

Nottinghamshire Pension Fund Committee

Thursday, 08 June 2023 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- 1 To note the appointment by Full Council 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
Nottinghamshire County Council
Councillors Eric Kerry, Mike Introna, Andre Camilleri, John Clarke MBE, Bethan Eddy, Stephen Garner, Roger Jackson, Sheila Place, Francis Purdue-Horan, Tom Smith and Lee Waters

Non-voting members
Nottingham City Council: Councillors Graham Chapman and Zafran Khan plus one vacancy

Nottinghamshire local authorities: nominations being sought
Trades Union: Chris King, Yvonne Davidson
Scheduled bodies representative: Sue Reader
Pensioner representatives: Vacancy (x2)
- 3 Minutes of the last meeting held on 27 April 2023 5 - 10
- 4 Apologies for Absence
- 5 Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary)
- 6 Independent Adviser's report 11 - 14

7	Work Programme	15 - 20
8	Fund valuation and performance	21 - 30

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 |
| | <ul style="list-style-type: none"> Information relating to the financial or business affairs of any particular person (including the authority holding that information); |
| 11 | Fund managers presentations |
| | a) LGPS Central |
| | b) Aegon |

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 27 April 2023 at 10.30 am

membership**COUNCILLORS**

Eric Kerry (Chairman)
Mike Introna (Vice Chairman)

André Camilleri
John Clarke MBE
Bethan Eddy
Stephen Garner
Roger Jackson

Sheila Place
Francis Purdue-Horan
Tom Smith
Lee Waters - **Apologies**

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

Councillor Graham Chapman
Councillor Sally Longford - **Apologies**
Councillor Zafran Khan - **Apologies**

District / Borough Council Representatives

Councillor David Lloyd, Newark and Sherwood District Council - **Absent**
Councillor Gordon Moore, Rushcliffe Borough Council

Trades Unions

Yvonne Davidson
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)
Ciaran Guilfoyle	(Chief Executive's Department)
Jo Toomey	(Chief Executive's Department)

1. MINUTES OF THE LAST MEETING HELD ON 2 MARCH 2023

The minutes of the last meeting held on 2 March 2023 were confirmed as a correct record for signing by the Chair subject to the correction on the first page that Trade Union representative, Chris King, was present at the meeting.

2. APOLOGIES FOR ABSENCE

- Councillor Lee Waters (other reasons)
- Councillor Zafran Khan (Nottingham City Council)
- Councillor Sally Longford (Nottingham City Council)
- Sue Reader (Scheduled Bodies representative)

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None were disclosed.

4. RESULTS OF THE TRIENNIAL VALUATION

The report informed members of the Nottinghamshire Pension Fund Committee of the results of the triennial actuarial valuation of the Fund as at 31 March 2022. The valuation report produced by Barnett Wadding, the Fund's actuary, was attached as an appendix to the report.

During discussions, Members:

- Asked about the methodology used to calculate the prudence adjustment of 1.4% and requested Barnett Waddingham provide a written note to explain how it was calculated
- Discussed the impact of the valuation and the adjustment on employers, noting that stability of employer contributions was a key consideration
- Noted that information was shared with employers throughout the valuation process

RESOLVED 2023/010

That the report and the results of the triennial valuation of the Fund as at 31 March 2022 be noted.

5. REVIEW OF PENSION FUND STRATEGIES

Following the review of fund strategy documents, the report proposed revised versions of the following for the Committee's consideration:

- Administration Strategy
- Climate Strategy
- Communications Strategy and Plan
- Funding Strategy Statement
- Governance Compliance Statement
- Investment Strategy Statement
- Risk Management Strategy and Risk Register

During discussions:

- A question was raised about the frequency with which the risk register was shared with the Fund
- Noted an ongoing piece of work to review the risk register that would be reported to a future meeting of the committee
- Asked about the inclusion of cyber security and IT risks

RESOLVED 2023/011

That the revised Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents be approved

6. CLIMATE STEWARDSHIP PLAN

The report provided members of the Committee with an updated Climate Stewardship Plan for 2023/24 and reported on engagement that had been undertaken as part of the 2022/23 Climate Stewardship Plan.

RESOLVED 2023/012

That the updated Climate Stewardship Plan for 2023/24 and engagement undertaken as part of the 2022/23 Climate Stewardship Plan be noted.

7. REVIEW OF PROGRESS ON THE CLIMATE ACTION PLAN

The report updated members on progress made against the Climate Action Plan.

RESOLVED 2023/013

1. That work undertaken on the delivery of the Climate Action Plan be endorsed.
2. That progress made against the Climate Action Plan be noted.

8. TREASURY MANAGEMENT OUTTURN 2022-23

The report gave an overview of the Pension Fund's treasury management activities for 2022/23.

During discussions, Members:

- Noted how the returns achieved by Nottinghamshire Pension Fund compared with other funds in the LGPS Central group

RESOLVED 2023/014

That the Outturn Statement as set out in the report be approved.

9. PROXY VOTING

The report informed members of the voting of equity holdings in the final quarter of 2022 (calendar year) as part of its ongoing commitment to the UK Stewardship Code.

During discussions, Members:

- Noted an example of Central's voting on shareholder resolutions at the Tesla AGM

RESOLVED 2023/015

That the contents of the report be noted.

10. LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

The report summarised key matters that were discussed at the Local Authority Pension Fund Forum business meeting held on 25 January 2023.

RESOLVED 2023/016

That the contents of the report be noted.

11. LOCAL AUTHORITY PENSION FUND FORUM CONFERENCE

The report summarised the presentations that were delivered at the Local Authority Pension Fund Forum Annual Conference, which was held in December 2022.

A number of typographical errors were identified in the report and officers agreed to produce an updated version with the errors corrected.

RESOLVED 2023/017

1. That the Nottinghamshire Pension Fund Committee should continue to attend appropriate conferences to enable members to be kept up to date with key national topics relating to investments.
2. That the contents of the report be noted.

12. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE CONFERENCE

The report summarised the presentations that were delivered at the Local Government Pension Scheme Governance Conference, which was held in January 2023.

RESOLVED 2023/018

That the contents of the report be noted.

13. WORK PROGRAMME

RESOLVED 2023/019

That the work programme be agreed.

The meeting concluded at 11:20am

CHAIR

8 June 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 2 March 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@nottsc.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

16th May 2023

Market Commentary

1. Three months ago I said that the risk of a recession seemed to have receded and policy-makers were managing to balance on their tight-rope of maintaining growth while bearing down on inflation. I commented that my personal view was more pessimistic, but that the consensus was against me.
2. Since then there have been a series of United States bank failures, starting with Silicon Valley Bank in California. Under the current fractional reserve banking system (i.e., where banks lend out a multiple of their deposits), all banks are reliant on maintaining trust. The loss of trust at SVB was caused by their holdings of long-term bonds, which have fallen substantially in value as yields have risen.
3. The United States Federal Reserve responded rapidly by confirming that all depositors at SVB would be covered by insurance so would lose no money. They did this because many SVB accounts comprised working capital for entrepreneurs and venture capital, who would immediately face a liquidity problem. If they failed, there would be numerous secondary effects on the economy. The Fed also expanded its balance sheet (i.e., renewed Quantitative Easing) massively to head off further bank failures.
4. The jury is still out on the latter, as three other U.S. banks have subsequently also failed and been taken over. The decision to guarantee all deposits has led to a debate on moral hazard and whether the state should act as a guarantor of last resort. Ultimately the burden falls on the taxpayer.
5. In Europe, for different reasons, Credit Suisse lost its depositors' trust and was taken over by UBS. The Swiss authorities disenfranchised shareholders in order to effect a rapid rescue, which inverted the normal credit hierarchy: equity holders received a return while AT1¹ bondholders did not.

¹ Additional Tier Bonds were issued to provide additional capital at times of stress. They pay much higher rates of interest but in theory can be cancelled if, as here, the bank is subject to an extreme event. The case will certainly be subject to legal debate.

6. Inflation has continued to fall in most countries, partly because the price of energy has subsided. U.S. headline inflation is now below 5%. However, food price inflation remains very sticky, and as a result U.K. inflation still stands at over 10%. Markets continue to expect inflation to fall to the 2 to 3% range by the end of the year, but I note that it is still on a rising trajectory in Japan and parts of Europe.
7. Central banks are continuing their policy of raising rates to try to keep inflation down, but at the same time using their balance sheets to keep the financial system liquid and try and prevent more bank failures. Both bond and equity markets have risen in consequence, as some of this excess liquidity has flowed in their direction.
8. U.S. rates are now 5%, compared to 0.25% eighteen months ago. As a result the U.S. bond yield remains highly inverted (i.e., long term bonds yield less than short term ones), which is normally a firm predictor of a recession ahead. In this context the U.S. 1st Quarter corporate earnings showed a decline, the first since the onset of the COVID lockdowns. However, it is worth noting that the large tech stocks which dominate the market in the main beat their forecasts.
9. Looking forward, as last quarter, the fundamentals still look difficult. Growth in the west is at best going to be anaemic at around 1% over the next two years and a fall into recession is still possible. Emerging markets, led by China, will grow much faster, at about 4 to 5%, and their rate of growth will at the margin determine the overall outcome.
10. The uncertainty over the future course of inflation poses a conundrum for investors. If the authorities are right and it falls to levels around 2%, then cash and bonds provide a real return and yields are likely to fall too. Listed equities also historically do better in lower (but not very low) inflation environment valuations. On the other hand, the valuations of private assets have yet to be verified because of the lack of exit transactions, and there is room for disappointment.
11. If, however, inflation remains high, investors will look to purchase real assets such as real estate in order to provide some protection and will shun financial assets.
12. I do expect inflation to subside, while remaining higher in the U.K. than other countries because of the various supply side bottlenecks. I expect the extent of the rise in interest rates will inevitably tip western economies into recession at some point. However, central banks have made it clear they will use Quantitative Easing to offset the economic impact of financial crises while continuing to keep rates high. That probably swings the main scenario for financial markets closer to a benign one. While another major leg downwards is still possible, I have moved closer to the consensus in expecting markets to maintain their current levels.

**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@nottsgov.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 25 May 2023)

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Report Author</u>
6 July 2023		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LGPS Central Pooling Update		
Annual Administration Performance Report	An update on Pensions Administration's performance for 2022/23	Jon Clewes
Local Pensions Board Annual Report	The Annual Report of the Local Pensions Board summarising its work 2022/23	
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
Results of Guaranteed Minimum Pension reconciliation		Jon Clewes
14 September 2023		
Pensions and Lifetime Savings Association (PLSA) Local Authority Conference 2023	Key themes from the conference	Nigel 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
12 October 2023		
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 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
14 December 2023		
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
11 January 2024 (Annual General Meeting)		
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	
7 March 2024		
Strategic asset allocation working party report	Report on the discussions and recommendations arising from the January working party meeting on the Fund's	Tamsin Rabbitts

	Strategic Asset Allocation and Investment Strategy and any other issues discussed	
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
18 April 2024		
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	
13 June 2024		
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
11 July 2024		
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 Aegon
Treasury management outturn 2023/24	Summary of Treasury management activity for the year ended 31 March 2023	Ciaran Guilfoyle
To be placed		
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

8 June 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 31 March 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 31 March 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.

	Latest Quarter		Long term	Previous Quarter		Previous Year	
	31 Mar 2023		Benchmark	31 Dec 2022		31 Mar 2022	
	£m	%		£m	%	£m	%
Growth	4,008	62.3%	60%	3,879	61.2%	3,985	60.6%
Inflation Protection	1,601	24.9%	28%	1,582	25.0%	1,583	24.1%
Income	633	9.8%	10%	620	9.8%	699	10.6%
Liquidity	194	3.0%	2%	259	4.1%	311	4.7%
	6,436	100.0%	100%	6,340	100.0%	6,578	100.0%

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 £508.1m or 7.9% of the fund. If funds committed but not yet drawn down are included, the allocation to infrastructure would total 9.9% of the fund. Following the decisions made by Pension Fund

Committee in March 2022 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 31 March 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	%
Growth														
UK Equities	448.6	35%	664.6	38%	0.0	0%					0.0	0%	1,113.2	17%
Overseas Equities														
North America	255.7	20%	667.1	38%							0.0	0%	922.8	14%
Europe	255.5	20%	137.5	8%							167.0	11%	560.0	9%
Japan	123.6	10%	61.0	3%							72.4	5%	257.0	4%
Pacific	124.2	10%	51.5	3%									175.7	3%
Emerging Markets	79.4	6%	99.8	6%	130.7	11%					0.0	0%	309.9	5%
Global	0.0	0%	69.7	4%	357.2	30%					0.0	0%	426.9	7%
	838.4	65%	1,086.6	61%	487.9	41%					239.4	15%	2,652.3	41%
Private Equity					30.5	3%					211.7	14%	242.2	4%
Inflation protection														
Property														
UK Commercial									339.2	63%			339.2	5%
UK Commercial - Local									30.1	6%			30.1	0%
UK Strategic Land									25.5	5%			25.5	0%
Pooled - UK									37.5	7%	195.1	13%	232.6	4%
Pooled - Overseas									103.8	19%	35.9	2%	139.7	2%
									536.1		231.0	15%	767.1	12%
Infrastructure					103.1	9%					404.9	26%	508.0	8%
Inflation Linked											326.3	21%	326.3	5%
Income														
UK Bonds														
Gilts					133.6	11%							133.6	2%
Corporate Bonds					133.6	11%							133.6	2%
Overseas Bonds														
Corporate Bonds					296.1	25%							296.1	5%
					296.1	25%							296.1	5%
Credit					143.5	12%					59.6	4%	203.1	3%
Liquidity														
Cash/Currency	0.0	0%	20.8	1%	0.2	0%	0.0	0%	0.0		86.3	6%	107.3	2%
Short bonds							86.7	100%					86.7	1%
Total	1,287.0	20%	1,772.0	28%	1,194.9	19%	86.7	1%	536.1	8%	1,559.2	24%	6,435.9	
Previous Qtr Totals	1,237.1	20%	1,737.3	27%	1,155.2	18%	103.3	2%	535.9	8%	1,571.4	25%	6,340.2	

7. The value of the Fund's investments has increased by £95.7 million (1.5%) since the previous quarter. Over the last 12 months the value has decreased by £142.1 million (-2.2%).

8. The table below shows the unaudited Fund Account for 2022/23 with the audited full year figures for 2021/22.

Summary Fund Account	Full Year 2022/23 £000	Full Year 2021/22 £000
Employer contributions	(175,315)	(165,539)
Member contributions	(54,643)	(51,127)
Transfers in from other pension funds	(18,937)	(5,860)
Pensions	197,937	186,770
Commutation of pensions and lump sums	36,224	34,297
Lump sum death benefits	6,202	6,945
Payments to and on account of leavers	17,991	8,893
Net (additions)/withdrawals from dealings with members	9,459	14,379
Administration Expenses	2,687	3,246
Oversight & governance expenses	1,701	1,531
Investment management expenses	21,838	20,657
Investment Income	(90,118)	(94,147)
Profits & losses on disposals & changes in value	204,164	(430,524)
Taxes on income	404	295
Net Returns on Investments	114,450	(524,376)
 Net (increase)/decrease in net assets	 150,135	 (484,563)

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.

	Latest Quarter		Previous Quarter		Previous Year	
	31 Mar 2023		31 Dec 2022		31 Mar 2022	
	£m	% of Fund	£m	%	£m	%
Schroders Fossil fuel	103.8	1.61%	111.6	1.76%	129.4	1.97%
Other Fossil fuel	90.8	1.41%	93.8	1.48%	82.1	1.25%
Total Fossil fuel	194.5	3.02%	205.4	3.24%	211.5	3.21%
Sustainable & Renewable	823.4	12.79%	785.0	12.38%	486.4	7.39%

11. The previous year comparison relates to the quarter-end immediately following the Russian invasion of Ukraine which caused constraint in oil and gas supply and increased energy prices globally. Despite more recent easing in prices, 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 invasion. Schroders lost £2.3m on their Oil and Gas holdings during the quarter.
12. Schroders holds 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, Neste, has a strong line-up of low carbon energy products.
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, whilst the data provided should show the Fund's exposure to fossil fuels reducing over time, it can only be an indicative part of 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. As the Fund implements our long-term investment strategy these figures are projected to reduce, reflecting some further mitigation of climate change risk.
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 identified 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. A gradual increase in the amount invested in this area has been demonstrated over the last year and this will increase as our Strategic Asset allocation is implemented.
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).

	31 Mar 2023			31 Dec 2022		
	Portfolio		B/Mark	Portfolio		
	£000	%	%	£000	%	
UK Equities	448,630	34.9%	35%	435,123	35.2%	
Overseas Equities:	838,347	65.1%	65%	802,014	64.8%	
North America	255,698	19.9%	20%	244,662	19.8%	
Europe	255,513	19.8%	20%	234,898	19.0%	
Japan	123,582	9.6%	10%	119,669	9.7%	
Pacific Basin	124,167	9.6%	10%	123,601	10.0%	
Emerging Markets	79,387	6.2%	5%	79,184	6.4%	
Cash	0	0.0%	0%	0	0.0%	
Total	1,286,977			1,237,137		

22. The table below summarises transactions during the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities			0
Overseas Equities			
North America			0
Europe		0	0
Japan			0
Pacific Basin			0
Emerging Markets	0	0	0
Totals	0	0	0

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.

	31 Mar 2023			31 Dec 2022		
	Portfolio		B/Mark	Portfolio		
	£000	%	%	£000	%	
UK Equities	664,622	37.5%	40.0%	665,753	38.3%	
Overseas Equities	1,086,629	61.3%	59.5%	1,023,795	58.9%	
North America	667,081	37.6%	36.3%	613,962	35.3%	
Europe	137,491	7.8%	7.0%	133,963	7.7%	
Japan	60,956	3.4%	3.5%	60,088	3.5%	
Pacific Basin	51,537	2.9%	2.9%	49,155	2.8%	
Emerging Markets	99,844	5.6%	5.8%	98,410	5.7%	
Global Small Cap	69,720	3.9%	4.0%	68,217	3.9%	
Cash	20,821	1.2%	0.5%	47,784	2.8%	
Total	1,772,072			1,737,332		

24. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	14,801	33,233	-18,432
Overseas Equities			
North America	112,186	78,726	33,460
Europe	25,313	36,147	-10,834
Japan	5,862	5,398	464
Pacific Basin	2,609	0	2,609
Emerging Markets	0	0	0
Global Small Cap	0	0	0
Totals	160,771	153,504	7,267

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.

	31 Mar 2023		31 Dec 2022	
	Portfolio		Portfolio	
	£000	%	£000	%
Global equity	357,228	30%	338,700	29%
EM equity active	130,719	11%	128,903	11%
Corporate bonds	296,110	25%	289,192	25%
Gilts	133,618	11%	130,444	11%
Private Equity	30,543	3%	27,817	2%
Infrastructure	103,126	9%	99,814	9%
Credit	143,468	12%	140,250	12%
Cash	177	0%	128	0%
Total	1,194,989		1,155,248	

26. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Bonds			
Gilts	53,682	53,173	509
Corporate Bonds	0		0
Equities			
UK	0		0
Global	0		0
Emerging Markets	0		0
Private Equity	2,010		2,010
Infrastructure	1,563		1,563
Credit			0
Totals	57,255	53,173	4,082

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
30/01/2023	Unit 1 Centurion Business Park, Blenheim Industrial Estate	Deed of Surrender
30/01/2023	Unit 4 Brooke Park, Handforth	Licence to Alter
21/02/2023	Gallowgate, Glasgow	Rent Review Memorandum
02/03/2023	Unit 4B & 4C Isabella Court, Mansfield	Lease
07/03/2023	Unit 3 Crosspoint Business Park, Coventry	Settlement Agreement
16/03/2023	Unit A Brook Park, Handforth	Lease
31/03/2023	Plot 6100 Richardson Way, Crosspoint Business Park, Coventry	Lease

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.

	31 Mar 2023		31 Dec 2022	
	£000	%	£000	%
Private Equity	211,700	14.4%	222,000	15.2%
Infrastructure	404,900	27.5%	385,800	26.4%
Credit	59,600	4.0%	60,400	4.1%
Property Funds	231,000	15.7%	234,700	16.0%
Aegon DGF	326,300	22.2%	325,800	22.3%
Equity Funds	239,400	16.3%	234,500	16.0%
Total	1,472,900		1,463,200	

29. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Private Equity	-5,931	1,346	-7,277
Infrastructure	11,980		11,980
Credit			0
Property Funds	3,960		3,960
Aegon DGF			0
Equity Funds			0
Totals	10,009	1,346	8,663

Significant investments related to increasing the Fund's listed infrastructure holdings in TRIG and Impax Environmental. A capital distribution was received from the Dorchester Secondary credit fund (within Private Equity), accounting for the negative purchase.

Responsible Investment Activity

30. 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.

31. 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 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>.
32. The Committee received Climate related training on green bonds and members and officers attended the LGPS Central RI Summit in March 2023.
33. Hermes EOS has exercised the Fund's voting responsibilities as its Proxy voting service. A quarterly report on voting activity can be found on the Fund's 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 its quarterly engagement report which can be accessed on the Fund's (or on LAPFF's) website. LAPFF business meetings were attended.
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 LGC Investment Seminar was attended by the Independent Adviser, and by an officer remotely for some of the sessions. Several sessions related to various aspects of responsible investment. The LGPS Central pool Responsible Investment Working Group was attended in January 2023 and considered such issues as biodiversity, TCFD reporting and stewardship and plans for the Responsible Investment Summit in March 2023.
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) It is recommended that Members note the contents of the report.

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 25/5/2023)

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

