain high compared to previous levels. In the longer term this should speed the transition as a high oil price incentivises alternatives and investment to reduce consumption. However in the short term this has increased prices and hence valuations of both Oil and Gas holdings and renewable energy investments in the Fund compared to before the Russian invasion of Ukraine.
12. Schroders hold a number of Oil and Gas companies within the Active Equity portfolio. Sustainability forms part of their criteria in assessing companies for investment. For example one of their holdings, Equinor, develops not only oil but gas, wind and solar energy. Schroders lost £6.6m on their Oil and Gas holdings during the quarter.
13. The 'Other Fossil fuel' category is almost entirely the Energy sector in our passive portfolio and will reflect the share of the index relating to Energy. It should be noted that the Energy sector includes any renewable energy companies within the index, and that some oil and gas producers are also involved in the production of biofuels, hydrogen, wind power and solar energy, so have a renewables element. As a result of these two factors the figure for fossil fuels is likely to be overstated, and the figure for renewables understated.
14. Equally there will be some companies such as those in the mining sector which do not fall within this category but may produce for example coal which would not be included in these figures.
15. For this reason, while the data provided should show the Fund's exposure to fossil fuels reducing over time, it can only be an indicative part of our risk monitoring and does not provide the full picture.
16. A more thorough assessment of the Fund's equity investments is provided by LGPS Central's 2022 carbon risk analysis which assesses the carbon footprint and weight in fossil fuel and coal reserves which was presented to Committee in December 2022.
17. The 'sustainable and renewable energy' investment figure contains more estimates. The figure includes eleven specific investments – the Renewables Infrastructure Group, Impax Environmental, Aegon Sustainable Diversified Growth Fund, the three LGPS Central Global Sustainable Equity funds, and three renewable energy infrastructure investments – Capital Dynamics Clean Energy Infrastructure VIII, Green Investment Bank's Offshore Wind Fund and the Langar Lane Solar Farm. First Solar and Siemens Energy, held within the Schroders portfolio are also included.
18. An estimate of the renewable energy investments within the Fund's other infrastructure funds was added to these identified investments. Not all funds identify this as a sector in their reporting so this data is incomplete. Furthermore because of the longer reporting cycle for unlisted investments the estimate was based on both valuations and percentages from earlier in the year, so this figure can only be considered indicative, but is likely to be an underestimate.
19. It can be seen that the Fund's investments in Sustainable Equities and Renewable Energy is now several times higher than those in Fossil Fuel investments.
20. Because of the way they are calculated, these numbers will only ever be indicative, but are helpful for the pension fund in identifying risk and progress.



## Core Index Portfolio

21. Below are detailed reports showing the valuation of the Core Index portfolio at the quarter end and the transactions during the quarter. The table below summarises the valuation and compares it to the portfolio benchmark (and a comparison with the previous quarter).

	30 Jun 2023			31 Mar 2023		
	Portfolio		B/Mark	Portfolio		
	£000	%	%	£000	%	
UK Equities	446,637	34.4%	35%	448,630	34.9%	
Overseas Equities:	852,195	65.6%	65%	838,347	65.1%	
North America	269,437	20.7%	20%	255,698	19.9%	
Europe	256,327	19.7%	20%	255,513	19.8%	
Japan	127,299	9.8%	10%	123,582	9.6%	
Pacific Basin	121,253	9.3%	10%	124,167	9.6%	
Emerging Markets	77,879	6.0%	5%	79,387	6.2%	
Cash	0	0.0%	0%	0	0.0%	
<b>Total</b>	<b>1,298,832</b>			<b>1,286,977</b>		

22. There were no sales or purchases during the quarter.

## Schroder Investment Management Portfolio

23. The table below summarises the valuation and compares it to Schroders' benchmark. The position at the end of the previous quarter is also shown.

	30 Jun 2023			31 Mar 2023		
	Portfolio		B/Mark	Portfolio		
	£000	%	%	£000	%	
UK Equities	665,956	36.7%	40.0%	664,622	37.5%	
Overseas Equities	1,108,547	61.1%	59.5%	1,086,629	61.3%	
North America	672,378	37.1%	35.7%	667,081	37.6%	
Europe	140,849	7.8%	7.6%	137,491	7.8%	
Japan	65,130	3.6%	3.6%	60,956	3.4%	
Pacific Basin	49,133	2.7%	2.8%	51,537	2.9%	
Emerging Markets	107,407	5.9%	5.8%	99,844	5.6%	
Global Small Cap	73,650	4.1%	4.0%	69,720	3.9%	
Cash	40,043	2.2%	0.5%	20,821	1.2%	
<b>Total</b>	<b>1,814,546</b>			<b>1,772,072</b>		

24. The table below summarises transactions within the quarter.

<b>Sector</b>	<b>Purchases £000</b>	<b>Sales £000</b>	<b>Net Purchases £000</b>
UK Equities	36,295	21,786	14,509
Overseas Equities			
North America	67,779	97,047	-29,268
Europe	22,525	16,190	6,335
Japan	10,140	6,425	3,715
Pacific Basin	0	0	0
Emerging Markets	8,165	0	8,165
Global Small Cap	3,729	0	3,729
<b>Totals</b>	<b>148,633</b>	<b>141,448</b>	<b>7,185</b>

### LGPS Central

25. The table below summarises the valuation by asset class of investments managed by LGPS Central. The proportional holdings are also shown. However the allocation to each LGPS Central fund is at the discretion of the Pension Fund in line with the overall Pension Fund approved asset allocation and as such there is no benchmark for this portfolio.

	<b>30 June 2023</b>		<b>31 Mar 2023</b>	
	<b>Portfolio</b>		<b>Portfolio</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Global equity	365,994	31%	357,228	30%
EM equity active	126,928	11%	130,719	11%
Corporate bonds	291,903	24%	296,110	25%
Gilts	126,509	11%	133,618	11%
Private Equity	34,832	3%	30,543	3%
Infrastructure	106,104	9%	103,126	9%
Credit	144,583	12%	143,468	12%
Cash	179	0%	177	0%
<b>Total</b>	<b>1,197,032</b>		<b>1,194,989</b>	

26. The table below summarises transactions within the quarter.

<b>Sector</b>	<b>Purchases £000</b>	<b>Sales £000</b>	<b>Net Purchases £000</b>
<b>Bonds</b>			
Gilts	11,353	10,920	433
Corporate Bonds	0		0
<b>Equities</b>			
UK	0		0
Global	0		0
Emerging Markets	0		0
<b>Private Equity</b>	6,491	1,569	4,922
<b>Infrastructure</b>	3,581		3,581
<b>Credit</b>			0
<b>Totals</b>	<b>21,425</b>	<b>12,489</b>	<b>8,936</b>

## Abrdn (previously Aberdeen Standard Investments)

27. The Committee is asked to note that approval was given in the last quarter to the following, after consultation with Members where appropriate, as operational matters falling under the responsibility of the Service Director, Finance, Infrastructure & Improvement exercised by the Senior Accountant (Pensions & Treasury Management):

Date	Property	Transaction
27/04/2023	Unit 4A Isabella Court, Mansfield	Lease
03/05/2023	Unit 3, Plot 6200, Richardson Way, Crosspoint, Coventry	Engrossment Lease
04/05/2023	Unit 1, Plot 6100 Cross Point Business Park, Coventry	Two side letters
15/05/2023	Chantry Court, Bristol	Rent Review Memorandum
01/06/2023	Unit 4 Technology Drive, Rugby	Rent Review Memorandum

## Specialist Portfolio

28. Below are tables showing the composition and the valuation of the Specialist portfolio at the quarter end and the transactions during the quarter. The table below summarises the valuation at quarter end. The position at the end of the previous quarter is also shown.

	30 June 2023		31 Mar 2023	
	£000	%	£000	%
Private Equity	176,600	12.4%	211,700	14.4%
Infrastructure	400,700	28.2%	404,900	27.5%
Credit	84,300	5.9%	59,600	4.0%
Property Funds	213,600	15.0%	231,000	15.7%
Aegon DGF	315,300	22.2%	326,300	22.2%
Equity Funds	231,100	16.3%	239,400	16.3%
<b>Total</b>	<b>1,421,600</b>		<b>1,472,900</b>	

29. The movement between Private Equity and Credit reflects the recategorisation of the Dorchester Credit Secondaries fund V as agreed by the Pension Fund Committee in March 2023.

30. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Private Equity	3,761	4,986	-1,225
Infrastructure	6,208	1,318	4,890
Credit	-13,288		-13,288
Property Funds	-19,984		-19,984
Aegon DGF			0
Equity Funds			0
<b>Totals</b>	<b>-23,303</b>	<b>6,304</b>	<b>-29,607</b>

A capital distribution was received from the Dorchester Credit Opportunities fund (within Credit), and redemption proceeds were received from Keills property fund accounting for the negative purchases.

## Responsible Investment Activity

31. The Pension Fund believes that Responsible Investment is supportive of risk-adjusted returns over the long term. As a long-term investor, the Fund seeks to invest in assets with sustainable business models across all asset classes.

32. During the quarter the Fund's investment managers have continued with their usual stewardship activities through considered voting of shares and engaging with investee company management as part of the investment process. Quarterly reports on Responsible Investment issues have been received from Schroders, LGIM and LGPS Central in addition to the LAPFF Quarterly Engagement report. Full reports and other responsible investment information can be found on the Pension Fund website here <https://www.nottspf.org.uk/about-the-fund/responsible-investment> .
33. Hermes EOS has exercised the Fund's voting responsibilities as our Proxy voting service. A quarterly report on voting activity can be found on our website here <https://www.nottspf.org.uk/about-the-fund/investments> .
34. LAPFF (Local Authority Pension Fund Forum) have engaged with a number of companies during the quarter. More information can be found in their quarterly engagement report which can be accessed on the Fund's (or on LAPFF's) website. The April LAPFF business meeting was attended and reported to Committee in July 23.
35. Responsible investment considerations run through everything done by the Fund and there have been many specific actions taken during the quarter in addition to those already mentioned. The LGPS Central pool Responsible Investment Working Group was attended in April and considered such issues as voting principles, TCFD reporting and an update on Central's Net Zero policy. The new ESG tool was demonstrated and will lead to additional reporting in time.
36. Regular investment monitoring meetings included a review of responsible investment by the funds being scrutinised.

## **Statutory and Policy Implications**

37. 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 the contents of the report be noted.

**Name of Report Author: Tamsin Rabbitts**

**Title of Report Author: Senior Accountant – Pensions & Treasury Management**

**For any enquiries about this report please contact: Tamsin Rabbitts**

## **Constitutional Comments**

38. This is an updating information report and the Nottinghamshire Pension Fund 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 17/8/2023)**

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