

# Nottinghamshire Pension Fund Committee

**Thursday, 06 July 2023 at 10:30**

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

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## AGENDA

- |   |  |         |
|---|--|---------|
| 1 | Minutes of the last meeting held on 8 June 2023  | 3 - 6   |
| 2 | To note the appointment of Councillor Dan Henderson from Bassetlaw District Council as the second district/borough council representative on the committee         |         |
| 3 | Apologies for Absence  |         |
| 4 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 5 | Local Government Pension Scheme - Guaranteed Minimum Pension Rectification – update report   | 7 - 12  |
| 6 | LGPS Central Ltd presentation  | 13 - 30 |
| 7 | Proxy voting   | 31 - 34 |
| 8 | Local Authority Pension Fund Forum business meeting  | 35 - 38 |
| 9 | Work Programme   | 39 - 44 |

## **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 8 June 2023 at 10.30 am       |

membership

**COUNCILLORS**

Eric Kerry (Chairman)  
Mike Introna (Vice Chairman)

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

**SUBSTITUTE MEMBERS**

Councillor Pauline Allan for Councillor John Clarke MBE

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

Councillor Graham Chapman  
Councillor Zafran Khan  
Vacancy

**District / Borough Council Representatives**

Councillor Davinder Viridi, Rushcliffe Borough Council – **Apologies**  
Vacancy

**Trades Unions**

Yvonne Davidson - **Apologies**  
Chris King

**Scheduled Bodies**

Sue Reader - **Apologies**

**Pensioners' Representatives**

Vacancy x 2

**Independent Adviser**

William Bourne

## **Officers in Attendance**

|                 |                                |
|-----------------|--------------------------------|
| Nigel Stevenson | (Chief Executive's Department) |
| Jon Clewes      | (Chief Executive's Department) |
| Sarah Stevenson | (Chief Executive's Department) |
| Keith Palframan | (Chief Executive's Department) |
| Tamsin Rabbitts | (Chief Executive's Department) |
| Jo Toomey       | (Chief Executive's Department) |

### **1. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN**

Members noted the Council's appointment on 11 May 2023 of Councillor Eric Kerry as Chairman and Councillor Mike Introna as Vice-Chairman of the Nottinghamshire Pension Fund Committee for the 2023/24 municipal year.

### **2. TO NOTE THE MEMBERSHIP OF THE COMMITTEE FOR THE 2023/24 MUNICIPAL YEAR**

Members were advised that one district/borough council representative had been confirmed since the publication of the papers. The first of the two vacancies would be filled by Councillor Davinder Viridi from Rushcliffe Borough Council.

The Committee's membership for the 2023/24 municipal year was noted.

### **3. MINUTES OF THE LAST MEETING HELD ON 27 APRIL 2023**

The minutes of the last meeting held on 27 April 2023 were confirmed as a correct record.

### **4. APOLOGIES FOR ABSENCE**

- Councillor John Clarke (other County Council business) substituted by Councillor Pauline Allan
- Councillor Francis Purdue-Horan (other reasons)
- Councillor Davinder Verdi (Rushcliffe Borough Council)
- Yvonne Davidson (Trade Union representative)
- Sue Reader (Scheduled Bodies representative)

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

None were disclosed.

### **6. INDEPENDENT ADVISER'S REPORT**

The Independent Adviser to the Committee presented his report, outlining the direction of travel he expected for the investments held by the committee in the short and medium term.

During discussions, Members:

- Sought advice on whether the Fund needed to review its investment strategy to respond to changes in the market and projected medium term position. They were advised that the timing of the next scheduled review in January 2024 would be an appropriate for this.

#### **RESOLVED 2023/020**

That the report of the Independent Adviser to the Committee be noted.

#### **7. WORK PROGRAMME**

Members were advised that a report on McCloud would be brought to the Committee at a future meeting, following a recent round of consultation. The Regulator's Code of Practice was still awaited.

A request was made that the Committee review its holdings around tobacco in response to a commitment to make Nottingham and Nottinghamshire smoke-free by 2040. The Chairman agreed to explore options to discuss this topic at either a future workshop or Committee.

#### **RESOLVED 2023/021**

That the work programme be agreed

#### **8. FUND VALUATION AND PERFORMANCE**

The Senior Accountant (Pensions and Treasury Management) presented the fund valuation and performance report which covered the period to 31 March 2023.

#### **RESOLVED 2023/022**

That the fund valuation and performance report be noted.

#### **9. EXCLUSION OF THE PUBLIC**

#### **RESOLVED 2023/023**

That the public be excluded for the remainder of the meeting on the grounds that the discussions were 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 outweighed the public interest in disclosing the information.

#### **10. FUND VALUATION AND PERFORMANCE – EXEMPT APPENDIX**

Members considered the contents of the exempt appendix to the fund valuation and performance report.

#### **RESOLVED 2023/024**

That the exempt appendix to the fund valuation and performance report be noted.

#### **11. INVESTMENT MANAGER PRESENTATIONS**

**a) LGPS Central**

Mark Davies, Jackril Hoque, Ann-Marie Patterson and Nadeem Hussain provided a report to the Committee on the activities of LGPS Central.

*11:50-11:55am – the meeting adjourned. Councillor Waters did not return to the meeting following the adjournment.*

**b) Aegon Sustainable Diversified Growth Fund**

Fiona Hope, Jordan Irvine and Colin Dryburgh provided a report to the Committee on the activities of Aegon Sustainable Diversified Growth Fund.

*12:21pm – Councillor Allan left the meeting and did not return*

The meeting concluded at 12:27pm

**CHAIR**

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND EMPLOYEES.**

**LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM PENSION RECTIFICATION – UPDATE REPORT**

**Purpose of the Report**

1. The purpose of the report is to update Nottinghamshire Pension Fund Committee on the progress of the Guaranteed Minimum Pension (GMP) rectification exercise following the completion of the reconciliation exercise undertaken with HM Revenue and Customs (HMRC).
2. The report also seeks approval for the Committee not to seek to recover any past overpayments of pension made to members of the Nottinghamshire Pension Scheme which have been identified through the HMRC guaranteed minimum pension reconciliation exercise.

**Information  
Background**

3. The GMP reconciliation exercise was a national requirement initiated by HMRC which impacted all Public and Private Sector Pension Funds who were contracted out of additional state pension.
4. Up until April 2016 contributing members of the Local Government Pension Scheme (LGPS) paid lower rate National Insurance contributions as they were “contracted out” of the Additional State Pension which has previously been known as S2P, the state second pension or the State Earnings-Related Pension (SERPS). LGPS employers also paid reduced rate National Insurance contributions in respect of their employees who were in the LGPS. Contracting out ended from 6 April 2016 as part of the Government’s introduction of a single-tier basic state pension.
5. Between 1978 and 1997 contracting out of the Additional State Pension was undertaken on a Guaranteed Minimum Pension (GMP) basis. This required contracted out pension schemes to offer pension benefits for the period of contracting out that were worth at least as much as the benefits the additional state pension would have provided. Contracted out pension schemes had to record the relevant contracted out earnings for that period and supply HMRC with details of these. HMRC retained a record of contracted out earnings and GMP entitlement for each

individual and then advised pension schemes of GMP entitlements when the individuals reach state pension age.

6. Since October 2017, the Pension Fund has been engaged in the reconciliation exercise with support from Civica the Pension Fund software provider. The purpose of the exercise was to compare the GMP liabilities held by the Fund with the data held by HMRC. It required the investigation of discrepancies between the two sets of data to come to an agreed record, reconciled with HMRC records.
7. It was identified as important to reconcile the GMP element recorded on the pension fund administration system with that held by HMRC to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount, and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future pension valuation.
8. The final HMRC scan data was delayed several times and was eventually received in July 2020. Following receipt of the scan the final rematching was undertaken by the Pension Fund in September 2020.
9. As a result of this exercise, certain members have been identified as having been underpaid and others having been overpaid pension nationally and within the Nottinghamshire Local Government Pension Scheme (“the Fund”).

### **The Rectification Process**

10. Schemes have a duty to pay the right benefits to the right members at the right time. Accurate records are a fundamental requirement for fulfilling this duty. An inaccurate GMP on a member’s record will result in the member receiving the wrong benefits from the scheme.
11. The Pensions Regulator regards good record-keeping as a fundamental part of good scheme governance, falling within the statutory duty to establish and operate adequate internal controls.
12. Inaccuracies in scheme data (for example, GMP amounts) could lead to over or understatement of scheme liabilities. Based on the initial identification of members requiring rectification it is estimated that the current total overpayment liabilities of £5.9m will need to be written off by the fund.
13. To progress the GMP work, the programme was split into several parts. Part 1 of the programme (Reconciliation) has been completed and the Fund is now able to progress with parts 2-4 (Rectification).

|   | <b>Stages of Activities</b>   | <b>Activity Description</b>  | <b>Project Status</b>                                       | <b>Project Dates</b>           |
|---|---|--|---|--------------------------------|
| <b>Reconciliation</b>   |   |  |   |                                |
| Part 1 – identification and confirmation of liabilities with HMRC | <b>Discovery Phase</b><br>Stage 1   | Initial comparison of fund data with HMRC file and an early indication of the potential size of the reconciliation issues<br>In Depth Analysis of results from Stage 1   | Complete  | October 2017                   |
|   | Stage 2   |  |   | -<br>January 2018              |
|   | <b>Delivery Phase</b><br>Stage 3<br>Stage 4   | Queries issued to HMRC<br>HMRC query returns analysed and distributed into specific categories<br>Individual investigation<br>In-depth analysis and bulk resolution<br>Further individual investigation  | Complete  | May 2018<br>-<br>November 2018 |
|   | Stage 5<br>Stage 6  |  |   |                                |
| Stage 7   |   |  |   |                                |
| <b>Completion Phase</b><br>Stage 8<br>Stage 9                     | Case Conclusion-Receipt of final file from HMRC<br>Concluded cases uploaded into the pensions administration system | Complete   | July 2020 (File received)<br>-<br>September 2020 conclusion |                                |
| <b>Rectification</b>  |   |  |   |                                |
| Part 2  | <b>Calculation and Communication Phase</b><br>– Over payments<br>– Under payments                                   | System and individual calculation to be undertaken using reconciled GMP liability amounts to determine overpayments and underpayments<br><br>A communication strategy will need to be developed to ensure that communication is clear to individual pensioners affected by the reconciliation exercise, and where a pension in payment needs to be adjusted, to enable them to understand the potential impact of any adjustment |   | July/August 2023 – Onwards     |
| Part 3  | <b>Rectification and Communication</b>  | Pensioner payroll records to be adjusted to reflect correct payments determined in the Calculation Phase, and communicated to members  |   | July/August 2023 - Onwards     |

## **Underpayment Cases**

14. Regarding underpayment cases, the Fund's intention is to write to all pensioners and dependants who have suffered an underpayment setting out the correct pension they should now be in receipt of and confirming the historic underpayment.
15. The Fund is required to correct the pension in payment and make payment of the historic payments owed as soon as possible. In line with LGPS regulations interest will be paid on all underpaid amounts. Based on the reconciliation analysis the average total underpayment is £1681.17 over a 42-year period. To provide some context 66 records of the 154 records are less than a 50 pence adjustment per month.

## **Overpayment Cases**

16. With regards to overpayment cases, the pension in payment must be adjusted to the correct value going forward as the Fund cannot knowingly make incorrect payments to any scheme member. Each member will be contacted in writing and where necessary advising members in accordance with the LGPS regulations with no less than 1 months' notice (*The disclosure regulations for pension schemes require that pensioners be notified in advance of the change to their pension taking effect if possible and in any event within one month*). It is therefore the intention to provide pensioner with 2 months' notice of the pending change in their monthly payment in accordance with the approach taken by other LGPS Funds and considering the unique circumstances and what is deemed reasonable.
17. The average overpayment is £3,895 over 42-year period with the annual overpayment being £407.75 per year (although the maximum total historic overpayment identified is just over £31,000 over a 42-year period which is a monthly difference of £219 and an annual difference of £2,632). To provide some context in the relating to the overpayments, 228 records are £10 or less per month.

## **Total Cases**

18. The final reconciliation has highlighted 766 pensioner records in payment which need to be rectified this is 1.72% out of a total of 44,353 pensioner records.

## **Reasons for Recommendations**

19. In coming to this recommendation, the Fund has taken legal advice on the GMP rectification stage, as well as having regard to a guidance note issued by the Local Government Association (LGA) in 2017 which addressed the recovery of overpayment of pension in these circumstances. It is recommended that, in line with this guidance, the Fund does not seek to recover the overpayments for the following reasons:
  - a. Given the complexities around GMP rules, it would be unfair to assume that the affected member could have had knowledge or understanding at an earlier time that this resulted in their pension being overpaid.
  - b. Most people affected are likely to be elderly and vulnerable and already facing rising inflation and costs of living. These factors could impact the Fund's ability to recover some

or all the overpayment and lead to additional unrecoverable costs in taking any recovery actions.

- c. Consideration has been given to the recovery of the overpayments however in line with other LGPS schemes it has been determined that it will not be cost effective in many cases to pursue the overpayments as debts, given the volume of cases, the costs of legal action and the low value per claim.
- d. It can be argued that the Fund could have discovered the overpayments itself at an earlier point in time which could render some claims time barred under limitation rules.
- e. This is the approach that has been taken by the majority of LGPS and public sector funds in the same situation.

## **Statutory and Policy Implications**

20. 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.

## **Data Protection and Information Governance**

21. The project, by its very nature, involves reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with Civica, the software provider. However, a data impact assessment has been completed for the project overall to reflect the aspects of the data sharing, and updating of data, along with ensuring the mitigation of risks arising from the project activity itself.

## **Financial Implications**

22. The Fund has reviewed 2,164 cases and identified 766 cases that require rectification. This is where the data from HMRC and what was held on the pension record did not match with HMRC and it has been identified that the members benefits need to be adjusted.

### **Estimated total cost to the Pension Fund (as of 31 March 2023)**

- Overpayments £5,900,000
- Underpayments £654,000

All costs are payable from the Nottinghamshire Pension Fund.

### **Caveats:**

- All figures quoted are based on analysis to date.
- Results could therefore be over/ underestimated as full calculations need to be completed and checked at the time of rectification, therefore actual individual results and liabilities will be closely monitored and checked and reported on each month as the calculations are verified.

## **RECOMMENDATIONS**

It is recommended that the Committee:

1. Notes the requirement to adjust any underpayments of pension and confirm 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. Agree 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 this 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. That members should be given a minimum 2 months written notice before any reduction identified by this exercise is applied to members' pensions

**Marjorie Toward**

**Service Director – Customers, Governance and Employees**

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

Jonathan Clewes, Pension Manager on 0115 9773434 or [Jon.Clewes@nottscc.gov.uk](mailto:Jon.Clewes@nottscc.gov.uk)

### **Constitutional Comments (KK 21/06/2023)**

23. The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

### **Financial Comments (KP 21/06/2023)**

24. As set out in the report the GMP reconciliation has identified adjustments to pension payments that must be made. The impact of correcting previous underpayments will mean additional costs to the fund; however, this will be more than offset by the reductions because of correcting previous overpayments. Estimates of the cost to the fund are set out in the financial implications section of 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.

- 08 March 2018 Pension Committee Report GMP Reconciliation Exercise with HMRC
- 18 July 2019 Pension Committee Report GMP Reconciliation Exercise with HMRC – Update Report.
- 10 September 2020 Pension Committee GMP Pension reconciliation exercise with HMRC – Update Report
- 02 February 2022 GMP Rectification – Update Report

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

- All

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****LGPS CENTRAL LTD PRESENTATION****Purpose of the Report**

1. To inform Committee of a presentation to be delivered by LGPS Central Ltd.
2. The LGPS Regulations 2016 required administering authorities to pool investments from 2018. Eight LGPS funds chose to group together to create a jointly owned, FCA registered, limited company called LGPS Central to deliver pooling.
3. The presentation will inform Committee of progress to date and future plans.
4. The presentation is attached as appendix A.

**Other Options Considered**

5. None

**Reason/s for Recommendation/s**

6. None

**Statutory and Policy Implications**

7. 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 the report be noted.

**Nigel Stevenson**  
**Service Director for Finance, Infrastructure & Improvement**

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

**Constitutional Comments (KK 26/06/2023)**

8. Pension Fund Committee is the appropriate body to consider the contents of the report.

**Financial Comments (TMR 26/06/2023)**

9. There are no financial implications.

**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



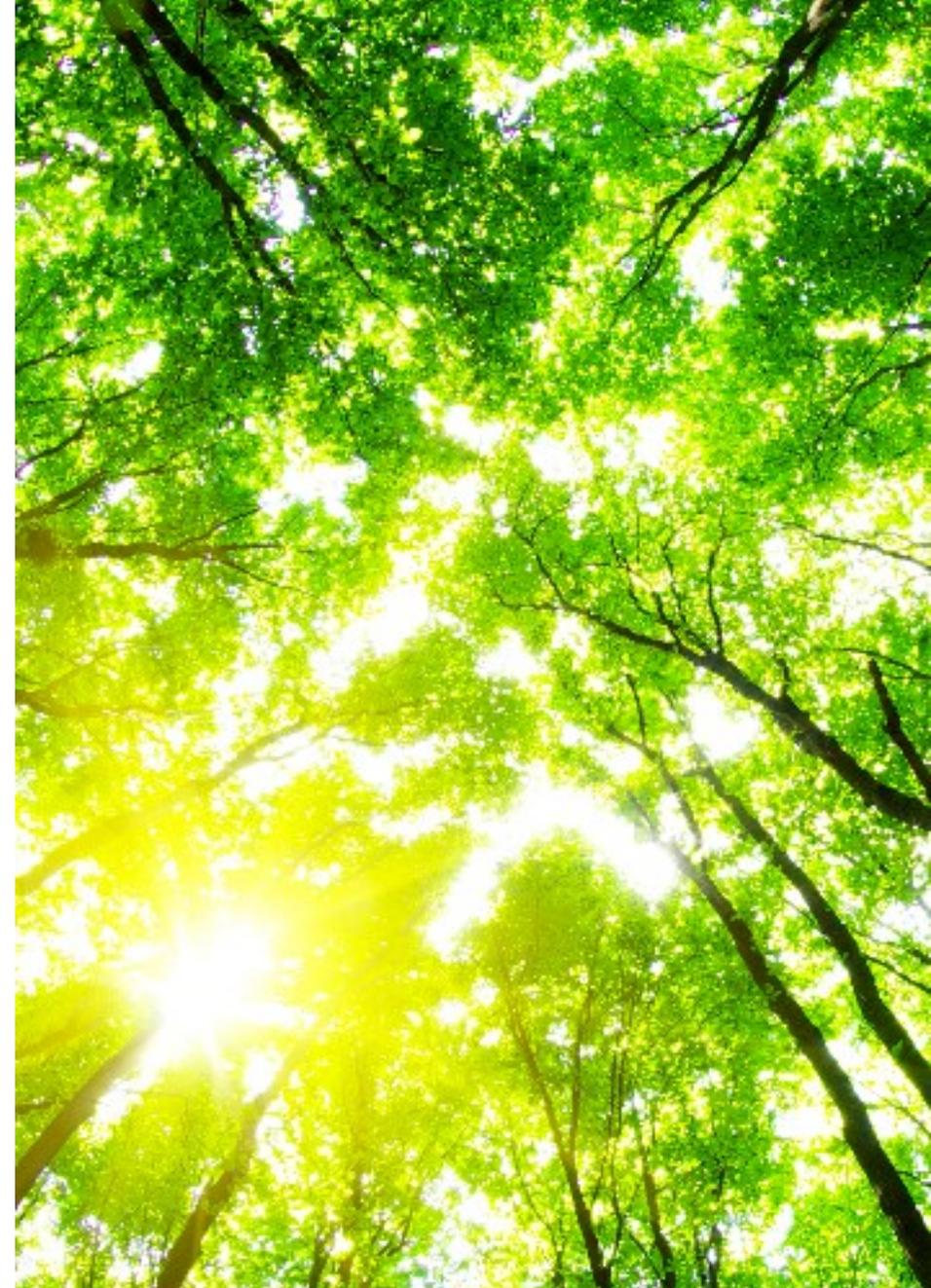
# Nottinghamshire Pension Fund

## *LGPS Central Limited Update*

6 July 2023



**Interim CEO**  
John Burns



# Agenda

## SECTION 1: SHAREHOLDER UPDATE

- LGPS pooling background
- LGPS Central company update and pooling progress

## SECTION 2: CLIENT UPDATE

- Investment Overview
- New Funds under Development
- Net Zero and Climate Risk



# LGPS Central

## Shareholder Update



# What is Pooling?

**May 2013:** National Association of Pension Funds' local authority conference, Local Government Minister Brandon Lewis said:

*"...the clear message from me this morning is that I am not wedded to the existing number of 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost-effectiveness of the Scheme, I shall not shy away from pursuing that goal."*



**November 2015:** Government produce set of principles against which authorities were invited to bring forward proposals for half a dozen "asset pools". The principles included the following objectives:

- **Attain scale** – with £25 billion set as a target size for pools
- **Make savings** – no target was set but the word "substantial" gave an insight into the expectations
- **Include good governance**
- **Do more infrastructure** – expressed as an objective to develop the capacity and capability to increase investment but without a target



**February 2016:** Submissions were received by government for eight developing pools.

These groupings were a mixture of natural allies, geographical neighbours and/or the strategically like-minded.



**3 April 2018:** LGPS Central Limited opens for business.

Source: LAPF

Our Partner Funds:



Derbyshire Pension Fund



Staffordshire Pension Fund  
Local Government Pension Scheme



West Midlands Pension Fund



NOTTINGHAMSHIRE PENSION FUND

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SHROPSHIRE COUNTY PENSION FUND

Worcestershire Pension Fund



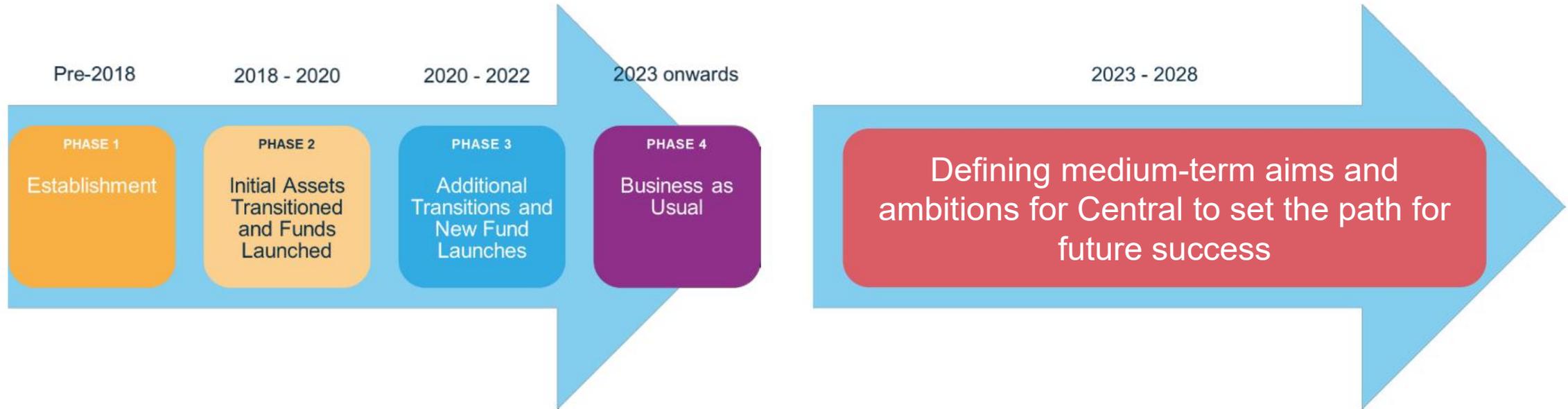
# Key Focus Areas continue through 2023/24



# The LGPS Central Development Journey



IMPORTANT TO DEFINE THE NEXT STAGE OF THE JOURNEY



# Investment Overview

# NPF Investments in LGPS Central Funds



## ASSETS UNDER MANAGEMENT 31 APRIL 2023

| Asset Class                  | Fund  | 2023<br>NPF's<br>Assets | 2023<br>Total<br>Fund<br>AUM | 2023<br>NPF %<br>of Fund |
|------------------------------|---|-------------------------|------------------------------|--------------------------|
| Passive Global Equity        | LGPS Central Limited Global Ex-UK Passive Equity Fund                                 | £13m                    | £2821m                       | 0.50%                    |
| Active Global Equity         | LGPS Central Limited Global Equity Active Multi Manager Fund                          | £29m                    | £3024m                       | 0.95%                    |
| Active Global Equity         | LGPS Central Limited Emerging Markets Equity Active Multi Manager Fund                | £127m                   | £767m                        | 16.56%                   |
| Active Fixed Income          | LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund | £298m                   | £1,645m                      | 18.12%                   |
| Active Fixed Income          | LGPS Central Limited Global Active Multi-Asset Credit Multi Manager Fund              | £111m                   | £745m                        | 14.90%                   |
| Active Fixed Income          | LGPS Central Limited Global Active Emerging Market Bond Multi Manager Fund            | £33m                    | £570m                        | 57.90%                   |
| Active Discretionary Mandate | LGPS Central Nottinghamshire Gilts Mandate  | £132m                   | £132m                        | 100.00%                  |
| Private Equity               | LGPS Central PE Co-Investment Partnership 2018 LP                                     | £5m                     | £107m                        | 4.70%                    |
| Private Equity               | LGPS Central PE Primary Partnership 2018 LP   | £10m                    | £150m                        | 6.70%                    |
| Infrastructure               | LGPS Central Value Add/ Opportunistic Infrastructure Partnership LP                   | £50m                    | £167m                        | 29.94%                   |
| Infrastructure               | LGPS Central Core/Core Plus Infrastructure Partnership LP                             | £125m                   | £724m                        | 17.27%                   |

Over £900m  
assets invested  
with LGPSC

# Product Development @ LGPS Central



FOCUS ON FURTHER PRIVATE MARKET VINTAGES/OPPORTUNITIES

## Property



**Direct Property**  
Q1 2023 Launched

**Indirect Property**  
Investment case in progress

## Private equity



2023 vintage implementation  
Began April 2023

Launch expected  
August 2023

## Infrastructure



Opportunities  
available throughout  
the year

## Private credit



Further strategy  
proposals this year

# Climate Risk Monitoring Service Update

## CLIMATE RISK MONITORING SERVICE UPDATE

- Continuing delivery of **Climate Risk Reports**.
- Revised Mercer **Climate Scenario Analysis** incorporated into 2022 reports and enhanced metrics.
- TCFD Reporting, Stewardship Plan, Climate Change Strategy and Climate Change Training.
- **New TCFD regulations** entering into force Q4 2024, following consultation period which ended November 2022. LGPSC is supportive of the new proposals.
- Further review of **Climate Risk Reports** to incorporate potential requirements from Department for Levelling Up, Housing and Communities (Consultation Closed 24<sup>th</sup> November 2022) and other enhancements. [Page 24 of 44](#)



# Responsible Investment & Engagement

## RESPONSIBLE INVESTMENT & ENGAGEMENT REMAINS A HIGH PRIORITY

- Maintained signatory status to FRC's Stewardship Code
- Engaged with 2,809 companies over the year
- Higher expectations placed on companies' climate transition plans
- Pursued engagements relating to all four agreed stewardship themes
  - ✓ Tax
  - ✓ Plastic Pollution
  - ✓ Climate Change
  - ✓ Human Rights in Tech
- Continuing delivery of Climate Risk Reports
- Reports enhanced in:
  - ✓ Climate Scenario Analysis
  - ✓ Enhanced metrics
- Further delivery of:
  - ✓ TCFD Reporting
  - ✓ Stewardship Plans
  - ✓ Climate Change Strategy
  - ✓ Climate Change Training
- Led responses to new TCFD consultation



# Responsible Investment & Engagement



## REMAINING AT THE CORE OF HOW WE INVEST

100% integration of responsible investment into our investment approach

Quality information and insights to enable more informed decision making

Implementing strategy for a practical pathway to Net Zero

Continuously evolving engagement efforts and demonstrating impact

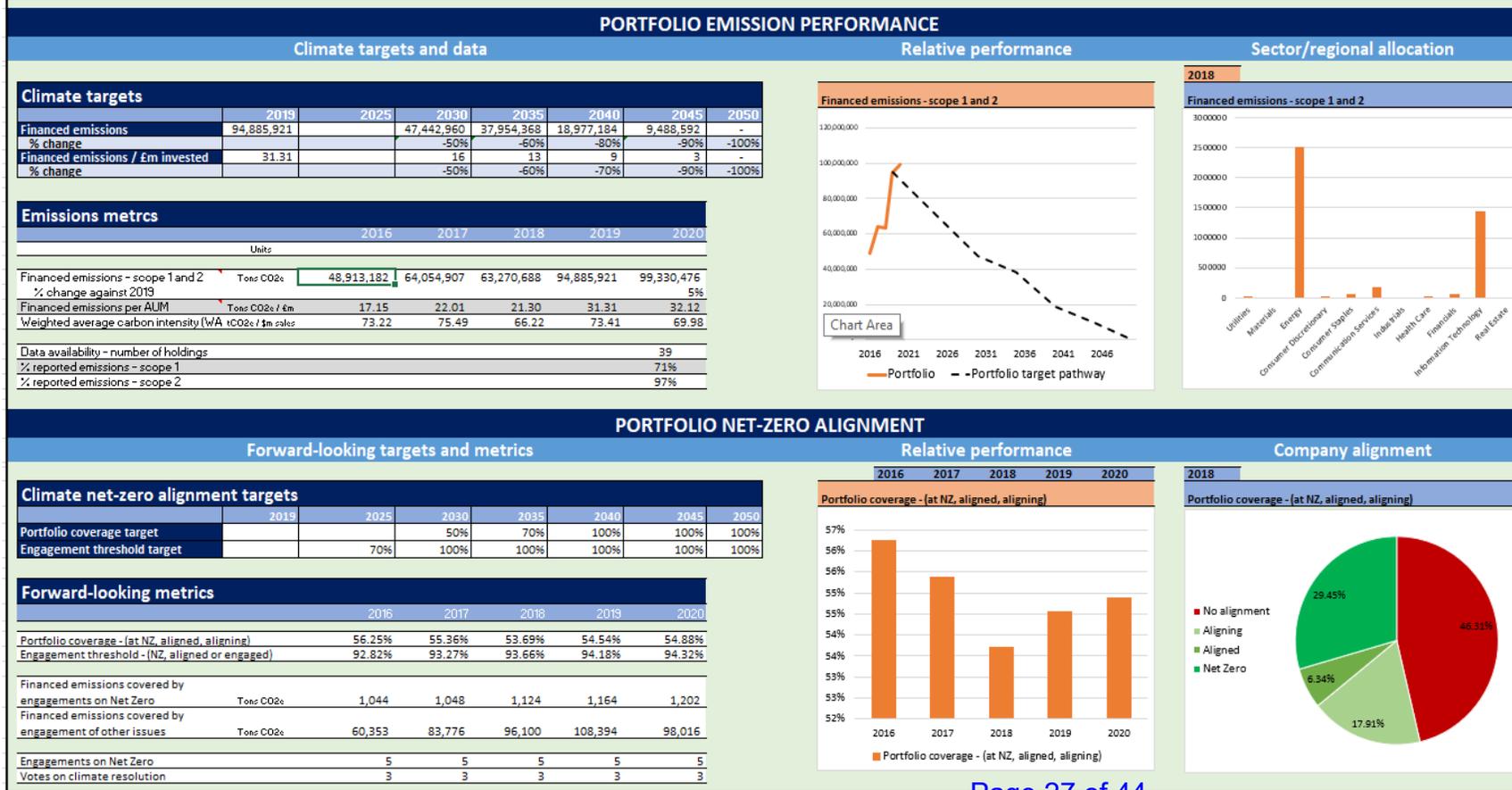
Improving reporting around Climate Risk Reports and TCFD

Anticipating ever-growing scrutiny of client activity in this area

# Net Zero Strategy



## THE CENTRAL POOL APPROACH



- LGPSC Net Zero commitment to transition investment portfolio to Net Zero by 2050.
- Development of LGPSC Net Zero dashboard to track climate performance of ACS funds.
- Metrics and Milestones.
- Net Zero incorporated in manager selection and monitoring.
- Net Zero Stewardship Plan.

# DISCLAIMER:



## LGPS Central Disclaimer IMPORTANT INFORMATION

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Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.

All information is prepared as of **26 June 2023**

This document is intended for **PROFESSIONAL CLIENTS** only.

“One Central team, working in partnership to invest with purpose and deliver superior returns”





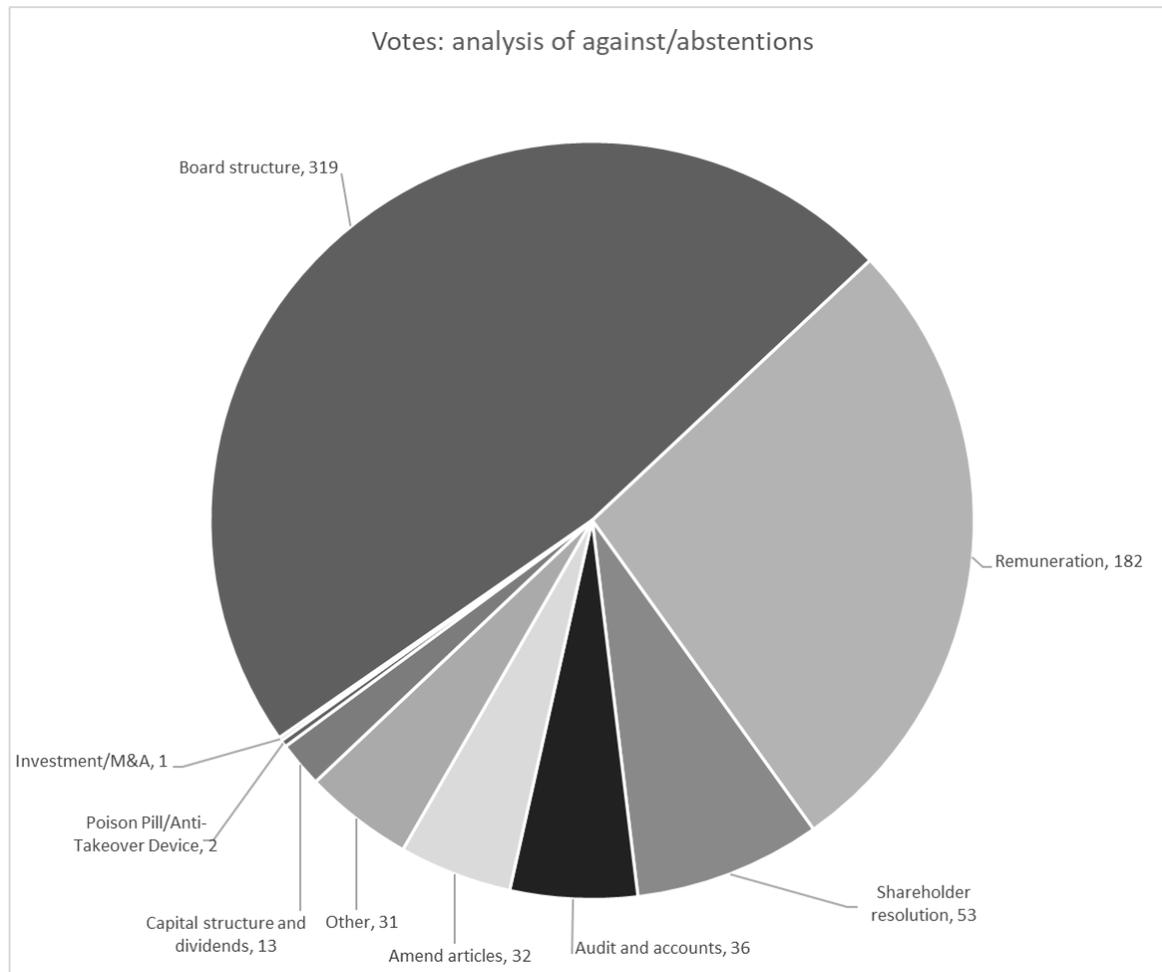
**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****PROXY VOTING****Purpose of the Report**

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the first quarter of 2023 (calendar year) as part of this ongoing commitment.

**Information**

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as ‘the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society’. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.
3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Investment Strategy Statement and report periodically on the discharge of such responsibilities. The Fund’s statement on responsible investment states that ‘the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds’.
4. The Fund retains responsibility for voting any directly held shares (rather than delegating this to investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Since 1 January 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.
5. Over the quarter to March 2023 Hermes EOS voted Nottinghamshire Pension Fund shares at 474 meetings (a total of 5,332 resolutions). Hermes opposed one or more resolutions at 249 meetings and voted with management by exception at 16 meetings. Hermes supported management on all resolutions at the remaining 207 meetings.

6. Hermes recommended voting against or abstaining on 669 resolutions over the last quarter. An analysis of the issues is shown below:



7. Most AGM votes relate to routine management items. Those relating to issues such as climate change only form a small proportion of the total votes by number, even where they represent a substantial amount of engagement time and effort. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter is published on the Fund website (<http://www.nottspf.org.uk/about-the-fund/investments>) and with the meeting papers on the Council Diary (<http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>).
8. Further detail on specific issues raised at company AGMs can be found in LGPS Central’s quarterly *Stewardship Update*. The most recent *Update* (January-March 2023) highlights among other things Central’s recent meeting with Glencore and its hope that this company can revise its coal strategy to be in greater alignment with the Paris agreement. Central is confident that it is “continuing to build bilateral dialogue with [Glencore] and they are receptive to future engagements with LGPS Central”. A link to the *Update* can be found on the Nottinghamshire Pension Fund ‘Approach to Responsible Investment’ webpage: <https://www.nottspf.org.uk/about-the-fund/responsible-investment/>

## **Statutory and Policy Implications**

9. 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/S**

10. That Nottinghamshire Pension Fund Committee members note the update on proxy voting.

**Report Author:**  
**Ciaran Guilfoyle**  
**Investments Officer**

**For any enquiries about this report please contact Ciaran Guilfoyle**

### **Constitutional Comments (KK 09/06/2023)**

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

### **Financial Comments (TMR 08/06/2023)**

12. There are no 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.

- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q1 2023
- [LGPS Central – Voting Principles \(March 2019\)](#)
- [Financial Reporting Council, \*The UK Stewardship Code\*, January 2020](#)





**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**

**LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING**

**Purpose of the Report**

1. To report on the Local Authority Pension Fund Forum (LAPFF) hybrid business meeting on 19 April 2023.

**Information and Advice**

2. LAPFF was formed in 1990 to provide an opportunity for the UK's local authority pension funds and pools to discuss investment and shareholder engagement issues. Membership currently stands at 86 funds and 6 pools (Brunel has recently let its membership of LAPFF lapse). A list of members is shown at Appendix A. It is consequently able to exert significant influence over companies in which funds are invested.
3. LAPFF exists 'to assist Administering Authorities discharge their statutory responsibilities and promote the long-term investment interests of UK local authority pension funds. In particular, it seeks to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they hold an interest, commensurate with statutory regulations'. It also:
  - a. provides a forum for information exchange and discussion about investment issues.
  - b. facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual Forum members could achieve.
  - c. provides a forum for consultation on shareholder initiatives.
  - d. provides a forum to consider issues of common interest to all pension fund boards, committees and their supporting administrative staff, as well as to other interested parties from national, local and regional governments.
4. The business meeting agenda included, among other things, a discussion on the cost-of-living crisis and the high profits of energy companies, an issue made more salient since the start of the war in Ukraine. The purpose of the discussion was to clarify the issues that members (or those who vote on their behalf) ought to bring up in their engagement work with these companies.
5. An update on LAPFF's engagement work in the previous quarter was presented. The engagement stories in the report covering the quarter to March 2023 related mainly to climate, in particular 'Say on Climate', whereby companies are encouraged to place a specific resolution about transitioning to net zero on their AGM agendas and thus give shareholders a clearer opportunity to make their views known.

6. Copies of the latest engagement reports are attached as background, but all LAPFF engagement reports can be found on the LAPFF website:  
<https://lapffforum.org/publications/category/quarterly-engagement-reports/>

## **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/S**

1. That Nottinghamshire Pension Fund Committee members note the update on the Local Authority Pension Fund Forum.

**Nigel Stevenson**

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

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

### **Constitutional Comments (KK 09/06/2023)**

8. This is an updating information report and 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 08/06/2023)**

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

### **Background Papers**

- LAPFF constitution
- [LAPFF Quarterly Engagement Report January to March 2023](#)

## Membership of LAPFF as at January 2023

### Funds

- 1) Avon Pension Fund
- 2) Barking and Dagenham Pension Fund
- 3) Barnet Pension Fund
- 4) Bedfordshire Pension Fund
- 5) Berkshire Pension Fund
- 6) Bexley (London Borough of)
- 7) Brent (London Borough of)
- 8) Cambridgeshire Pension Fund
- 9) Camden Pension Fund
- 10) Cardiff & Glamorgan Pension Fund
- 11) Cheshire Pension Fund
- 12) City of London Corporation Pension Fund
- 13) Clwyd Pension Fund (Flintshire CC)
- 14) Cornwall Pension Fund
- 15) Croydon Pension Fund
- 16) Cumbria Pension Fund
- 17) Derbyshire Pension Fund
- 18) Devon Pension Fund
- 19) Dorset Pension Fund
- 20) Durham Pension Fund
- 21) Dyfed Pension Fund
- 22) Ealing Pension Fund
- 23) East Riding Pension Fund
- 24) East Sussex Pension Fund
- 25) Enfield Pension Fund
- 26) Environment Agency Pension Fund
- 27) Essex Pension Fund
- 28) Falkirk Pension Fund
- 29) Gloucestershire Pension Fund
- 30) Greater Gwent Pension Fund
- 31) Greater Manchester Pension Fund
- 32) Greenwich Pension Fund
- 33) Gwynedd Pension Fund
- 34) Hackney Pension Fund
- 35) Hammersmith and Fulham Pension Fund
- 36) Haringey Pension Fund
- 37) Harrow Pension Fund
- 38) Havering Pension Fund
- 39) Hertfordshire Pension Fund
- 40) Hounslow Pension Fund
- 41) Isle of Wight Pension Fund
- 42) Islington Pension Fund
- 43) Kensington and Chelsea (Royal Borough of)
- 44) Kent Pension Fund
- 45) Kingston upon Thames Pension Fund
- 46) Lambeth Pension Fund
- 47) Lancashire County Pension Fund
- 48) Leicestershire Pension Fund
- 49) Lewisham Pension Fund

- 50) Lincolnshire Pension Fund
- 51) London Pension Fund Authority
- 52) Lothian Pension Fund
- 53) Merseyside Pension Fund
- 54) Merton Pension Fund
- 55) Newham Pension Fund
- 56) Norfolk Pension Fund
- 57) North East Scotland Pension Fund
- 58) North Yorkshire Pension Fund
- 59) Northamptonshire Pension Fund
- 60) Nottinghamshire Pension Fund
- 61) Oxfordshire Pension Fund
- 62) Powys Pension Fund
- 63) Redbridge Pension Fund
- 64) Rhondda Cynon Taf Pension Fund
- 65) Scottish Borders Council
- 66) Shropshire Pension Fund
- 67) Somerset Pension Fund
- 68) South Yorkshire Pension Authority
- 69) Southwark Pension Fund
- 70) Staffordshire Pension Fund
- 71) Strathclyde Pension Fund
- 72) Suffolk Pension Fund
- 73) Surrey Pension Fund
- 74) Sutton Pension Fund
- 75) Swansea Pension Fund
- 76) Teesside Pension Fund
- 77) Tower Hamlets Pension Fund
- 78) Tyne and Wear Pension Fund
- 79) Waltham Forest Pension Fund
- 80) Wandsworth Borough Council Pension Fund
- 81) Warwickshire Pension Fund
- 82) West Midlands Pension Fund
- 83) West Yorkshire Pension Fund
- 84) Westminster Pension Fund
- 85) Wiltshire Pension Fund
- 86) Worcestershire Pension Fund

## **Pools**

- 1) Border to Coast Pension Partnership
- 2) LGPS Central
- 3) Local Pensions Partnership
- 4) London CIV
- 5) Northern LGPS
- 6) Wales Pension Partnership



**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 14 June 2023)**

| <b>Report Title</b>  | <b>Brief summary of agenda item</b>   | <b>Report Author</b>               |
|--|---|------------------------------------|
| <b>14 September 2023</b>   |   |                                    |
| Pensions and Lifetime Savings Association (PLSA) Local Authority Conference 2023 | Key themes from the conference  | Nigel Stevenson                    |
| Civica Universal Pensions Management (UPM) - Moving to Hosted Environment        |   | Sarah Stevenson                    |
| Update on transformation   | An update on the transformation of the Fund's administration  | Sarah Stevenson                    |
| Fund valuation and performance – quarter 1                                       | 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                |
| <b>12 October 2023</b>   |   |                                    |
| 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                    |
| 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<br>Keith Palframan |
| <b>14 December 2023</b>  |   |                                    |
| Fund valuation and performance – quarter 2                                       | Summary of quarterly performance  | Tamsin Rabbitts                    |

| <b>Report Title</b>                              | <b>Brief summary of agenda item</b>  | <b>Report Author</b>  |
|--|--|-----------------------|
| 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      |
| <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   |

| <b>Report Title</b>   | <b>Brief summary of agenda item</b>   | <b>Report Author</b> |
|---|---|----------------------|
| 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      |
| 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         |

| <b>Report Title</b>   | <b>Brief summary of agenda item</b>   | <b>Report Author</b>                |
|---|---|-------------------------------------|
| Treasury management outturn 2023/24                                   | Summary of Treasury management activity for the year ended 31 March 2023  | Ciaran Guilfoyle                    |
| <b>To be placed</b>   |   |                                     |
| Review of Work of the Pension Fund Committee and Pension Board        | <i>Review commenced during autumn 2022 and is subject to any impacts which may need to be addressed as a result of Government response to the Good Governance in the LGPS proposals</i> | Heather Dickinson / Marjorie Toward |
| McCloud Judgment update report  |   | Jon Clewes                          |
| 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                          |