Nottinghamshire County Council

Nottinghamshire Pension Fund Committee

Thursday, 08 October 2020 at 10:30

Virtual meeting, https://www.youtube.com/user/nottscc

AGENDA

EXEMPT APPENDIX

Climate Risk Analysis EXEMPT Appendix

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

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

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

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

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 10 September 2020 at 10.30 am

membership
Persons absent are marked with `A'

COUNCILLORS

Eric Kerry (Chairman)
Stephen Garner (Vice Chairman)

Reg Adair
Chris Barnfather
Tom Hollis
Sheila Place
Mike Pringle
Francis Purdue-Horan
Parry Tsimbiridis

Non-voting members:

Nottingham City Council

Councillor Graham Chapman
Councillor Anne Peach
A - Councillor Sam Webster

Nottinghamshire Local Authorities' Association

A (pm) - Councillor David Lloyd, Newark and Sherwood District Council
A (am) - Councillor Gordon Moore, Rushcliffe Borough Council

Trades Unions

Mr A Woodward
Mr C King

Scheduled Bodies

A - Mrs Sue Reader

Pensioners' Representatives

Mr T Needham
Vacancy

Independent Adviser

William Bourne

Officers in Attendance

Pete Barker	(Chief Executive's Department)
Jon Clewes	(Chief Executive's Department)
Keith Palframan	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)

1. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN

That the appointment of Councillor Eric Kerry as Chairman and Councillor Stephen Garner as Vice-Chairman of the Nottinghamshire Pension Fund Committee for the 2020-21 municipal year be noted.

2. COMMITTEE MEMBERSHIP

That for the municipal year 2020/21 the membership of the Committee as stated below be noted:

Voting members:

Nottinghamshire County Council

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

Non-voting members:

Nottingham City Council

Councillors Graham Chapman, Anne Peach and Sam Webster.

District / Borough Council Representatives

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

Trades Unions

Mr Chris King

Mr Alan Woodward (incorrectly stated as Mr Andy Woodward in the papers for the meeting)

Scheduled Bodies

Mrs Sue Reader – Nottingham Trent University

Pensioners' Representatives

Mr Terry Needham
Vacancy

3. MINUTES

The minutes of the last meeting held on 12 March 2020, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

4. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Webster and Mrs Reader.

Apologies were also received from Councillor Lloyd AND Mr Woodward who were unable to attend the closed part of the meeting, and from Councillor Moore who was unable to attend the open part of the meeting.

Councillor Hollis replaced Councillor Smith on a permanent basis.

5. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

There were no declarations of interest.

6. PENSIONS ADMIN PERFORMANCE REPORT

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

RESOLVED 2020/029

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

7. TRANSFORMING PENSIONS ADMIN – UPDATE REPORT

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

RESOLVED 2020/030

1) That the proposed scope of the future phases of the data improvement workstream be approved.

2) That the recharge of the costs of £419,928 for the next phases of the data improvement workstream of the transformation programme to the Pension Fund be approved.

3) That Committee receive ongoing update reports on the progress of the programme.

8. IMPLICATIONS OF THE McCLOUD JUDGEMENT

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

RESOLVED 2020/031

1) That Committee receive further update reports as the project becomes clearer following the consultation on the national proposals.

2) That the establishment of a temporary project manager post for two years be approved and a further a report on the proposed resource requirements of a McCloud project team be submitted.

9. McCLOUD CONSULTATION COVER REPORT

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

RESOLVED 2020/032

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

10. GMP RECONCILIATION EXCECISE WITH HMRC – UPDATE REPORT

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

RESOLVED 2020/033

1) That the continuation of the GMP Reconciliation Project and the allocation of the required resources as set out in the body of the report to complete the calculation, communication and rectification phases of the reconciled HMRC data file, to ensure the Fund is able to meet its statutory requirements, be approved.

2) That the extension of the Project Manager Post for a further period of 12 months from October 2020 to September 2021 be approved.

3) That Committee receive an update report on the rectification stage once an assessment of the HMRC data has been completed.

11. WORK PROGRAMME

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

RESOLVED 2020/034

That a report on the LAPF Strategic Forum be submitted to the October meeting of Committee.

12. CLIMATE RISK ANALYSIS – PROGRESS REPORT

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

RESOLVED 2020/035

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

13. FUND VALUATION AND PERFORMANCE

Mrs Rabbitts introduced the report and informed Committee that in paragraph 18 of the report, the total net purchases figure for Emerging Markets had been omitted from the total in error and confirmed that the correct total Net Purchases figure in the table should be 135,064.

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

RESOLVED 2020/036

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

14. INDEPENDENT ADVISER'S REPORT

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

RESOLVED 2020/037

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

15. EXCLUSION OF THE PUBLIC

RESOLVED: 2020/038

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

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

EXEMPT INFORMATION ITEMS

16. FUND VALUATION AND PERFORMANCE

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

RESOLVED 2020/039

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

17. FUND MANAGERS' PRESENTATIONS

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

RESOLVED: 2020/040

That no further actions are required as a direct result of the contents of the presentations delivered by Aberdeen Standard Investments, LGPS Central and Schroders Investment Management.

The meeting concluded at 3.48pm

CHAIRMAN

Nottinghamshire County Council

Report to Pension Fund Committee

8 October 2020

Agenda Item: 4

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 two quarters of 2020 (calendar year) as part of this ongoing commitment.

Information

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, highlights the responsibilities that institutional investors have with regard to the ‘long-term success of companies in such a way that the ultimate providers of capital [in this case, the Nottinghamshire Pension Fund] also prosper’. These responsibilities include, among other things, having a clear policy on voting and on the disclosure of voting activity. The *Code* states that investors “should not automatically support the board”.

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 (replacing PIRC) in line with the voting principles of LGPS Central.

5. An overview of the Hermes EOS voting activity and analysis of the key issues during the quarters will be 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

6. LGPS Central's voting principles are gathered under five separate headings:

   - Boards with a long-term view
   - Transparent audit function
   - Shareholder rights
   - Fair remuneration
   - Miscellaneous

   The Appendix to this report outlines these principles in detail.

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

That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

Report Author:
Ciaran Guilfoyle
Investments Officer

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 08/09/2020)

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

Financial Comments (TMR 11/09/2020)

9. 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 2020
- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q2 2020
- Financial Reporting Council, *The UK Stewardship Code*, September 2012

LGPS CENTRAL LIMITED

Voting Principles

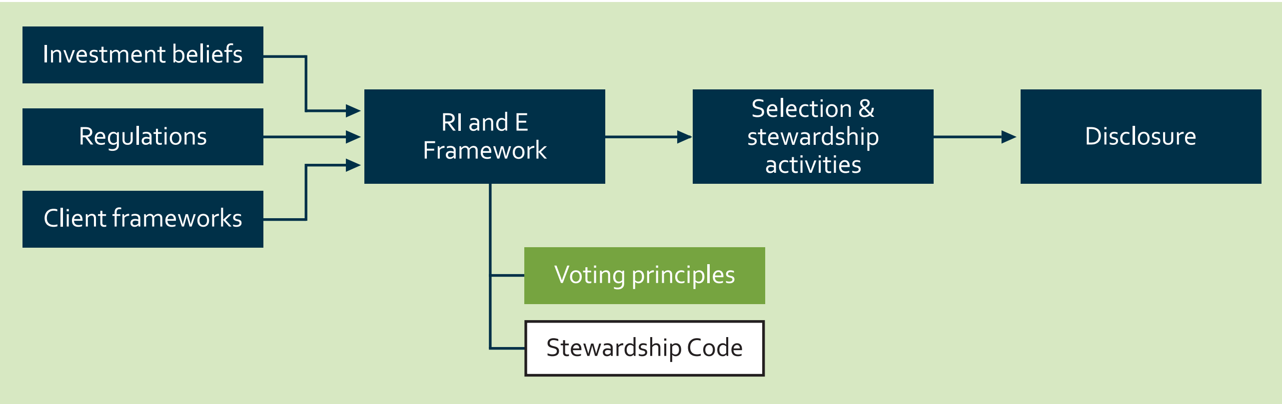
March 2019

1.0 INTRODUCTION TO LGPS CENTRAL LIMITED'S VOTING PRINCIPLES, MARCH 2019

1.1 ABOUT THIS DOCUMENT

This document describes LGPS Central Limited's ("the Company") approach to exercising its delegated voting rights at the shareholder meetings of companies based in the UK. For non-UK securities the Company currently applies the international voting guidelines of its chosen proxy research provider. The principles in this document apply to voting rights attached to securities held in the Company's Authorised Contractual Scheme ("ACS"). As detailed in the Company's UK Stewardship Code, voting is a core component of the Company's approach to investment stewardship. This document is owned by the Company's Director of Responsible Investment & Engagement, and is implemented by the Investment Team, with ultimate responsibility resting with the Executive Committee. It is subject to annual review by the Board of the Company.

Figure 1: The Voting Principles in context



1.2 RESPONSIBLE INVESTMENT AND VOTING AT LGPS CENTRAL LIMITED

Using our clients' investment beliefs, the Company has published a Responsible Investment and Engagement Framework which sets two aims: (1) primarily, to support the Company's investment objectives; (2) secondarily, to be an exemplar for responsible investment (RI) within the financial services industry and raise standards across the marketplace. A three-pillar framework supports these aims. The pillars are *Selection*, *Stewardship*, and *Transparency & Disclosure*. Voting is a core component of the Company's approach to Stewardship.

LGPS CENTRAL LIMITED VOTING PRINCIPLES (UK), MARCH 2019

2.0 CORPORATE GOVERNANCE, STEWARDSHIP AND VOTING IN THE UK

Consistently with its approach to RI, the Company's principles regarding corporate governance, stewardship and voting in UK markets are informed by the Company's fiduciary responsibilities and, by extension, those of its clients and partner funds. The Company uses its voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

2.1 UK CORPORATE GOVERNANCE CODE

The Company supports the UK Corporate Governance Code ("the Code") and believes that strong standards of corporate governance translate ultimately into healthy and stable financial markets. UK companies are expected to adhere to the Code and to provide high quality disclosure on the extent of compliance with the Code in the annual report. The Company does not view the Code as a corporate governance "straightjacket", and companies are encouraged to use the "explain" feature of the Code where particular circumstances make deviation from the Code appropriate. Such explanations should be sufficiently detailed and transparent. Beyond the Code's provisions, it is important that companies adhere to the spirit of the Code and that Boards feel empowered to make appropriate arrangements and disclosures that are suitable to the business in question. Rather than recapitulate the principles and provisions of the Code, this document focuses on areas of corporate governance and voting that require particular clarification.

2.2 CYCLICAL STEWARDSHIP

Voting is inherently linked to engagement, and the votes cast by the Company at company meetings will typically reflect the outcomes of engagement activities during the year in review. Equally, a voting decision can set the tone for subsequent engagement. A vote is a process, not an event, and the Company's approach may be described as "cyclical stewardship". The Company's intention is that its voting decisions do not come as a surprise to our investee companies, and dialogue with companies facilitates this, and develops a two-way relationship of trust. Where the Company takes the decision to not support a resolution, this should be interpreted by the Boards of companies as an expression of strong and conscious dissatisfaction, not as a mechanical or thoughtless matter of routine. In order to send a strong signal, the Company makes a limited, tactical use of abstain.

2.3 MARKET TRANSFORMATION

The Company recognises its role as a large, diversified and long-term investor. It has an interest in improving the standards of corporate governance within financial markets and aspires to act, therefore, in a leadership role. Where certain standards or targets set the "minimum" (for example in matters relating to the diversity of company boards) the Company will consider voting beyond the minimum (for example by requiring a faster rate of progress on diversity within company boards). The Company's voting and stewardship activities are supported by its membership of various partnership organisations.

2.4 VOTING PROCEDURES

The Company engages a proxy research provider to analyse and provide advice relating to the Company's voting opportunities, consistently with the Company's policies. The provider also executes the Company's votes through the relevant intermediaries.

The Company has an active securities lending programme. To ensure that the Company is able to vote its shares at important meetings, it has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Company monitors the meetings and proportion of the securities on loan, and will restrict and/ or recall lent stock in select circumstances, with due consideration to the advantages of voting the shares versus the cost implications of recalling or restricting the loan of the stock.

The Company's voting decisions are arrived at through a collegiate approach, incorporating the views of members of the Responsible Investment & Engagement ("RI&E") Team and fund managers as appropriate for the company in question. The Company's votes are executed in compliance with its Conflicts of Interest policy.

2.5 VOTING DISCLOSURE

The Company's disclosure of its Voting Principles, and its voting outcomes, supports the Company's ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising the Company's voting activities is provided on a quarterly basis in the Company's *Quarterly Stewardship Report*. Secondly, the Company reports an annual summary of its voting activities, as well as other aspects of RI. Thirdly, the Company discloses its voting decision for every resolution at every eligible company meeting via the Company website. Each of these disclosures is available to the public.

From time to time the Company might choose to "pre-declare" its voting intentions for particular resolutions. This might include declarations made through third party platforms, such as the platform administered by the Principles for Responsible Investment.

3.0 VOTING PRINCIPLES

The principles below describe the broad parameters the Company will consider before casting its votes. They are supplementary to the principles and provisions of the Code, which is fully supported by the Company. It is not possible for one document to cover every eventuality and this document's ambition is to serve as a guide. The Company will override the guidelines below where this is deemed to be in the long-term economic interests of the Company's stakeholders. Where issues are insufficiently addressed by the Code or by this document, the Company will come to a decision using internal research and the advice of the Company's chosen proxy research provider.

3.1 A GREAT BOARD WITH A LONG-TERM VIEW

PRINCIPLES

Composition & committees
Good governance starts with a great board. Led by the Chair and/or the chair of the Nominations Committee, we expect our investee companies to appoint an effective board of directors whose combined expertise is a key strategic asset to the company. We believe the most effective boards include a diversity of skills, experiences and perspectives. Through our voting decisions (and otherwise) we support the Davies Review, the Hampton-Alexander Review and the Parker Review. Board members should be able to devote sufficient time to their directorship, should refrain from becoming "overboarded" and should attend all relevant meetings including committee meetings (audit, nomination, remuneration or other). Non-attendance should be explained in the Annual Report. Overboarded directors will not be supported, even if they are from demographics that are currently underrepresented in UK boardrooms. The board should demonstrate collective awareness of material short, medium and long-run risks including, where material, climate change. The Chair should ensure the board is of an appropriate size and, while the Company is not prescriptive on board size, would consider boards of 5 or fewer members, or boards of sixteen or more members, as red flags warranting further analysis. In line with the Code we expect the majority of board members, excluding the Chair, to be independent according the criteria defined in the Code. Independence is not, however, a sufficient condition for the support of a director's election or re-election: each director must offer a valuable contribution to the functioning of the board. With regards to the so-called "nine year rule" of independence: whilst we include "a tenure of fewer than nine years" among our criteria for independence, we fully support directors that make valuable contributions to the boardroom, even if their tenure exceeds this guideline.

Consistently with the Code, boards should include nomination, remuneration, and audit committees. The latter two board committees should be composed solely of independent non-executive directors who have served on the board for at least a year, and participation by executives in these committee meetings should be by exceptional invitation only and explained in the annual report. Both the audit and the remuneration committee should have at least three members. The annual report should include a clear report from each committee Chair explaining the issues the committee has prioritised during the year in review, outlining progress made without recourse to boiler-plate language. Particular attention is paid to the overboarding of audit committee members owing to the requirement to read financial papers in sufficient detail. External advisors on remuneration and audit should be accountable to the committees, and details should be disclosed in the annual report including the nature of services provided and whether the advisor provides additional services. Conflicts of interest relating to external advisers should be disclosed and managed effectively. The Company supports the creation of additional committees that are appropriate to the business model in question, but we do not support unwarranted layers of governance, or the outsourcing of important issues to less experienced directors. We typically support board oversight of sustainability issues, either through committee structures or through individual responsibility. We support the election of employee representatives where this improves the quality of the board and accountability to stakeholders.

Leadership
The role of the Chair is of special significance, as is the relationship between the Chair and CEO. Accordingly we pay particular attention to our vote on the re-election of the Chair. We support the Code's principles and provisions in relation to the role of the Chair and the eligibility of candidates. In exceptional circumstances we will support an interim Executive Chair, but expect a cut-off date to be provided, along with the appointment of a Deputy Chair and/or a strong Senior Independent Director ("SID"). Such exceptions should be discussed with shareholders and a clear and convincing rationale must be disclosed. The SID is another role of significance and we would not usually support the re-election of a non-independent SID, where independence is defined as per the Code.

Effectiveness, evaluation & election process
The effectiveness of boards should be reviewed internally (by an independent director, usually by the SID) on an annual basis, and should be reviewed by an external party every three years. Companies should seek shareholder input into the process for determining board effectiveness, and the identity of the triennial external reviewer should be disclosed in the annual report. Boards and their committees should establish a suitable number of meetings per year and the location of the meetings should be appropriate to the business and to the residency of the board members. In order to preserve the board's accountability to shareholders, directors should be re-elected on an annual basis by majority vote (excepting controlled companies, where director re-election ought to follow the Code). Director biographies should be sufficiently detailed in order for voting shareholders to make an informed judgement, and the Nominations Committee reports should describe the contribution the director will make, or has made, to the board during the year

3.2 A TRANSPARENT AUDIT FUNCTION, SUPPORTING TRUE AND FAIR REPORTING

PRINCIPLES

The audit committee of the Board plays a critical role and votes pertaining to its composition and conduct carry particular importance for shareholders. The committee should be composed of at least three independent non-executive directors with recent financial experience, and each member should have been on the board for at least a year in order to become familiar with the business. Members of the audit committee should achieve 100% committee meeting attendance and the thresholds for overboarding are stricter for audit committee members than for other directors. Attendance by executives at audit committee meetings should be by invitation only and should be explained in the annual report. We expect the audit committee to take responsibility for reviewing internal audit controls.

A company should disclose its auditor tendering policy and details of the tendering process (when it occurs). The Company supports the EU's audit reforms, primarily that the external auditor should be independent and conflict-free (from the company and from audit committee members), and there should be regular tendering and rotation (at a minimum: tendering at least every 10 years, rotating every 20, with no re-appointment until at least four years following the rotation). The lead audit partner should be rotated and named in the annual report. Auditor fees must be clearly disclosed and non-audit fees should not exceed 50% of total fees. Where this limit is breached, the audit committee should plan for fee reduction. Companies should not provide auditors with limited liability or indemnification. The resignation of an auditor during the financial year should be clearly explained, as should any qualifications to the annual report. There should be no material omissions. The audit committee should ensure that adequate whistleblowing procedures are in place.

As with all elements of corporate disclosure, boilerplate should be avoided at all costs. Disclosures should be clear, relevant, as concise as possible and AGM materials should be available in English in sufficient time before the meeting. We will consider voting against the annual report where disclosure falls short of the mark. We support the FRC's guidance on risk management, internal control and related financial and business reporting.

The statement of viability should be clearly disclosed. Companies should provide sufficient disclosure on material and emerging risks across a suitably long-term horizon. "Long-term" should relate to the company's business cycle and should never be limited to the next twelve months. Aside from a description of risks, the strategic report should detail the contribution and composition of the company workforce.

3.3 STEWARDING OUR CAPITAL, PROTECTING SHAREHOLDER RIGHTS

PRINCIPLES

We aim to be responsible stewards of the capital bestowed on us by our clients. In turn, we expect companies to steward the capital we provide to them with care and concern for long-term outcomes. We would like our companies to be granted the flexibility to manage their capital structure effectively and raise additional capital where necessary in a timely and cost-efficient manner. We are against giving companies unlimited authorisation to raise capital unless there is a sufficiently compelling case. We encourage companies to use the 14-day General Meeting ("GM") facility to raise extraordinary, unanticipated volumes of capital and expect prior dialogue with shareholders.

Securities that are accompanied by shareholder rights are more valuable than securities lacking these rights. Clearly, we wish to preserve or enhance this value, not fritter it away. We avoid, therefore, the unnecessary dilution of our shares and seek to preserve our rights of pre-emption. We expect resolutions pertaining to capital decisions to be split out on the proxy statement, rather than "bundled" into one resolution. We will not typically approve the creation of non-voting shares and usually vote against attempts by controlling shareholders to increase the differential between his or her level of equity ownership and voting control. Stock splits are approved on a case-by-case basis with reference to the justification disclosed by the company.

Companies ought to disclose clear dividend policies. Dividends should be sufficiently covered and put to shareholder vote. Uncovered dividends should be accompanied by an explanation covering the sustainability of the dividend or distribution policy. Companies proposing scrip issues should offer a cash dividend option. Companies ought to explain why a share buyback programme is the most appropriate method of returning cash to shareholders, including the circumstances in which a buyback will be executed. The Company pays particular attention to share buyback programmes that could affect remuneration structures through the influence on earnings per share ("EPS") measurements: such structures must be buyback-neutral and buyback authorities must be within acceptable limits, expiring no later than the following AGM. The Company will typically vote against waivers of Rule 9 of the Takeover Code.

We are unlikely to support article changes that materially reduce shareholder rights. The Company is strongly opposed to virtual-only AGMs and views as fundamental the right to attend shareholder meetings in-person. We typically oppose resolutions seeking authority to limit the jurisdiction that applies to dispute resolution.

Merger and acquisition decisions are made on a case-by-case basis, with reference to the long-term economic interest of scheme members and compliance with the Company's Conflicts of Interest Policy. Decisions are arrived at through a collegiate approach including the RI&E Team and portfolio managers as relevant for the company in question. The Company will consider supporting transactions with the following characteristics: long-term benefits to shareholders, good quality disclosure, high quality management, supportive independent advice, approval of the independent directors. We seek to determine whether the deal yields a good strategic fit, and we value prior engagement with shareholders. We think poison pills should be generally discouraged and we do not support poison pills that entrench management or damage shareholder value. Introductions of poison pills should be clearly explained and put to shareholder vote. By contrast, poison pill redemption resolutions are generally supported. We will usually vote at courts and classes in a consistent manner with our GM vote.

The Company does not support resolutions seeking authority to make political donations, where the recipients are likely to be political parties or lobbying organisations of concern.

When it comes to capital, smaller companies might be afforded greater flexibility, depending on circumstance.

3.4 FAIR REMUNERATION FOR STRONG PERFORMANCE THROUGH THE CYCLE

PRINCIPLES

General
For the majority of the Company's UK listed investee companies, shareholders are entitled to vote annually on an advisory basis on the remuneration report and (typically) every three years on the remuneration policy (where the voting outcome is binding). Our voting decisions recognise that remuneration is contextual, rather than one-size-fits-all. Companies need flexibility to design and apply remuneration structures appropriate to the business in question. There is no requirement for remuneration structures to follow traditional models if more appropriate models can be found. Whilst the structure of remuneration policies is of prime importance, we are also concerned about the quantum of pay. Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company. Levels of executive remuneration that are, or are perceived to be, excessive and unfair can be demotivating to staff and reputationally damaging to the company. Executive pay should be considered in the context of overall workforce pay and in the context of the long-term financial needs of the company, its ability to meet its dividend policy and its ongoing requirement for capital investment and R&D. Remuneration structures should be simple and easy to understand for both shareholders and executives, who need clear lines of sight as to their objectives.

Governance
A remuneration committee, composed solely of independent non-executive directors, should design and apply appropriate remuneration structures and should enter into dialogue with shareholders and employee representatives. The outcome of consultations should be made known in advance of the AGM, such that policy changes do not come as a surprise to engaged shareholders or employee representatives. Any advisors to the remuneration committee should be disclosed with an explanation of the advice provided. Multiple relationships with the company should be transparent and the external auditor should not normally perform the role of remuneration advisor. The committee should feel empowered to apply discretion appropriately (including increases and decreases) and should be aware that it is possible to gain shareholder trust through the use of restraint. Where the remuneration report or policy receive large votes against (which we currently consider to be more that 20% oppose votes among minority interests), the company should consider changes to the remuneration committee, engaging shareholders and changing remuneration advisors. The output of the remuneration committee – including remuneration policies and reports – should exhibit intelligent design and proactivity. This can be achieved through appropriate departures from traditional remuneration models including Long Term Incentive Plans ("LTIP"). The remuneration committee and the nomination

committee should work together on succession planning and at an early stage of the recruitment process should start to design appropriate remuneration for incoming executives. We view exceptional payments as indicative of poor planning by the remuneration committee.

Disclosure

The Chair of the remuneration committee should author a detailed but intelligible report outlining the work undertaken during the year and, where relevant, how the committee has responded to significant levels of opposition votes. Disclosures should clearly relate remuneration structures to business strategy and should relate the levels of award to company performance, strategy, financial liabilities and overall workforce conditions. Any use of discretion should be fully explained. The median and maximum awards under the bonus scheme and incentive plans should be clear, as should the effect on EPS-based targets of share buyback schemes. The targets for variable pay, for this year and next, should be disclosed (there should be retrospective disclosure if the targets are commercially sensitive).

Structure and fairness

Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company.

An executive's base salary should reflect his or her role and level of responsibility. Base salary should not increase significantly without a clear, compelling and exceptional justification. The rate of salary should not be solely or mainly based on quartile comparison, and we would expect salary benchmarking to occur once every three years at a maximum. Salary increases should be set in the context of wage increases to the median worker. The remuneration committee should understand how base pay increases affect the total level of pay now and in the future. Contracts should be agreed on a 12 months basis.

Annual bonuses should have stretching, declared targets that link to company strategy. There should be consistency with the targets given prominence in the strategic report. Performance against targets should be disclosed in the remuneration report. In determining targets for variable pay, the remuneration committee should consider strategic, financial and non-financial measurements, and companies with high levels of ESG (environmental, social or governance) risk should consider using ESG metrics with appropriate weightings. In general, bonuses should be reduced from their current levels, and maximum and median rewards under annual bonuses should usually be lower than rewards within LTIP schemes, reflecting the dominance of the long-term over the short-term. The payment of a significant proportion of the annual bonus in deferred shares is welcomed where this improves alignment with shareholders, does not risk excessive dilution, and includes a suitable holding period. If a company experiences a significant negative event, bonus sanction should be considered even if the annual targets were met.

Incentive schemes should be transparent, understandable, long-term and appropriate to the circumstances and strategy of the company. For reasons of simplicity, companies should avoid having more than one active incentive plan. Performance conditions should ensure there is no reward for failure, nor for luck, and sufficient clawback and malus provisions should be designed and applied. The performance measurement period should have a minimum of three years, with a vesting period a minimum of three years from grant. Companies operating in sectors with long-term investment horizons should consider a performance period of more than three years. We are concerned that, despite the wide range of business models and investment horizons across UK listed companies, there are too many standard LTIP schemes with common vesting periods and performance targets, and we think this reflects a lack of intelligent design by remuneration committees. Committees should give thought to not having an LTIP and rewarding executives through a single bonus scheme which pays out in deferred shares with a holding period, based on stretching performance targets. Whether contained in an LTIP or otherwise, performance targets should not reward below-median performance and threshold vesting amounts should not be significant relevant to base salary.
Any performance award should be clearly linked to disclosed targets. Where comparator groups are used, the remuneration committee should disclose why the comparators are believed to be genuinely representative (e.g. with reference to their size, sector and performance). If awards depend on Total Shareholder Return ("TSR") relative to overseas peers, companies should disclose fair currency conversion policies in advance of the grant. There should be several performance targets, which should relate to shareholder return, to the business strategy and include financial and non-financial elements, according to the company's current and expected operating environment. We would not expect performance conditions to be re-tested between remuneration policy reviews. Following a change of control, awards under an LTIP plan should be made pro-rata for time and performance to date; they should not automatically vest. Share-based awards should not lead to excessive dilution and exceptions to this principle should be put to shareholder vote, which ought to receive support from the majority of minority shareholders. In the event of a decline in the share price, remuneration committees should prevent accidental ("windfall") gains through top level grants through the use of downward discretion. Remuneration policies should explain the treatment of M&A and share buybacks where these are likely to impact performance targets either directly or indirectly.

In order to achieve alignment with shareholders, executives should make a material, long-term investment in company shares and these shares should be subject to a suitable holding period following an executive's departure. Companies should disclose the time by which new executives should reach the target level share ownership. Whilst these shares may be hedged or used as collateral, the company should make it clear that this is not true for share awards earned through LTIPs. Executive share ownership for alignment purposes should be distinct from shares granted under LTIPs, though exceptions may be made where shares are vested and not subject to ongoing performance conditions. Significant share sales should be rationalised in the annual report. As with all aspects of remuneration, the remuneration committee should be wary of unintended consequences e.g. effects on risk taking or risk aversion, dividend policy design and M&A.

Remuneration committees should be cognisant of the significant costs and liabilities of executives' pensions contributions, the overall remuneration structure, and the tax and regulatory environment. Whilst we use a 30% contribution rate as a guideline for the upper limit, we think executive pensions contributions must set in the context of contributions for the overall workforce. Changes in actuarial assumptions that affect transfer values should be clearly disclosed. No element of variable pay should be pensionable.

Certain payments to incoming and outgoing executives cannot be avoided, but remuneration committees should be mindful of opportunities to minimise such costs in alignment with long-term shareholders. Outgoing executives should not be rewarded for failure. Severance pay consequences should be considered before appointment, such that early termination does not lead to unanticipated liabilities. We will not usually support retention payments ("golden handcuffs"), but could support deferred payments to key staff during critical periods. A clear rationale should be presented during shareholder dialogue. Similarly, compensatory payments for new appointments (including where the appointee has had to forgo expected variable pay at a previous employer) could only be considered with a clear rationale and we would expect compensation to be awarded in shares and subject to perf conditions.
New appointments should normally begin on a lower salary to avoid creeping costs.

We will typically oppose tax equalisation payments where this introduces a new (net) cost to the company. We expect a cap on such payments to be disclosed.

Non-executive directors' fees should reflect the role and the level of responsibility and should not increase excessively from one year to the next. We do not expect non-executives to participate in LTIP schemes but understand that, exceptionally, directors may be granted shares at listing or pre-listing stage on a one-off basis. Share awards need a clear rationale and the policy should be applied consistently over time with conditions and parameters that ensure independence of the director's contribution. At a minimum this should include a requirement that share-based awards do not have performance conditions and are made at the market price. Additional benefits for non-executives should reflect necessary business duties only.

3.5 MISCELLANEOUS

PRINCIPLES

We are regularly called on to vote on shareholder proposals. These proposals address a range of topics including proxy access, articles of association, climate change, human rights and more. The Company takes a case-by-case approach to shareholder resolutions and will support resolutions that are appropriately worded and, on balance, support the long-term economic interests of our stakeholders and help to make boards of directors accountable to shareholders. We consider pre-declaring our voting intentions on shareholder proposals on a case-by-case basis.

We follow the Pension and Lifetime Savings Association's ("PLSA") guidance on related party transactions.

We usually support all employee share schemes, except where we have concerns over dilution.

Smaller companies and investment trusts are at different stages with respect to corporate governance arrangements, and our expectations of these companies reflect these differences in some circumstances. We are mindful of the QCA corporate governance code for smaller and medium listed companies and the Association of Investment Companies Code of Corporate Governance.

Where the Company has voting rights at private (unlisted) companies, votes will be cast drawing on principles articulated above as far as practicable.

About LGPS Central Limited
LGPS Central Limited is authorised and regulated by the Financial Conduct Authority. Registered in England.
Registered No: 10425159. Registered Office: Mander House, Mander Centre, Wolverhampton, WV1 3NB.

Nottinghamshire County Council

Report to Pension Fund Committee

8 October 2020

Agenda Item: 5

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) business meetings held in London on 29 January 2020, and via Zoom on 15 April and 15 July.

Information and Advice

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. In 2018 membership was also extended to cover pension fund pools. LAPFF membership currently stands at 80 funds and 6 pools (shown at Appendix A) with combined assets of over £300 billion. 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 three business meetings were attended on behalf of Nottinghamshire Pension Fund by an officer representative.

5. As part of LAPFF's work on reliable accounts, the January meeting was pleased to report that capital maintenance in company accounts is increasingly being recognised as an important concept. It was mentioned in the Queen's Speech, and some companies may now cut their dividends as a result, protecting creditors and allowing the market to more accurately gauge the value of these companies.

6. The results of the LAPFF Climate Change survey were published for the January meeting, and are reported here in response to a request made at a previous Nottinghamshire Pension Fund Committee meeting. 38 responses out of a possible 88 were received, and this was considered a good turnout. It was reported that most LAPFF pension funds are recognising climate risk, but that they are not necessarily setting targets as a result. It was recognised that 'target setting' is sometimes a blunt instrument and might result in outright disinvestment, without more sophisticated engagement strategies being first pursued. However, a follow-up survey will be commissioned later in the year to measure the extent of any disinvestment undertaken by LAPFF member funds.

7. The April meeting was successfully hosted on Zoom, due to social distancing requirements. The main points covered related to: the problems surrounding carbon capture; accounting for stranded oil and gas assets; 'next generation' tobacco products (e.g. the medicinal cannabis market); and water shortage risk.

8. The July meeting discussed a modification of LAPFF's Climate Change Policy Statement, to give greater emphasis to the reduction of carbon emissions and relatively less emphasis to the development of Carbon Capture and Storage technologies and methods, since the latter strategy cannot usually be concretely quantified, and thereby risks failing to meet the targets of the 2015 Paris Agreement. The meeting ended with an online presentation from Professor Adam Leaver (Sheffield University) on the weaknesses of the 'Big 4' audit firms, and their conflicts of interest as they also offer services as consultants.

9. At all three meetings the updates on LAPFF's engagement work in the quarters to December 2019 and March and June 2020 were presented. The latest engagement reports are listed as background papers to this report. For information, all LAPFF engagement reports can be found here:

   https://lapfforum.org/publications/category/quarterly-engagement-reports/

Statutory and Policy Implications

10. 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

That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

Report Author:
Ciaran Guilfoyle
Investments Officer

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 08/09/2020)

11. 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 11/09/2020)

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

Background Papers

- LAPFF constitution
- LAPFF Quarterly Engagement Report October to December 2019
- LAPFF Quarterly Engagement Report October to March 2020
- LAPFF Quarterly Engagement Report April to June 2020

Membership of LAPFF as at September 2020

Funds

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

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

Pools

1) Border to Coast Pension Partnership
2) Brunel
3) LGPS Central
4) London CIV
5) Northern Pool
6) Wales Pension Partnership

Nottinghamshire County Council

Report to Pension Fund Committee

8 October 2020

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

LAPF STRATEGIC INVESTMENT FORUM 2020

Purpose of the Report

1. To report on the LAPF Strategic Investment Forum 2020.

Information

2. The LAPF Strategic Investment Forum 2020 was postponed from July and held as a virtual event. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills; the conference was attended by Mrs Tamsin Rabbitts (Senior Accountant – Pensions and Treasury Management). Due to the date change no Members attended.

3. This was the first time Nottinghamshire have attended a virtual conference. Impressions were favourable, despite the difficulties of organising a virtual event. This was a well organised conference with an intense programme of relevant investment topics.

4. ***John Harrison, Adviser, Border to Coast***
   The conference began with John welcoming everyone to the event.

5. ***Bond Returns and Market Expectations Mike Della Vedova, Portfolio Manager, Global High Yield Income Bond Fund, T. Rowe Price***
   The speaker contrasted the Covid 19 crisis with the 2008 Financial crisis, and discussed the tools used by governments to support the economy. Risks have increased as a result of the pandemic and the importance of active management and good analysis in Fixed Income generally, and especially the High Yield market was emphasised.

6. ***Affordable Housing Investment Jamie Kellet, Property Specialist, BMO Global Asset Management***
   Jamie looked at the social advantages of investing in affordable housing, and the fit within asset allocation.

7. ***The Dynamics of China interview session Kevin Barker, Managing Director, Senior Equity Specialist, UBS Asset Management***
   An interesting discussion on the risks and opportunities of investing in the Chinese markets.

8. ***Assessing Risk in Multi-Asset Strategies Panel discussion Aoifinn Devitt, Independent Investment Adviser, Mark Gayler, Assistant County Treasurer, Investments & Treasury Management, Devon County Council, Alex Gitnik, Managing Director, Neuberger Berman, Chris Rule, Chief Executive Local Pensions Partnership Investments***
   A discussion of how multi-asset investing can offer diversification to help protect portfolios from volatility and major market downturns. The discussion concluded that for most LGPS funds of any significant size, such strategies may not be very appropriate.

9. ***Private Markets: Access to Opportunity Nicole Downer, Managing Partner, MV Credit***
   MV Credit discussed the end of the cycle, its impact on Private Debt Managers and the opportunities they see in the Private Markets space.

10. ***Alternative Investment Trends Panel discussion Anthony Doherty, Head of Real Estate Equity Solutions, Real Assets, Legal & General Investment Management, Denise Le Gal, Chair, Brunel Pension Partnership, Tim Creed, Head of Investments Europe, Schroder Adveq Investment, Schroders***
    The panel discussed the pros and cons of alternative investments including fees, performance, complexity, accessibility and liquity. Generally alternative investments were felt to be of potential benefit to many LGPS Central funds and increasing transparency is welcomed.

11. ***Lessons from 35 Years of Value Equity Investing David G. Herro Partner, Deputy Chairman, Portfolio Manager and Chief Investment Officer – International Equity Harris Associates***
    This was an interesting session for Nottinghamshire as Harris manages a third of the LGPS Central Global Equity strategy. David was very clear on Harris' investment approach, and confident that a value strategy will eventually pay off, but emphasised that a long term investment horizon was required. This is well suited to the LGPS.

12. ***Impact Investing Panel discussion Erik Keller, Client Portfolio Manager, Robeco, Eric Rice, Head of Active Equities Impact Investing, BlackRock, Karen Shackleton, Founder, Pensions for Purpose, Nemashe Sivayogan, Head of Treasury and Pensions, Corporate Services, London Borough of Merton***
    This was a rather uneven session. 'Impact investing' is a broad term.

13. ***Private Equity Solutions and Your Portfolio, Alistair Watson, Senior Investment Director, Aberdeen Standard Investments***
    This was a rather general session on Private Equity and the impact Covid 19 has had on parts of the market.

14. ***Private Debt Toni Vainio, Partner, Pantheon***
LGPS Central are just starting to develop a Private Debt fund, so this was an interesting session, especially the comments on the current secondaries market. This is not a liquid asset class.

15. ***Driving Change in the DGF Market Suzanne Hutchins Investment Leader, Real Return Team Newton Investment Management***
Suzanne described some of the tools used to meet the challenges of the market disruption in March as a result of Covid 19 and lockdown. The DGF described had an inflation linked return target similar to our Kames DGF, so it was interesting to hear how this was managed at this time of market stress, and where Suzanne feels future market opportunities are situated.

16. ***Real Estate Opportunities Jim Garman, Partner and co-Head of Real Estate in Europe for the Merchant Banking Division, Goldman Sachs***
This session looked at the impact of covid 19 on the Real Estate market. Jim emphasised the importance of identified the issues which were temporary or cyclical, and which impacts signal a fundamental change to the market.

17. ***Infrastructure Investing Post Covid-19 Ingrid Edmund Senior Portfolio Manager, Infrastructure Investments Team Columbia Threadneedle Investments***
This short interview looked at environmental focus in infrastructure and the positive impact of companies with an ambition to transition to lower carbon approaches in the future.

18. ***Infrastructure: Managing the Potential Risks Panel discussion Anish Butani, Senior Director, Infrastructure, bfinance, Ted Frith, Chief Operating Officer GLIL Infrastructure, Darryl Murphy, Head of Infrastructure, Real Assets, Aviva Investors, Duncan Symonds, Director – Asset Management, IFM Investors***
This panel discussion identified the broad range of investments within the category of infrastructure, and the range of associated risks.

19. ***Post-Covid Strategy – Thinking Outside the Box Interviewer William Bourne, Independent Adviser, East Sussex, Nottinghamshire, Teesside Pension Funds, Interviewee John Bilton, Head of Global Strategy, Multi Asset Solutions Group, J.P. Morgan Asset Management***
During this interview John expressed an optimistic view of the evolution of capitalism on the grounds that he expects bond yields to stay low. Valuations of other asset classes looked reasonable on that scenario. He thought government would play a bigger role and that the direction of globalisation would move towards services and tech and away from trade, but he felt that all this would throw up plenty of opportunities. His non-consensus prediction was that returns from markets would be higher than expectations.

20. ***Responsible Investment in Emerging Markets Panel discussion Adam Borneleit Portfolio Manager/Analyst, Emerging Markets Debt Team Lazard Asset Management Owen Thorne, Portfolio Manager – Monitoring & Responsible Investment, Merseyside Pension Fund, Dawn Turner, Independent Adviser and NED***
This panel discussion looked at the challenges of responsible investment in emerging markets. The difficulties of this area were recognised by the panel, but it was pointed out

that ‘emerging markets’ are not a homogenious group, and that, at least partly as a result of engagement, ESG issues were becoming more important to EM companies

21. ***Bonds and Climate Aware Investing Kristian Atkinson Portfolio Manager, Fixed Income Fidelity International***
This was a fascinating session looking at a number of approaches to attempts to incorporate climate risk management in portfolios. The importance of dealing with climate change was emphasised – 1 degree of temperature rise has already occurred, with the consequent implication for weather patterns. Climate change is already impacting the world, and hence our portfolios.

Kris looked at green investment, portfolio exclusions and low carbon indices. He was looking at fixed income investing but the conclusions also apply to equities. Green investment is a good option alongside other investments, but not diverse enough to replace the market as a whole. Also because of the demand for green investments, they may be overpriced which impacts on returns.

Excluding investment in companies with a significant carbon footprint is too blunt a tool e.g. oil and gas companies don’t create a lot themselves – it is their customers who do i.e. scope 3 emissions. However if both users and producers are excluded this dramatically reduces investment options and diversification. More importantly, if responsible investors exclude these sectors the pressure for change goes away which could be counterproductive.

The difficulty in assessing carbon risks was emphasised – the key point being that the data may not give the full picture. An excellent example was given of a comparison between a Spanish and a Scandinavian power company. Kris feels it is the leaders in Oil and Gas that will deliver on slowing climate change. European oil and gas company carbonisation ambitions have risen significantly. BP and ENI now report scope 3, Repsol and Total are aligned with Paris, Shell is nearly aligned to a 2 degree scenario.

Kris also looked at Volkswagen. They are responsible for 1% of global emissions, but are trying to change this to net zero. The difficult decision for investors concerned about the carbon footprint of their portfolio is whether to invest in an ambitious company, or divest from a company with a high carbon footprint.

Statutory and Policy Implications

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

2) That Members consider if there are any actions they require in relation to the issues contained within the report

Nigel Stevenson
Service Director - Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/09/20)

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

Financial Comments (TMR 11/09/20)

24. There are no financial implications arising from this report

Background Papers and Published Documents

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

None

Nottinghamshire County Council

Report to Pension Fund Committee

8 October 2020

Agenda Item: 7

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

REVISION OF FUND STRATEGIES

Purpose of the Report

1. To propose revised versions of the Funding Strategy Statement, Investment Strategy Statement, the Risk Management Strategy and Risk Register and Governance Compliance Statement.

Information

2. Under governing regulations, the Fund is required to ‘prepare, maintain and publish’ a number of strategy statements. These statements must then be kept under review and, if necessary, revised.

3. According to Regulation 58 of the Local Government Pension Scheme Regulations 2013, an administering authority must publish a Funding Strategy Statement (FSS). This requires revision following the results of each triennial actuarial valuation. This statement is based on a version prepared by the Fund Actuary. The key changes relate to the most recent valuation, the inclusion of a strategy for exit credits and reflect other regulatory changes. The strategy is attached as Appendix A.

4. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Investment Regulations”) govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review and if necessary revise its investment strategy at least every 3 years.

5. The main update relates to the changes to asset allocation which were discussed at the January Working Party and approved at the February committee meeting. Also of note is the change of proxy voting service which (as previously reported to Committee) is now Hermes EOS. The updated Investment Strategy Statement is attached as Appendix B.

6. It is considered best practice for the Fund to have a Risk Management Strategy and Risk Register and to review these on a regular basis. The documents last went to Committee in April

2019. Three new risks have been added to the risk register. These relate to the risk of failures by scheme employers (Risk Adm 4), GDPR related risk (Risk Adm 5) and the financial risk of climate change (Risk Inv 7). Taking into account the Council's mitigating controls and actions, these risks are rated Medium. The revised documents are attached as Appendices C i) and C ii).

7. In March when the country went into lockdown, the Pensions Manager and the Senior Accountant for Pensions and Treasury Management considered the new risks arising. The additional risks identified at that stage are attached as Appendix C iii). This is a temporary addition to the risk register during the course of the pandemic.

8. The Local Government Pension Scheme (Administration) Regulations 2013 require publication of a governance compliance statement. This statement has been reviewed and no significant changes were required. The updated statement is attached as Appendix D.

Other Options Considered

9. It is a requirement that strategy statements are reviewed, so no other options were considered.

Reason/s for Recommendation/s

10. The revised policies reflect the current governance of the Pension Fund and agreed amendments.

Statutory and Policy Implications

11. 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 revised Funding Strategy Statement, Investment Strategy Statement, Risk Management Strategy and Governance Compliance Statement be approved by the Nottinghamshire Pension Fund Committee.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/09/2020)

12. Nottinghamshire Pension Fund Committee is the appropriate body to consider the content of this report.

Financial Comments (TMR 11/09/2020)

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

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire Pension Fund Funding Strategy Statement

Introduction

This is the Funding Strategy Statement (FSS) for the Nottinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and describes Nottinghamshire County Council's strategy, in its capacity as Administering Authority, for the funding of the Nottinghamshire County Council Pension Fund ("the Fund").

This statement has regard to the guidance set out in the document "Preparing and Maintaining a Funding Strategy Statement" published by CIPFA in February 2016. The statement also has regard to the Investment Strategy Statement published by the Administering Authority.

The Statement describes a single strategy for the Fund as a whole. The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- Achieve and maintain Fund solvency and long-term cost efficiency at reasonable cost to taxpayers, scheduled, resolution and admitted bodies, and enable contribution rates to be kept as nearly constant as possible where practical
- Seek returns on investment within reasonable risk parameters

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits provided under the Regulations
- Meet the costs associated in administering the Fund
- Receive contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the long-term solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures/approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations
- In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the fund and the long-term cost efficiency of the scheme so far as relating to the pension fund. The review also looks at compliance and consistency of the actuarial valuations.

Key Parties

The key parties involved in the funding process and their responsibilities are as follows.

The Administering Authority

The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:

- Collect employee and employer contributions
- Invest the Fund's assets, while ensuring cash is available to meet liabilities as and when they fall due
- Pay the benefits due to Scheme members
- Take measures to safeguard the Fund against the consequences of employer default
- Manage the actuarial valuation process in conjunction with the Fund Actuary, and enable the Local Pensions Board to review the valuation process as they see fit
- Prepare and maintain this FSS and the Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
- Monitor all aspects of the Fund's performance and funding
- Effectively manage any potential conflicts of interest arising from its dual role as both Administering Authority and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme Employers

In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:

- Collect employee contributions and pay these together with their own employer contributions certified by the Fund Actuary to the Administering Authority within the statutory timescales, including any exit payments on ceasing participation in the Fund
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
- Notify the Administering Authority of significant changes in the employer's structure or membership; and

Fund Actuary

The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

Funding Strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The last actuarial valuation was carried out as at 31 March 2019 with the assets of the Fund found to be 93% of the accrued liabilities of the Fund.

Funding Method

The key objective in determining employer's contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit

- The primary rate which is the level of contributions required from the individual employers which, in combination with employee contributions, is expected to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

Valuation Assumptions and Funding Model

The value of accrued or past service benefits (allowing for future salary and pension increases) are referred to as the past service liabilities, or simply the liabilities.

Using the valuation assumptions set out below, an estimate is made of the future cash flows which will be made to and from the Fund throughout the future lifetime of existing members. These projected cashflows are then discounted using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows and therefore an estimate of the value of the liabilities, the fund actuary needs to make assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, life expectancy and retirements.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic assumptions which are essentially estimates of the likelihood of benefits and contributions being paid
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value. The base market statistics used for the financial assumptions are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the three months before and the three months after the valuation date.

A summary of the key assumptions is included in the following table and can be found in the actuarial valuation report as at 31 March 2019. Further details regarding the derivation of these assumptions can be found in the Fund Actuary's initial results and assumptions advice to the Fund dated 7 October 2019.

Assumption	Derivation	Value at 31 March 2019
Future Price Inflation (RPI)	Smoothed 20 year point on the Bank of England implied Retail Price Index inflation curve as at 31 March 2019	3.6% p.a.
Future Price Inflation (CPI)	RPI less 1.0% per annum to reflect the differences in the indices	2.6% p.a.
Salary increases	Assumed to be in line with CPI plus 1.0% p.a.	3.6% p.a.
Discount rate	Based on the long-term investment strategy of the Fund, with deductions for expenses and prudence	4.8% p.a.
Post-retirement mortality	S3PA tables with a multiplier of 110% for males and 105% for females, projected into the future with the 2018 CMI Model with a long-term rate of improvement of 1.25% p.a. and initial addition parameter of 0.5%	n/a

Future Investment Returns/Discount Rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values. The discount rate that is adopted will depend on the funding target adopted for each employer.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64. The Fund Actuary may incorporate such an adjustment after consultation with the Administering Authority.

The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

Asset Valuation

- For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.
- The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

McCloud/Sargeant judgement and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the Government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by Government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.1% p.a.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a guaranteed minimum pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found at https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes.

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here https://www.gov.uk/government/publications/indexation-of-public-service-pensions.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Deficit Recovery/Surplus Amortisation Periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different from the value of accrued liabilities, depending on how the actual experience of the Fund differs from the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation reveals a deficit in respect to a particular employer then the levels of required employer contributions will include an adjustment to fund the deficit over a specified period. Each employer's recovery period is considered individually, unless they are part of a pool (see Pooling of Individual Employers). Past service deficit contributions are generally paid as monetary amounts but may be paid as a percentage of payroll, subject to the Administering Authority agreeing this approach. The maximum deficit recovery period is 20 years.

Where an employer's funding position has improved in the inter-valuation period, but the employer is still in deficit, the employer may be required to maintain the previous total contribution level so that the expected deficit recovery period reduces.

Incremental phasing-in (stepping) of contribution increases may be considered for some employer types where proposed increases are large, with target rates to be achieved in no more than 3 years. Where stepping is agreed to, employers are instructed that the difference between the employer contributions with stepping and the employer contributions without stepping will need to be repaid later in the recovery period.

Employers in surplus on their funding method will generally pay the future service rate although the surplus may be released back to the employer through an adjustment to their contribution rate. The Fund Actuary will consider each employer separately when deciding whether surplus amortisation is appropriate.

Pooling of Individual Employers

The general policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Currently, other than Scheme employers that are already legally connected, there are the following pools:

- Small Scheduled Bodies pool
- Grouped Admission Bodies pool
- Fund Academies pool

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative guarantee in a form satisfactory to the administering authority.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

The deficit is transferred to the Academy pool and the new academy will become part of the Academy pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academy pool at the 2019 valuation.

Cessation Valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It is agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer will transfer within the Fund to another participating employer; or

- the employer's exit is deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate and adopt different assumptions from those used at the previous funding valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

The cessation valuation of the liabilities attempts to ensure there are sufficient assets to meet all the liabilities over time. In the event that the assets of a ceased employer are insufficient to meet all the employer's residual liabilities then these liabilities will fall to the ceding employer who originally awarded the contract.

Exit credits

MHCLG made an amendment to the 2018 Regulations which came into force on 20 March 2020, with effect from 14 May 2018. These regulations enable administering authorities to determine at their absolute discretion the amount of any exit credit payment due having regard to the following relevant considerations:-

- The extent to which the employer's assets are in excess of its liabilities
- The proportion of the excess of assets which has arisen because of the value of employer's contributions
- Any representations made by the exiting employer and its letting authority/guarantor
- Any other relevant factors.

Nottinghamshire County Council Pension Fund's approach aims to protect the interests of the members and employers as a whole and will apply the following approach to the payment of exit credits.

The extent to which the employer's assets are in excess of its liabilities

The Fund's Actuary will calculate the assets and liabilities relevant to the exiting employer. The approach will depend on the specific details surrounding the employer's cessation scenario. Further details of the most likely approach is given in the section "Cessation Valuations"

The proportion of the excess of assets which has arisen because of the value of employer's contributions

Exit credits will only be paid to employers who can demonstrate that they have been exposed to underfunding risk during their participation. The level of risk that an employer has borne will be taken into account. For example, if an employer participated in the Fund on a pass-through arrangement then no exit payment would have been requested if a deficit existed, and therefore it is not appropriate to pay an exit credit if there is a surplus.

On the other hand, if an employer commenced fully funded and was liable for any deficits arising as a result of adverse experience (for example, investment returns less than anticipated) then this employer has borne risk and so an exit debt or credit would be payable on exit.

Any exit payment will be limited to the total contributions paid over the period of participation into the Fund.

Any representations made by the exiting employer and its letting authority/guarantor and any other relevant factors.

Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and will seek legal advice where appropriate.

The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. If the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date..

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some of which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the **Error! Reference source not found.** section below.

Links to Investment Policy

The investment strategy and the funding strategy are linked by the strategic asset allocation of the Fund, which has been set following advice from the Fund's investment advisor and with regard, amongst other considerations, the maturity profile of the Fund.

The actuarial valuation involves a projection of future cashflows from the Fund and these cashflows are discounted to the current time, using the discount rate, to obtain a single figure for the value of the past service liabilities. This figure is the amount of money, which if invested now, would be sufficient to make those payments in future provided that the assumptions made during the valuation were borne out in practice (in particular, if the future investment return was equal to the discount rate used).

The discount rate is based on the expected long-term future investment return, using the long-term strategic allocation set out in the Investment Strategy Statement, with a deduction for expenses and for prudence. This ensures consistency between the funding strategy and investment strategy.

Risks and Counter Measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial Risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the valuation of the liabilities by 2%, and decrease/increase the required employer contribution by around 0.6% of payroll p.a.

However, the Nottinghamshire Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from officers and independent advisers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary may provide funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic Risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements. However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the **Error! Reference source not found.** section below.

Regulatory Risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. Regulations also place certain limitations on how the assets can be invested. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are relatively few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

Employer Risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership
- An individual employer deciding to close the Scheme to new employees
- An employer ceasing to exist without having fully funded their pension liabilities.

The Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required.

In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Monitoring and Review

This FSS is reviewed formally, in consultation with the key parties as appropriate, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

INVESTMENT STRATEGY STATEMENT

Introduction

1. The County Council is an administering authority of the Local Government Pension Scheme (the "Scheme") as specified by the Local Government Pension Scheme Regulations 2013 ("the LGPS Regulations"). It is required by Regulation 53 of the LGPS Regulations to maintain a pension fund for the Scheme.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Investment Regulations") govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review, and if necessary revise, its investment strategy at least every three years.

3. The investment strategy statement must include:
    a) A requirement to invest fund money in a wide variety of investments.
    b) The authority's assessment of the suitability of particular investments and types of investments.
    c) The authority's approach to risk, including the ways in which risks are to be assessed and managed.
    d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services.
    e) The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
    f) The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

Purpose and Principles

4. The purpose of the Fund is to:
    - Pay pensions, lump sums and other benefits provided under the LGPS Regulations.
    - Meet the costs associated in administering the Fund.
    - Receive contributions, transfer values and investment income.
    - Invest any Fund money not needed immediately to make payments.

5. The following principles underpin the Fund's investment activity:
    - The Fund will aim to be sufficient to meet all its obligations on a continuing basis.
    - The Fund will be invested in a diversified range of assets.
    - Proper advice on diversification and the suitability of types of investment will be obtained and considered
    - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

Key Parties

6. The key parties involved in the Fund's investments and their responsibilities are as follows.

The Administering Authority

7. The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement.

8. The members of the Committee are not trustees (as the LGPS is a statutory scheme) but do have fiduciary duties towards the scheme members and employers.

LGPS Central

9. LGPS Central ("the Pool") is the asset pool which Nottinghamshire Pension Fund jointly owns with seven other LGPS funds in order to meet the government's criteria for investment reform issued in November 2015. The Pool has obtained FCA authorisation and manages collective investment vehicles on behalf of the participating funds.

Committee Members

10. The Committee Members recognise their full responsibility for the oversight of the Fund, and operate to a Code of Conduct. They shall:
    - Determine the overall asset allocation and investment strategy of the Fund.
    - Determine the type of investment management to be used and, until funds are transferred to the Pool, appoint and dismiss fund managers.
    - Receive regular reports on performance from the main fund managers and question them regularly on their performance.
    - Receive independent reports on the performance of fund managers on a regular basis.
    - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

Chief Finance Officer

11. Under the Council's constitution, the Service Director (Finance, Infrastructure & Improvement) is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Services) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Day to day implementation of investment arrangements is delegated to the Senior Accountant (Pensions & Treasury Management).

12. Authorised signatories for execution of pension fund investments (including signing on behalf of Pension Fund investments) are:
    - Service Director (Finance, Infrastructure & Improvement)
    - Group Manager (Financial Services)
    - Senior Accountant (Pensions & Treasury Management)
    - Investments Officer

13. Representatives of the Service Director (Finance, Infrastructure & Improvement) provide advice to Committee members and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

14. The Fund has an Independent Adviser who attends meetings of the Nottinghamshire Pension Fund Committee and Pensions Working Party as required. This is considered best practice in accordance with the requirements for "proper advice" in the governing regulations. The Independent Adviser is appointed by the Administrating Authority following appropriate consultation with the Committee.

15. The independent adviser is engaged to provide advice on:
    - The objectives and policies of the Fund.
    - Investment strategy and asset allocation.
    - The Fund's approach to responsible investment.
    - Choice of benchmarks.
    - Investment management methods and structures.
    - Choice of managers and external specialists.
    - Activity and performance of investment managers including the Pool and the Fund.
    - The risks involved with existing or proposed investments.
    - The Fund's current property portfolio and any proposals for purchases, sales, improvement or development.
    - New developments and opportunities in investment theory and practice.
    - Amendment and review of statutory policy documents.

Asset Allocation

16. It is widely recognised that asset allocation is the most important factor in driving long term investment returns. The balance between different asset classes depends largely on the expected risk/return profile for each asset class and the target return for the Fund. It is also recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers.

17. Employers contributions are determined as part of the regular actuarial valuation of the Fund. Historically these have taken place every three years and the last valuation took place as at March 2019. The actuarial valuation involves a projection of future cash flows to and from the Fund. Its main purpose is to determine the level of employers' contributions that should ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. This is the main funding objective as set out in the Funding Strategy Statement.

18. The Fund Actuary estimates the future cash flows which will be paid from the Fund for the benefits relating to service up to the valuation date. They then discount these projected cash flows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.

19. The discount rate is based on the expected long term future investment returns from various asset classes. Based on the March 2019 valuation, these are as follows:

Asset class	Expected return (p.a.)
Equities	6.7%
Gilts	1.7%
Other bonds	2.6%
Property	6.1%
Cash	0.8%
Inflation linked fund	5.6%
Discount rate	**4.8%**
Fund Target Return	**5.8%**

20. At the March 2019 valuation, the Fund was assessed to have a deficit of £405m and a funding level of 93%. Deficit recovery contributions have been certified for the majority of employers but any returns in excess of the discount rate will help to recover the Fund to a fully funded position. The Fund therefore sets its asset allocation to target an annual return rate of 5.8%.

21. The agreed asset allocation ranges for the Fund are shown below, along with the Fund's long term strategic target allocations.

Outcome	Asset class	Allocation ranges	Strategic benchmark	
Growth	Listed and Private Equity	57.5% to 67.5%	55% FTSE World ex UK. 45% FT Allshare	60%
Income and inflation protection	Property and Infrastructure	15% to 25%	IPD annual	23%
Income only	Fixed income	5% to 15%	FTSE UK All Stock	10%
Inflation protection only	Index linked fund	3% to 15%	RPI	5%
Liquidity	Cash, short term bonds	0% to 10%	LIBID 7 Day	2%

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

22. This asset allocation is aimed at achieving appropriate returns to meet the Fund Target Return within acceptable risk parameters. The Fund's actual allocation may vary from this according to market circumstances, relative performance and cash flow requirements. The ranges will be kept under regular review and, if it appears likely that these limits might be breached because of market movements, reference will be made to a meeting of the Pensions Working Party for advice.

23. The asset allocation currently favours "growth" assets, primarily equities, as they are expected to deliver higher returns to help the Fund achieve the Fund Target Return. Net additions from members (contributions received less benefits paid) are now expected to be negative for the foreseeable future, so the Fund also invests in "income" assets which will deliver secure and predictable income over the long term. These may include infrastructure, property and fixed income. Inflation is a long-term risk factor and the Fund explicitly seeks investments in this category which will help to mitigate that. Finally, the Fund allocates to liquid assets such as cash and short-term bonds in order to ensure cash is always available to pay benefits at any time. This allows the Fund to continue to implement a long-term investment strategy.

24. The asset allocation is regularly reviewed to consider whether it is appropriate to change the mix of assets. This was last done in January 2020.

Investment Strategy

Requirement to invest fund money in a wide variety of investments

25. In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.

Types of investments

26. Subject to the LGPS regulations on allowable investments the Fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies, private equity and debt markets, infrastructure and property. Investment may be made either in-house, indirectly (via funds) in physical assets or using derivatives, or through external managers including the Pool. The fund may use external managers to carry out stock lending while ensuring suitable controls/risk parameters are put in place to prevent losses. Where an asset class/strategy is not expected to help in delivering the risk adjusted investment return required it will not be held.

Approach to investment

27. The Fund bases its approach to investment on the investment beliefs set out in Appendix A. As the Pool takes over implementation of the investments, some of them will become less relevant to the Nottinghamshire Pension Fund Committee's decisions but they should be seen as the fundamental core of how the Fund's assets are invested.

Approach to risk, including the ways in which risks are to be assessed and managed

28. The risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to meet the Fund Target Return set out in paragraph 19, currently 5.8%.

29. The risks the Fund is exposed to include investment, operational, governance, currency, demographic and funding risks. These risks are identified, measured, monitored and then managed. Plans are put in place to mitigate these risks so far as that is possible. Details are given in Appendix B.

Approach to pooling investments

30. The Fund is entering the Pool with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability, improved ability to act as a responsible investor and access to more uncorrelated asset classes. As a better resourced and FCA authorised and regulated investment manager, the Pool is expected to provide improved governance, transparency and reporting giving the Pension Fund assurance that its investment strategy is being carried out effectively.

31. It is expected that most of the Fund's assets will be transferred to the Pool over a period of time. The Pool is setting up sub-funds which the Fund and other partners expect to invest in.

It is likely that this process will take place over a number of years, with the timing being dependent on market conditions and operational circumstances. Where there are financial or other barriers to transfers, assets may remain in the Fund's ownership.

32. Governance of the Pool will primarily take place through the Shareholders Forum, governed by a Shareholders Agreement and operating under company law, which will have formal decision making powers. Nottinghamshire Pension Fund will have equal voting rights alongside the other participating funds and unanimous decisions will be required on key strategic matters. These are specified in the Shareholders Agreement and Articles of Association, and include the appointment and dismissal of the company's senior executives, approval of the company's strategic plan and any significant financial transactions, such as major acquisitions, lending or borrowing.

33. The degree of control to be exercised by the Shareholders through their reserved powers will be greater than is generally the case, in order to satisfy the Teckal exemption criteria and allow the company to undertake services on behalf of the investor funds without a formal procurement process.

34. The Joint Committee, established by an Inter-Authority Agreement, will be the forum for dealing with common investor issues and for collective monitoring of the performance of the pool against the agreed objectives of the Pool. It will, however, have no formal decision-making powers and recommendations will require the approval of individual authorities, in accordance with their local constitutional arrangements.

35. The government has made clear their expectation that pooled entities should be regulated by the Financial Conduct Authority (FCA) to ensure appropriate safeguards over the management of client monies. As such the Pool will be subject to ongoing oversight by the FCA and those holding key management positions, including the company directors, need to be approved persons, able to demonstrate appropriate knowledge, expertise and track record in investment management. The Directors of the Pool will also be personally liable for their actions and decisions.

36. Comprehensive programme governance arrangements are in place to ensure that costs and savings are managed in accordance with the agreed business case. The Section 151 Officers, or their nominated representatives, of each of the participating funds sit on the LGPS Practitioners Advisory Forum and regular meetings are held with the Chair and Vice-Chair of the Pension Fund Committee to ensure effective member oversight of progress and delivery. The Nottinghamshire Pension Fund Committee and the Local Pension Board are also being updated regularly on key developments and decisions.

Assessment of the suitability of investments

37. The policy of the Fund will be to treat the equity allocation (both listed and private) as a block aimed at maximising the financial returns to the funds (and thus minimising employers' contributions) consistent with an acceptable level of risk. Other investments, such as property, fixed income, infrastructure or cash are aimed at mitigating risks which the Fund are exposed to, such as inflation, cashflow shortage, interest rate changes etc.

38. The Fund has a target allocation towards infrastructure, currently 8%, which is intended to deliver secure long term income and some level of inflation protection. These assets may be either equity-like or bond-like in their nature and either listed or unlisted. The Committee monitors this weighting on a quarterly basis.

39. The Fund allocates a maximum of 20% to a range of illiquid assets including infrastructure, equity and credit where there may be no exit until the end of a fund's life. The Fund expects these to provide superior returns or risk mitigation in order to compensate for the lack of liquidity. Allocation to these assets are based on committed amounts and, owing to the nature of these vehicles, the actual net investment level may be lower, perhaps significantly so.

40. Cash will be managed and invested on the Fund's behalf by the County Council in line with the Pension Fund's treasury management policy. The policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield. If losses occur the Fund will bear its share of those losses.

41. Pension Fund cash is separately identified in a named account and specific investment decisions will be made on any surplus cash identified, based on the estimated cash flow requirements of the Fund. As the majority of cash is allocated to individual investment managers and may be called by them for investment at short notice, it is expected that the majority of cash will be placed on call or on short-term fixed deposits. Unallocated balances may be placed directly with the Fund's custodian.

Policy on social, environmental and corporate governance considerations

42. Social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. Non-financial factors may be considered to the extent that they are not significantly detrimental to the investment return and the Committee is satisfied that members share their concerns.

43. It is recognised that Environmental, Social, and Governance ("ESG") factors including current and future impacts of climate change are important to long term investment performance and the ability to achieve long term sustainable returns. The Nottinghamshire Pension Fund Committee considers the Fund's approach to ESG in three key areas:
    a. Selection – considering the financial impact of ESG factors on its investments.
    b. Stewardship – acting as responsible and active owners, through considered voting of shares and engaging with investee company management as part of the investment process. The Committee supports the Stewardship Code.
    c. Transparency & Disclosure – commitment to reporting the outcomes of the Fund's stewardship activities.

44. In combination these three matters are often referred to as "Responsible Investment" or "RI" and this is the preferred terminology of the Fund. Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Committee bases its decisions in this area on its RI Investment Beliefs, which are set out within Appendix A.

45. The Pool has a fully developed set of RI policies, which are in line with the Committee's own investment beliefs. This includes a *Responsible Investment & Engagement Framework*, a *Statement of Compliance with the UK Stewardship Code*, and *Voting Principles*. The Fund, through the Pool's Practitioners Advisory Forum, contributes to the development of these policies. As the Fund transfers assets to it, the Pool will take responsibility for ensuring that underlying managers meet with the requirements of this policy. The Pool will also engage directly with investee companies to promote sustainable business practices that reward long-term investors. Voting rights associated with assets invested through the Pool's subfunds will be instructed according to the Pool's agreed *Voting Principles*. The Pool will be required to report on its RI policy to the Committee on a regular basis in order to demonstrate the implementation of the agreed RI policies.

46. The Fund has articulated an investment belief on the relevance of climate change for financial markets (see Appendix A). In line with this belief, the Fund will actively look for investments which can be expected to benefit as a result of the long-term impacts of climate change.

Policy on the exercise of the rights (including voting rights) attaching to investments

47. Membership of the Local Authority Pension Fund Forum (LAPFF) helps Nottinghamshire Pension Fund to engage with companies to understand issues and to promote best practice. LAPFF was set up in 1990 and is a voluntary association of the majority of Local Authority pension funds based in the UK with combined assets of over £300bn. It exists to protect the long term investment interest of local authority pension funds, and to maximise their influence as shareholders by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

48. The Committee believes that voting is an integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through its partnership with LGPS Central, Hermes EOS and via its investment managers. Hermes EOS is a major independent corporate governance and shareholder advisory consultancy procured by LGPS Central. Hermes EOS exercises all the Fund's voting rights in line with the shared proxy voting guidelines.

49. The Pool is a Tier 1 signatory to the Stewardship Code.

50. Hermes EOS reports quarterly on its voting activity, and these reports are available to Committee Members and the membership through the website. The availability of this information is stated in the Annual Report.

Other Issues

51. The Fund's assets are held in custody by a combination of an independent custodian, investment managers and in-house. The performance of fund managers will be measured against individual benchmarks and the overall fund, including cash returns, against the Fund Target Return. Performance will be measured by an independent agency. The statement of accounts will be audited by the County Council's external auditors.

52. The investment management arrangements of the Fund can be found in the latest annual report (available on the Fund's website, www.nottspf.org.uk). The Fund also publishes details of its holdings on the website on a quarterly basis.

53. This Investment Strategy Statement will be kept under review and will be revised following any material changes in policy.

APPENDIX A - Statement of Investment Beliefs

54. The Fund's investment beliefs outline key aspects of how it sets and manages its exposures to investment risk. They are as follows:

Financial market beliefs

- Return is related to risk but taking calculated risks does not guarantee returns. The actual outcome may be higher or lower than that expected.
- The Fund has a long term investment horizon and is able to invest in volatile and/or illiquid investment classes in order to generate higher returns.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

Investment strategy/process beliefs

- Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy. Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.
- Strategic asset allocation is a key determinant of risk and return, typically more important than manager or stock selection.
- Equities are expected to generate superior long-term returns relative to Government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time, but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
- Operational, counterparty and reputational risk need assessment and management, in addition to investment risk.
- Managing fees and costs matter, especially in low-return environments. Fee arrangements with our fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.

Organisational beliefs

- Clear investment objectives are essential.
- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- The Nottinghamshire Pension Fund Committee's fiduciary duty is to the members of the Pension Fund. While they are not trustees, they have trustee-like responsibilities.

Responsible investment beliefs

- Responsible investment is supportive of risk-adjusted returns over the long term, across all asset classes. As a long-term investor, the Fund should seek to invest in assets with sustainable business models across all asset classes.
- Responsible investment should be integrated into the investment processes of the Fund, the Pool, and underlying investment managers.
- A strategy of engagement rather than exclusion is more compatible with fiduciary duty, and is more supportive of responsible investment.
- Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- There is risk but also opportunity in holding companies which have weak governance of financially material ESG issues. Opportunities can be captured so long as decisions are based on sufficient evidence and they are aligned with the Fund's objectives and strategy.
- Climate change and the response of policy makers has the potential to have a serious impact on financial markets. Engagement, using partnerships of like-minded investors where feasible, can mitigate this risk.

Appendix B - Risk Management

55. The Fund has adopted a Risk Management Strategy to:
    a) Identify key risks to the achievement of the Funds objectives.
    b) Assess the risks for likelihood and impact.
    c) Identify mitigating controls.
    d) Allocate responsibility for the mitigating controls.

56. Officers are responsible for maintaining a risk register detailing the risk features in a)-d) above, for reviewing and updating it on a regular basis, and reporting the outcome of the review to the Nottinghamshire Pension Fund Committee.

57. The Risk Register is a key part of the strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

58. A key part of managing the investment risk is by ensuring that the Fund is invested through an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets. As the Pool takes over implementation of the assets, Nottinghamshire Pension Fund Committee's role will increasingly be to hold them to account.

59. The correlation between UK and overseas markets has increased significantly over recent time, reflecting the increasing globalisation of the market. The Fund will take into account exchange rate risks when deciding the balance between holding of UK and overseas equities. As a long term investor, the Fund does not undertake currency hedging itself. Individual managers may hedge currency risks but only with prior approval from the Fund.

60. In addition, the following advisory guidelines will apply. These guidelines will be reviewed from time to time and if changes are made these will be incorporated into a revised Investment Strategy Statement, and amendments will be published.
    - Not more than 20% of the Fund to be invested in unlisted securities (this excludes real estate).
    - No direct underwriting without prior approval.
    - No direct involvement in derivatives (including currency options) without prior approval.

Nottinghamshire County Council

Nottinghamshire Pension Fund

October 2020

RISK MANAGEMENT STRATEGY

Introduction

1. This is the Risk Management Strategy for the Nottinghamshire County Council Pension Fund. Risk Management is a key element in the Fund's overall framework of internal control and its approach to sound governance. However, it is not an end in itself, but a means of minimising the costs and disruption to the Fund caused by undesirable or unexpected events. The aim is to eliminate or reduce the frequency of risk events occurring (where possible and practicable) and minimise the severity of the consequences if they do occur.

2. Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its purpose and objectives. Risk management is the process by which:
    - risks are systematically identified
    - the potential consequences are evaluated
    - the element of risk is reduced where reasonably practicable
    - actions are taken to control the likelihood of the risk arising and reducing the impact if it does

Purpose and Objectives of the Fund

3. The purpose of the Fund is to:
    - Pay pensions, lump sums and other benefits provided under the LGPS Regulations
    - Meet the costs associated in administering the Fund
    - Receive contributions, transfer values and investment income
    - Invest any Fund money not needed immediately to make payments.

4. The funding objectives are to:
    - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
    - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

5. The following principles underpin the Fund's investment activity:
    - The Fund will aim to maintain sufficient assets to meet all its obligations on a continuing basis.
    - The Fund will be invested in a diversified range of assets.
    - Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
    - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

Key Parties

6. The key parties involved in the Fund and their responsibilities are as follows.

The Administering Authority

7. The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement. The main responsibilities of the Administering Authority are to:
    - Collect employee and employer contributions
    - Invest the Fund's assets
    - Pay the benefits due to Scheme members
    - Manage the actuarial valuation process in conjunction with the Fund Actuary
    - Prepare and maintain the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
    - Monitor all aspects of the Fund's performance.

Committee members

8. The members of the Committee are not trustees (as the LGPS is a statutory scheme) but do have fiduciary duties towards the scheme members and employers. The main responsibilities of the Committee are to:
    - Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
    - Determine the type of investment management to be used and appoint and dismiss fund managers
    - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
    - Receive independent reports on the performance of fund managers on a regular basis
    - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

Scheme Employers

9. In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:
    - Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales
    - Notify the Administering Authority of any new Scheme members and any other membership changes promptly
    - Exercise any discretions permitted under the Regulations
    - Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
    - Notify the Administering Authority of significant changes in the employer's structure or membership.

Fund Actuary

10. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
    - Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
    - Advise on other actuarial matters affecting the financial position of the Fund.

Chief Finance Officer

11. Under the Council's constitution, the Service Director Finance, Infrastructure & Improvement is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Management) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

12. Representatives of the Service Director Finance, Infrastructure & Improvement provide advice to the Committee on investment matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Service Director Customers, Governance and Employees

13. The Service Director Customers, Governance and Employees is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Support Centre. This function covers:
    - Pensions administration and employers support
    - Pensions administration systems
    - Communications
    - Technical/performance support

14. Representatives of the Service Director Customers, Governance and Employees provide advice to the Committee on pension administration matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

Independent Adviser

15. The Fund has an Independent Adviser who attends meetings of the Nottinghamshire Pension Fund Committee and Pensions Working Party as required.

16. The Independent Adviser is engaged to provide advice on:
    - the objectives and policies of the fund
    - investment strategy and asset allocation
    - the fund's approach to responsible investment
    - choice of benchmarks
    - investment management methods and structures
    - choice of managers and external specialists
    - activity and performance of investment managers and the fund
    - the risks involved with existing or proposed investments
    - the fund's current property portfolio and any proposals for purchases, sales, improvement or development
    - new developments and opportunities in investment theory and practice

Risk Management Strategy

17. The risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of the investment beliefs, funding and investment objectives. The Fund will only take sufficient risk in order to achieve its long term funding objectives described in paragraph 4.

18. The Pension Fund's Risk Management Strategy is to:
    a) identify key risks to the achievement of the Fund's aims
    b) assess the risks for likelihood and impact
    c) identify mitigating controls
    d) allocate responsibility for the mitigating controls
    e) maintain a risk register detailing the risk features in a)-d) above
    f) review and update the risk register on an annual basis
    g) report the outcome of the review to the Nottinghamshire Pension Fund Committee.

19. The Risk Register is a key part of the Risk Management Strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

20. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, the Nottinghamshire Pension Fund Committee will be asked to:-
    - agree the Risk Management Strategy
    - approve the Risk Register and agreed actions
    - receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process.

21. By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, at a strategic level, to the effective management of Pension Fund risks. The Risk Management Strategy and Risk Register will be kept under review and will be revised following any material changes in policy.

Objectives

1. The objectives of the Risk Register are to:
   - identify key risks to the achievement of the Fund's objectives
   - assess the significance of the risks
   - consider existing controls to mitigate the risks identified
   - Identify additional action required.

Risk Assessment

2. Identified risks are assessed separately and for each the following is determined:
   - the likelihood of the risk materialising
   - the severity of the impact/potential consequences if it does occur.

3. Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value.

LIKELIHOOD:		
1	Rare	0 to 5% chance
2	Unlikely	6 to 20% chance
3	Possible	21 to 50% chance
4	Likely	51 to 80% chance
5	Almost certain	81%+ chance

IMPACT:		
1	Insignificant	0 to 5% effect
2	Minor	6 to 20% effect
3	Moderate	21 to 50% effect
4	Significant	51 to 80% effect
5	Catastrophic	81%+ effect

4. Having scored each risk for likelihood and impact, the risk ratings can be plotted onto the following matrix to enable risks to be categorised into Low, Medium, High and Very High Risk.

Risk Rating Matrix

Relative Impact		(1) Rare	(2) Unlikely	(3) Possible	(4) Likely	(5) Almost Certain
Catastrophic	(5)	M	H	VH	VH	VH
Significant	(4)	M	H	VH	VH	VH
Moderate	(3)	M	M	H	H	H
Minor	(2)	L	L	M	M	M
Insignificant	(1)	L	L	L	L	L

Relative Likelihood

5. This initial assessment gives the inherent risk level. Existing controls are then identified and each risk is re-assessed to determine if the controls are effective at reducing the risk rating. This gives the current (or residual) risk level. The current risk rating scores and categories are then used to prioritise the risks shown in the register in order to determine where additional action is required in accordance with the following order of priority:

    Red = Very High Priority
    Take urgent action to mitigate the risk.
    Orange = High Priority
    Take action to mitigate the risk.
    Yellow = Medium Priority
    Check current controls and consider if others are required.
    Green = Low Priority
    No immediate action other than to set a review date to re-consider your assessment.

NOTTINGHAMSHIRE PENSION FUND
RISK REGISTER - SUMMARY

Key to risk rating change since previous version of Risk Register: ⬆ Increase ⬇ Decrease ⬌ No Change ★ New

Risk Description	Inherent Risk			Current Risk		
	Rating		Change	Rating		Change
Risk Gov4 Inadequate resources are available to manage the pension fund.	20	VERY HIGH	⬌	12	HIGH	⬌
Risk Inv6 LGPS Central incurs net costs or decreases investment returns	16	VERY HIGH	⬆	12	HIGH	⬆
Risk Adm1 Standing data & permanent records are not accurate.	16	VERY HIGH	⬌	9	HIGH	⬌
Risk Inv3 Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	⬌	9	HIGH	⬌
Risk Adm2 Inadequate controls to safeguard pension fund records	15	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer Risk) Potential data quality issues.	15	VERY HIGH	★	6	MEDIUM	★
Risk Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk).	15	VERY HIGH	★	6	MEDIUM	★
Risk Inv4 Significant variations from assumptions used in the actuarial valuation	12	HIGH	⬌	9	HIGH	⬌
Risk Inv7 Financial risk of climate change	12	HIGH	★	8	MEDIUM	★
Risk Inv1 Inappropriate investment strategy is adopted.	12	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Inv5b Custody arrangements	12	VERY HIGH	⬌	6	MEDIUM	⬌
Risk Gov5 Failure to adhere to relevant legislation and guidance.	12	HIGH	⬌	6	MEDIUM	⬌
Risk Gov3 An effective performance management framework is not in place.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Gov1 Pension Fund governance arrangements are not effective	9	HIGH	⬌	6	MEDIUM	⬌
Risk Gov2 Pension Fund objectives are not defined and agreed.	9	HIGH	⬌	6	MEDIUM	⬌

Risk Inv2 Fund cash is insufficient to meet its current obligations.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5a Fund manager mandates	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5d Financial Administration	9	HIGH	⬌	6	MEDIUM	⬌
Risk Adm3 Failure to communicate adequately with all relevant stakeholders.	9	HIGH	⬌	6	MEDIUM	⬌
Risk Inv5c Accounting arrangements	6	MEDIUM	⬌	4	LOW	⬌
Risk Inv5e Stewardship	6	MEDIUM	⬌	4	LOW	⬌

Governance					
Risk description: Gov1 - Pension Fund governance arrangements are not effective					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee.				
	• Under the LGPS Regulations the Administering Authority has established a Pension Board				
	• The terms of reference of the Nottinghamshire Pension Fund Committee are agreed. • The terms of reference of the Nottinghamshire Pension Board are agreed.				
	• The Fund publishes a Governance Compliance Statement which details the governance arrangements of the Fund and assesses compliance with best practice. This is kept regularly under review.				
	• A training policy is in place which requires Members to receive continuing training and encourages all new Members to attend the Local Government Pension Scheme Fundamentals training course. • Nottinghamshire Pension Board Members are also required to undertake training				
	• Officers of the Council attend meetings of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board.				
	• The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each Nottinghamshire Pension Fund Committee meeting.				
	• The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Nottinghamshire Pension Board				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services) Group Manager (BSC) Group Manager (Legal Services) Pension Manager Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Governance

Risk description: Gov2 - Pension Fund objectives are not defined and agreed

	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are approved by the Nottinghamshire Pension Fund Committee and reviewed on a regular basis.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services)		**Timescale:**	On-going	

Governance

Risk description: Gov3 - An effective performance management framework is not in place.

	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	**12**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Investment performance is reported quarterly to the Nottinghamshire Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers.				
	• Poor investment performance is considered by the Nottinghamshire Pension Fund Committee. The Nottinghamshire Pension Fund Committee's actions are monitored by the Nottinghamshire Pension Board				
	• A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements.				
	• Performance of the administration function is managed through an Administration Strategy				
Action Required:	• Consider performance monitoring framework for Fund Administration.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Governance					
Risk description: Gov4 - Inadequate resources are available to manage the pension fund.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	5	4	**20**	**VERY HIGH**	⬌
Current Risk:	4	3	**12**	**HIGH**	⬌
Current Controls:	• The pension fund investments are managed by the Pensions & Treasury Management team.				
	• Pension administration is managed by the Pension Team Manager within the BSC				
	• Operating costs are recharged to the pension fund in accordance with regulations.				
	• Staffing levels and structures are kept under regular review. • Pension Costs and resources monitored against the CIPFA Benchmarking club				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Governance					
Risk description: Gov5 - Failure to adhere to relevant legislation and guidance.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	3	2	**6**	**MEDIUM**	⬌
Current Controls:	• An established process exists to inform members and officers of statutory requirements and any changes to these.				
	• An Administration Strategy was introduced in 2017 to monitor the Administration of the Fund, along with monitoring Employer compliance.				
	• Sufficient resources are required to implement LGPS changes while continuing to administer the scheme.				
	• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.				
	• Any breaches in statutory regulations must be reported to the Pension Regulator.				
Action Required:	• Review Resources against statutory requirements • Continue to monitor requirements via appropriate sources.				

	• Continue to monitor resources to ensure adherence to legislation and guidance.		
Responsibility:	Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions & TM Pension Manager	**Timescale:**	On-going

Investments					
Risk description: Inv1 - Inappropriate investment strategy is adopted.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	4	**12**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• The investment strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the Nottinghamshire Pension Fund Committee.				
	• In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.				
	• The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation.				
	• Investment performance is monitored against the Fund's strategic benchmark.				
	• A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party.				
	• An Independent Adviser provides specialist guidance to the Nottinghamshire Pension Fund Committee on the investment strategy.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Investments					
Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls	• Fund cash flow is monitored daily and a summary fund account is reported to the Nottinghamshire Pension Fund Committee each quarter				
	• Annual accounts are produced for the pension fund and these show the movements in net cash inflow				

	• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.		
	• The Fund’s Investment and Funding Strategies are regularly reviewed		
Action Required:	• Continue to monitor via existing processes.		
Responsibility:	Nottinghamshire Pension Fund Committee; Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going

Investments					
Risk description: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Fund assets are kept under review as part of the Fund’s performance management framework.				
	• Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations.				
	• The Fund’s Investment and Funding Strategies are regularly reviewed.				
	• An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy.				
	• Strength of covenant of new employers carefully assessed				
	• Risks relating to existing employers are reviewed periodically				
Action Required:	• Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	

Investments					
Risk description: Inv4 - Significant variations from assumptions used in the actuarial valuation occur					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Actuarial assumptions are reviewed by officers and discussed with the actuaries				
	• Sensitivity analysis is undertaken on assumptions to measure impact				

	• Valuation are undertaken every 3 years			
	• Monitoring of cash flow position.			
	• Contributions made by employers vary according to their member profile.			
Action Required:	• Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis.			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going	

Investments					
Risk description: Inv5 - Inadequate controls to safeguard pension fund assets.					
Inv5a - Investment managers					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. Mandate managers attend Nottinghamshire Pension Fund Committee on a regular basis.				
	• Investment objectives are set, and portfolios must be managed in accordance with these				
	• AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for mandate managers.				
	• Internal decisions have a robust framework in place which is tested by internal audit				
	• Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5b - Custody arrangements					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	4	**12**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• Complete and authorised agreements are in place with the external custodian.				
	• AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian.				

	• Regular reconciliations carried out to check external custodian records.				
	• Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5c - Accounting arrangements					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	2	**6**	**MEDIUM**	↔
Current Risk:	2	2	**4**	**LOW**	↔
Current Controls:	• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.				
	• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.				
	• Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers.				
	• Internal Audits are carried out regularly.				
	• External Audit review the Pension Fund's accounts annually.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5d - Financial Administration					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	↔
Current Risk:	2	3	**6**	**MEDIUM**	↔
Current Controls:	• The Pension Fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.				
	• Daily cash settlements are made with the external custodian to maximise returns on cash.				
	• Investment transactions are properly authorised, executed and monitored.				
	• Contributions due to the fund are governed by Scheme rules which are implemented by the Pensions Manager				
	• The Pension Fund maintains a bank account which is operated within regulatory guidelines.				
Action Required:	• Continue to monitor via existing processes.				

Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv5e – Stewardship -					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	2	**6**	**MEDIUM**	⬌
Current Risk:	2	2	**4**	**LOW**	⬌
Current Controls:	• The Pension Fund aims to be a long term responsible investor.				
	• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and National Association of Pension Funds (NAPF), and supports their work on shareholder engagement.				
	• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Nottinghamshire Pension Fund Committee each quarter and published on the Fund website.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv6 - LGPS Central incurs net costs or decreases investment returns					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬆
Current Risk:	4	3	**12**	**HIGH**	⬆
Current Controls:	• We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF				
	• Costs and performance will be monitored				
Action Required:	• Continue to attend meetings relevant meetings • Continue to monitor via existing processes.				
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		**Timescale:**	On-going	
Inv7 – Climate change affects the financial returns of the Fund.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	3	**12**	**HIGH**	★
Current Risk:	4	2	**8**	**MEDIUM**	★
Current Controls:	• The financial impact of climate change on the fund can be mitigated. Businesses and individuals will have to change their behaviour and consumption to reduce their carbon footprint and this presents both opportunities and threats as investors.				
	• We engage with management of the companies we own through LGPS Central, LAPFF and Hermes EOS to influence them to consider climate change and their sustainability.				

	• Climate change risks are already considered as part of the purchasing and holding decision		
Action Required:	• Risk analysis of the financial risks arising from climate change is to be completed with the assistance of LGPS Central. • The current impacts of climate change are affecting particular industries and regions and the Pension Fund will look to reduce exposure to these. • Continued move towards our long term asset allocation.		
Responsibility:	Nottinghamshire Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	**Timescale:**	On-going

Administration					
Risk description: Adm1 - Standing data and permanent records are not accurate.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	4	4	**16**	**VERY HIGH**	⬌
Current Risk:	3	3	**9**	**HIGH**	⬌
Current Controls:	• Business processes are in place to identify changes to standing data.				
	• Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input.				
	• Documentation is maintained in line with agreed policies. • The Administration Strategy supports the monitoring of employer compliance.				
	• A change of details form is sent out to members alongside their annual statement.				
	• Data matching exercises (National Fraud Initiative) help to identify discrepancies.				
	• Mortality Screening is being performed				
	• The Data Improvement Plan presented to Pension Fund Committee is being implemented.				
	• The GMP Reconciliation Project including Payroll and Pensions Data matching exercise with HMRC has commenced				
Action Required:	• Continue to monitor via existing processes. • Improve monitoring of returns from major fund employers • Implementation of Data Improvement plan and GDPR Action Plan				
Responsibility:	Group Manager (BSC) Pension Manager		**Timescale:**	On-going	

Administration					
Risk description: Adm2 - Inadequate controls to safeguard pension fund records.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• ICT Disaster Recovery Plan and Security Plan are agreed and in place				
	• New back up arrangements are in place				
	• Software is regularly updated to meet LGPS requirements.				
	• Audit trails and reconciliations are in place. • GDPR plan is in place				
	• Documentation is maintained in line with agreed policies.				
	• Physical records are held securely. • Pensions and other related administration staff undertake data management training as required.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC) Pension Manager		**Timescale:**	On-going	

Administration					
Risk description: Adm3 - Failure to communicate adequately with all relevant stakeholders.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	3	**9**	**HIGH**	⬌
Current Risk:	2	3	**6**	**MEDIUM**	⬌
Current Controls:	• A communications strategy is in place and is regularly reviewed.				
	• The Fund website is periodically updated. • Member information guides are reviewed.				
	• The Fund has an annual meeting aimed at all participating employers.				
	• The Nottinghamshire Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.				
	• Meetings are held regularly with employers within the Fund. • District and City Council employers and other adhoc employer meetings take place as required				

	• A briefing for employers takes place in February or March each year in preparation for year end
	• Benefit Illustrations are sent annually to contributing and deferred Fund members.
	• Annual report, prepared in accordance with statutory guidelines, is published on the website.
Action Required:	• Continue to monitor via existing processes.

Responsibility:	Group Manager (BSC) Pension Manager	**Timescale:**	On-going

Administration					
Risk description: Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk) Potential data quality issues.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	★
Current Risk:	2	3	**6**	**MEDIUM**	★
Current Controls:	• Clear communication of requirements to scheme employers.				
	• Undertake employer data review planned as part of the data improvement plan.				
	• Planned roll out of the employer portal to improve the transfer of data to the Pension Fund.				
	• Actuary makes prudent assumptions at valuation.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC) Pension Manager		**Timescale:**	On-going	

Administration					
Risk description: Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions.					
	Likelihood:	**Impact:**	**Risk Rating:**		
Inherent Risk:	3	5	**15**	**VERY HIGH**	★
Current Risk:	2	3	**6**	**MEDIUM**	★
Current Controls:	• Information Governance oversee policies and procedures				
	• Data breach procedure in place				
	• Assurance obtained from third party providers and contractors on compliance with relevant legislation.				
	• Identified Data Protection Officer				

<table>
<tr><td></td><td colspan="3">• Appropriate access levels in the Pension Administration system.</td></tr>
<tr><td>Action Required:</td><td colspan="3">• Continue to monitor via existing processes.</td></tr>
<tr><td>Responsibility:</td><td>Group Manager (BSC)
Pension Manager</td><td>Timescale:</td><td>On-going</td></tr>
</table>

ID	Date Raised	Raised By	Type	Description (For Risks, state risk, impact and mitigation)	Causes	Current Position / Next Step	Prob (1-5)	Impact (1-5)	Severity (Calc)	Additional Controls
1	07/04/20	Jon Clewes	Pension Admin	Pension Admin is unable to meet its statutory requirements on the production of annnual benefit statements and pension taxation statements	The current working situation due to COVID-19 has closed some employers/ or reduced the employers ability to provide year-end information.Pension admin resource is limited and could be reduced further due to sickness, and therefore resources to complete year end are reduced .	Currently working to the year-end timetable, all employers have been issued with their year end data to complete.	5	5	Critical	**Monitor the employers in their response to the year end, we willl then need to determine what actions need to be taken**
2	07/04/20	Jon Clewes	Pension Admin	Incorrect Pension benefits paid, or paid late, in particular the increase in Deaths of members. Unable to meet Service Level Agreements	Administrative pressure due to resource availability in calculating and administering the Death processes for members and suurvivor benefits. Year-end administration activity may also be impacted.	Prioritising retirements and deaths, as per the TPR current guidance.	5	5	Critical	**Monitoring incomuing notifications to try and ensure that benefits are paid on time. Set up a number of monitoring spreadsheets**
3	07/04/20	Jon Clewes	Pension Admin	Data improvement Project being delayed which is currently progressing with Intellica, the object to report to the TPR in September/October data quality score.	Potential to move resources onto other priorities. Conflict with other projects.	Making some adjustment to the project which may increase some costs in the second phase.	4	3	Medium	**Review the Project risk register through the project governance**
4	07/04/20	Jon Clewes	Pension Admin	Inability to process Transfers in a timely manner and ensure due dilligence in line with the TPR requirement to ensure Members are not targetted by scams	Administrative pressure due to resource availability in administering transfers.	Monitoring transfer requests, the fund has had some pressure from IFA's to undertake transfers	3	3	Medium	**Raise awareness on the pensions website of member FAQ's and monitor transfer requests**
5	07/04/20	Jon Clewes	Pension Admin	Employer and employee contributions not paid accurately and on time	Error on the part of the scheme employer. CV19 may reduce some employers incomes so they are unable to make payments	Potentially reportable to the Pensions Regulator as late payment is breach of the Pensions Act. Monitor employers	5	4	Critical	**Late payers will be reminded of their legal responsibilities**

6	17/04/20	Jon Clewes	Pension Admin	Employers within the fund failing or not able to meet obligations. Not meeting statutory duty, monitor employers.	Loss of income due to CV19 and ceasing trading	Currently undertaking a risk assessment of employers. Possible review covenant strength for certain employers or sectors within the fund	4	4	Serious	**Following risk assessment the fund may need to take some action yet to be determined**
7	17/04/20	Jon Clewes	Pension Admin	Pension Freedoms - concern has been raised nationally that members could be tempted to access their pensions early to ofset any financial issues due to personal circumstances. Increased pressure on Pension Admin Resources to process retirements.	Loss of household income and debts due to Cv19 lock down	Monitor transfers and requests for early re lease of pension. Seen an increase in deferred pension estimates.	3	3	Medium	**Monitor requests, ensure members hhave access to information for them to make informed decssions.make them aware of pension scams**
8	28/04/20	Tamsin Rabbitts	Investments	Financial reporting may be delayed. The audit may also be delayed causing further delay in the sign of on the accounts. The extension to the deadlines means we should still be able to meet the statutory deadlines, but we may need to delay the AGM if the accounts are not signed off in time.	Difficulty in working from home has put additional pressure on the team, making tight timescales harder to deliver. The auditors have informed us that they will not be available at the planned times.	Team is working to progress the production of the accounts. An extension has been announced this year which will give us more time. We are awaiting confirmation of when the auditors plan to look at the accounts	5	2	Medium	**We may need to delay the AGM if the audit is not completed in time.**
9	28/04/20	Tamsin Rabbitts	Investments	The auditors may not be able to issue an unqualified report. If this happens it it likely that all similar pensions funds will be in the same situation. The extended timescales mean that additional data can be collected to support figures or adjustments which the auditors may then be comfortable with.	Property valuers have announced material uncertainty provision. Usual uncertainty over the valuation of private assets significantly exaggerated this year making it difficult for auditors to obtain sufficient comfort.	Intend additional disclosure of extent and impact of uncertainty. Extended timelines may enable additional evidence and potentially late adjustments to reflect 31 March valuation	3	2	Low	**All pension funds are in the same position**

10	28/04/20	Tamsin Rabbitts	Investments	Reduction in fund value may persist. Increased volatility increases the risk surrounding any transaction. Some companies will not survive this crisis despite the level of support, but the extent is very difficult to estimate..	There has been reduced valuations and volatility in the market due to Covid 19.	The future outlook is very uncertain. Our investment strategy is robust, but may require refinement depending on the market outlook. The position is being scrutinised by our Independent Adviser in support of officers. Any transactions are being approached with great care.	3	4	Medium	**The pension fund is a long term investor. The next triennial valuation is in March 2022 so the markets have two years to recover before there is an impact on employer contributions.**
13	28/04/20	Tamsin Rabbitts	Investments	Insufficient cash to pay pensions, or forced sales required to generate sufficient cash to pay pensions. This would result in a permanent impairment to the fund if it occurred. The plan is to ensure sufficient cash balances to avoid this risk.	A reduction in contributions, dividends, rental income, and decreased liquidity in the market, plus a higher credit risk could all impact the availability of cash	The pension fund currently has a high cash balance. Cash flow modelling will inform the level of cash required to ensure an adequate supply of cash for the payment of pensions.	1	5	Low	**Additional cash may find investment opportunities**
14	28/04/20	Tamsin Rabbitts	Investments	Reduced rent on our Property investments, reduces both income and potentially property valuations. Property managers are approaching each situation in a proactive way so far as possible to mitigate the impact on the fund.	Many businesses are closed because of Covid 19 and are choosing to conserve cashflow by not paying rent. Some businesses have proposed delays or payment holidays. Some have just not paid.	Property managers are dealing with each situation on its merits. Generally it is better for the fund to lose some rent than lose the tenant permanently. Managers are reporting regularly to the fund on rent recovered.	5	2	Medium	**Some tenants are prepared to extend lease terms or remove breaks in return for support at this time**
15	28/04/20	Tamsin Rabbitts	Investments	A number of property sales have been or may be delayed. This may lead to a reduction in sale price when the sale finally goes through. ASI are managing this situation as best they can. If sales price drops too far the property will not be sold	Businesses may be trying to conserve cash, or may have other priorities at this difficult time.	ASI are continuing with these where they can. Sales may just be delayed until 'after' the crisis.	5	2	Medium	**ASI reporting developments to officers**

Nottinghamshire County Council

Pension Fund
Governance Compliance Statement

October 2020

1. Introduction

1.1 This is the governance compliance statement of the Nottinghamshire pension fund which is part of the Local Government Pension Scheme and administered by Nottinghamshire County Council (the council). The statement has been prepared as required by the Local Government Pension Scheme (Administration) Regulations 2013.

2. Governance Arrangements

2.1 Under the terms of the council's constitution, the functions of the council as administering authority of the pension fund are delegated to the Nottinghamshire Pension Fund Committee. This is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA).

2.2 The Nottinghamshire Pension Fund Committee meets eight times a year and its members act in a quasi-trustee capacity. Under the constitution, it is responsible for Administering the Nottinghamshire Pension Fund, including investments and management of pension funds.

2.3 The Committee also has responsibility for investment performance management of the Fund Managers. It may appoint a working party to consider future policy and development.

2.4 The Committee has the further responsibility for matters relating to the administration of the Pension Fund.

2.5 The number of voting members of the Nottinghamshire Pension Fund Committee is determined by the Council at its annual meeting.

3. Functions and Responsibilities

3.1 The Nottinghamshire Pension Fund Committee separately approves the pension fund's Funding Strategy Statement, Investment Strategy Statement, Risk Management Strategy, Administration Strategy Statement and Communications Strategy Statement.

3.2 The Funding Strategy Statement sets out the aims and purpose of the pension funds and the responsibilities of the administering authority as regards funding the scheme. Funding is the making of advance provision to meet the cost of accruing benefit promises and the long term objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities. These responsibilities are delegated to the Nottinghamshire Pension Fund Committee.

3.3 The Investment Strategy Statement sets out more detailed responsibilities relating to the overall investment strategy of the funds including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also covers the fund's policy on Member training and expenses and states the fund's approach to socially responsible investment and corporate governance issues. These responsibilities are delegated to the Nottinghamshire Pension Fund Committee.

3.4 Financial Regulations specify that the Service Director (Finance, Infrastructure & Improvement) is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

3.5 The Risk Management Strategy aims to reduce or eliminate risks which may jeopardise the achievement of the Fund's key objectives. It includes a risk register that identifies and prioritises the main risks to the operation of the fund. Responsibility for the Risk Management Strategy is delegated to the Nottinghamshire Pension Fund Committee.

3.6 The Communications Strategy Statement details the overall strategy for involving stakeholders in the pension funds. The stakeholders identified are:

- trustees
- current and prospective scheme members
- scheme employers
- administration staff
- other bodies.

Responsibility for the communications strategy is delegated to the Nottinghamshire Pension Fund Committee.

4. Representation

4.1 The Nottinghamshire Pension Fund Committee has 9 voting members all of whom are current county councillors. The political make-up of the committee is in line with the current council and the chair is normally appointed by Council. These members have full voting rights.

4.2 In addition the Committee also has 10 members consisting of the following representatives:

- Nottingham City Council (3)
- Nottinghamshire Local Authorities' Association (2)

- scheduled and admitted bodies (1)
- trade unions (2)
- Pensioner representatives (2)

4.3 Meetings of the Committee are also attended by officers of the County Council and an independent adviser. This ensures the Committee has access to “proper advice” as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Proper advice is defined as the advice of a person who is reasonably believed to be qualified by their ability in and practical experience of financial matters. This includes any such person who is an officer of the administering authority.

5. Stakeholder Engagement

5.1 An annual meeting of the Pension Fund is held in the autumn to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the Pension Fund.

5.2 A number of other initiatives to involve stakeholders are currently in place including:

- regular employers meetings
- meetings between employers and actuaries
- Nottinghamshire Finance Officers meetings
- the annual report for the pension fund
- Pensions road shows at various venues around the County
- dedicated pension fund website.

6. Review and Compliance with Best Practice

6.1 This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the pension funds.

6.2 The regulations required a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. The guidance contains best practice principles and so are shown below with the assessment of compliance.

Ref.	Principles	Compliance and Comments
A	**Structure**	
a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully compliant**
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Fully compliant**
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not applicable**
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not applicable**
B	**Representation**	
a.	That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Fully compliant**
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Fully compliant**
C	**Selection and role of lay members**	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Fully compliant** All members of the Nottinghamshire Pension Fund Committee are aware of their responsibilities for the oversight of the funds.
D	**Voting**	
a.	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Fully compliant**

E	**Training/facility time/expenses**	
a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Fully compliant** Members are encouraged to receive suitable training to help them discharge their responsibilities including attending training courses, conferences and meetings. Travel and subsistence arrangements are those which prevail for the County Council.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Fully compliant**
F	**Meetings (frequency/quorum)**	
a.	That an administering authority's main committee or committees meet at least quarterly.	**Fully compliant** The Nottinghamshire Pension Fund Committee meets 8 times a year.
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Not applicable**
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	**Not applicable**
G	**Access**	
a.	That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Fully compliant**
H	**Scope**	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	**Fully compliant**
I	**Publicity**	
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Fully compliant** The governance compliance statement is published on the pension fund website and is included with the relevant committee report (available on the County Council website).

Nottinghamshire County Council

Report to Pension Fund Committee

8 October 2020

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE RISK ANALYSIS

Purpose of the Report

1. To present the Climate Risk Analysis from LGPS Central Ltd to Members, review the recommendations of that report, and agree a plan of action.

Information

2. As described in February, in order to to enable the Pension Fund to identify its exposure and understand its financial risk arising from climate change, LGPS Central has been commissioned to produce some climate risk analysis.

3. This Climate Risk Report has been issued to the Nottinghamshire Pension Fund, and has been presented to the members of the Nottinghamshire Pension Fund Committee by LGPS Central at a Working Party meeting which was a training session to communicate the recommendations of the Climate Risk Report, and enable Members to appreciate the challenge in obtaining reliable data for these calculations and the complexity of modelling these issues.

4. Appendix A records the Members who attended the Working Party meeting.

5. There are restrictions on what can be reported of the report due to commercial confidentiality of supplier intellectual property, so the report is attached as exempt Appendix B. As can be seen from the proposed Action Plan, the key elements of the report will be published as part of our Task Force on Climate-related Financial Disclosures (TCFD) report.

6. The purpose of the climate risk analysis is to help the Pension Fund better understand the risks and implications of climate change. It does this based on the available data. As this is dependent on what companies currently publish, it should be noted that this data is incomplete. The model requires a number of assumptions and the output of the model should be interpreted in this context. Data is improving, partly due to pressure from engaged shareholders such as ourselves, but the sensitivity to assumptions needs to be appreciated in interpreting the results of this work.

7. Despite this caveat, the analysis is supportive of the Fund's current investment strategy in three ways:-

- it demonstrates that a 2°C scenario is of benefit to the Pension Fund financially which means the Fund's financial interests are aligned with global environmental interests.
- It shows that the March 19 equity holdings were already below the market cap benchmark in terms of carbon footprint and weight of fossil fuel reserves, which indicates that the fund has been considering and managing climate risks.
- And it shows that as the Fund progresses towards the long term strategic asset allocation these positions will further improve.

8. Members should be reassured of these signs that they are discharging their responsibilities appropriately.

Report recommendations and considerations

9. The report provided a number of recommendations to Nottinghamshire Pension Fund for the Committee's consideration. As a result of these the following Action Plan is proposed:

Proposed Action Plan

Ref	Category	Action	Timing	Notes
	Governance			
1	Governance	Publish a TCFD Disclosure. This will incorporate the key elements of the Carbon Risk Report.	December 20	LGPS Central to provide support
2	Policies	Develop a Climate Strategy. This should be consistent with the TCFD recommendations and include a Climate Stewardship Plan, monitored regularly by the Nottinghamshire Pension Fund Committee	March 21	LGPS Central to provide support
3	Governance	Schedule agenda time at Nottinghamshire Pension Fund committee meetings at least annually for discussion of progress on climate strategy	An annual review will take place to coincide with the annual update of metrics	
4	Governance	Schedule one training session on general RI matters and one climate-specific training per year	6 months	LGPS Central to provide training

5	Policies	Update policies to reflect climate risk e.g. consider:- • communications on climate risk into communications strategy • make clear the roles of key governance committees, especially the Pension Fund Committee, in approving and monitoring the Fund's approach to responsible investment and climate change in the ISS • Update the Governance Policy Statement to explain how climate risks are governed • Review as part of the FSS the extent to which climate risks could affect other risks noted in the FSS • Update the Fund's "Approach to Responsible Investment" in the ISS to include the six responsible investment beliefs. • Consider incorporating the Fund's "Approach to Environmental Risk within this disclosure"	July 21	
6	Reporting	In the Annual Report include a summary of this Climate Risk Report in a manner consistent with the TCFD Recommendations and a summary of the Fund's annual voting activities.	Oct 21	LGPS Central to provide support with this
	Strategy			
7	Asset Allocation	Notwithstanding other factors in the Fund's asset allocation process, seek to move towards the Long Term Target Strategic Asset Allocation weightings	Ongoing	
8	Asset Allocation	The Fund should attempt to take a view on the likelihood of different climate scenarios, drawing on its suppliers and advisers.	Ongoing	With the support of LGPS Central
9	Asset Allocation	Monitor fund managers, discussing with equity managers the influence of climate factors on their sector positioning and with real assets managers their physical risk resilience & GRESB participation. Use IIGCC's "Addressing climate risks and opportunities in the investment process"	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central

10	Asset Allocation	Explore the potential for additional allocations to Global Sustainable Equities and Infrastructure if evidence suggests there could be asymmetrical return profiles (i.e. with expected relative upside in a 2°C scenario and no meaningful relative downside)	Will be reviewed as part of the annual review of asset allocation	Initial and current allocations to be explored first…
11	Asset Allocation	Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.	Ongoing	Longer term consideration
12	Policy Engagement	Continued public support for the Paris Agreement and join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies via LGPS Central	Ongoing	With the support of LGPS Central
	Risk Management			
13	Company Stewardship	Create an annual stewardship plan	April 21	With the support of LGPS Central
14	Company Stewardship	Through LGPS Central, engage corporate bond managers on their approach to assessing climate risk within their portfolio in the absence of reported GHG emissions data	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
15	Company Stewardship	Prioritise the most material/ strategic real assets investment manager exposure for dialogue on climate risk. Consider using the recent IIGCC guide for this endeavour.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
16	Company Stewardship	Continue to engage the companies highlighted in the Climate Stewardship Plan through selected stewardship partners	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
17	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	July 22	With the support of LGPS Central
	Metrics and Targets			
18	Metrics	Repeat Carbon Risk Metrics analysis annually	Timescale dependent on LGPS Central availability	Timescale dependent on LGPS Central availability

19	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Summer 22	
20	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 21	Timescale dependent on LGPS Central availability

10. Exact timing will be dependent on resources both within the Pension Fund and LGPS Central.

11. A number of points for consideration have not been included in the action plan. These points, and the reasons for not including them are identified below

Points for consideration not in Action plan	*Reason for not including*
Consider inclusion of climate risk on the Fund's Risk Register	Climate risk is already included in the Risk Register at the October 20 update
Consider reporting against the Stewardship Code	The Fund is supportive of the Stewardship code and recognises that LGPS Central is a Tier 1 signatory to the Stewardship Code.
Encourage real assets managers to participate in GRESB (Global Real Estate Sustainability Benchmark)	This can best be persued via LGPS Central
Consider the feasibility of setting decarbonisation targets	This is potentially an option in the future, but currently the data is not good enough to set a reliable target. Instead there is a planned direction of travel which will be reported against at the annual progress report.

Ongoing work

12. While this work is ongoing the Pension Fund will continue to implement its long term Strategic Asset allocation. This includes an increasing allocation to infrastructure investments, a significant proportion of which are in clean energy, and a gradual reduction in equity investments. Within our equity investments we are looking at a number of low carbon and sustainable funds. Over time our exposure to fossil fuels will reduce as a result of these asset allocation and diversification decisions.

13. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

14. Each of the proposed actions can be considered individually for inclusion or exclusion from the Action Plan.

Reason/s for Recommendation/s

15. Members and officers need to better understand and control the climate related financial risks in the Pension Fund investments.

Statutory and Policy Implications

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

Financial Implications

17. The recommendations included in the Action Plan should be deliverable within existing resources.

RECOMMENDATION/S

That the Action Plan detailed in Paragraph 9 is agreed for incorporation into the Pension Fund Committee Work Plan.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 29/09/2020)

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

Financial Comments (TMR 28/09/2020)

19. The financial implications are set out in paragraph 17.

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

Appendix A

NOTTINGHAMSHIRE PENSION FUND COMMITTEE WORKING PARTY ATTENDANCE SHEET

VIRTUAL MEETING

MEETING HELD ON: MONDAY 21 SEPTEMBER 2020

MEETING CLOSED AT: 3.16pm

COUNTY COUNCILLORS

Name	Signature	Name	Signature
Eric Kerry (Chairman)	Present	Stephen Garner (Vice-Chairman)	Present
Reg Adair	Present	Chris Barnfather	Present
Sheila Place	Present	Mike Pringle	Present
Francis Purdue-Horan	Present	Tom Hollis	Absent
Parry Tsimbiridis	Apologies		

CITY COUNCILLORS

Name	Signature	Name	Signature
Sam Webster	Apologies	Anne Peach	Present
Graham Chapman	Present		

DISTRICT COUNCIL REPRESENTATIVES

Name	Signature	Name	Signature
Councillor David Lloyd – Newark & Sherwood District Council	Absent	Councillor Gordon Moore – Rushcliffe Borough Council	Apologies

TRADE UNIONS

Name	Signature	Name	Signature
Mr A Woodward	Apologies	Mr C King	Apologies

SCHEDULED BODIES

Name	Signature	Name	Signature
Sue Reader	Apologies		

PENSIONERS REPS

Name	Signature	Name	Signature
Terry Needham	Apologies		

OFFICERS

Name (Block Caps)	Signature	Name (Block Caps)	Signature
Pete Barker		Nigel Stevenson	
Keith Palframan	Present	Tamsin Rabbitts	Present
Ciaran Guilfoyle		Sarah Stevenson	
Jon Clewes		Marj Toward	

OTHER ATTENDEES

Name (Block Caps)	Signature	Name (Block Caps)	Signature
William Bourne	Present	Amelia Gaston (LGPS Central)	Present
Michael Marshall (LGPS Central)	Present		

Nottinghamshire County Council

Report to Pension Fund Committee

8 October 2020

Agenda Item: 9

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.

4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

RECOMMENDATION/S

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

Marjorie Toward
Customers, Governance and Employees

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

Constitutional Comments (HD)

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

Financial Comments (NS)

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

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME

Report Title	Brief summary of agenda item	Report Author
12 November 2020		
AGM postponed until January 2021	November meeting to be cancelled – a Property training session for members of Committee will be held instead.	
10 December 2020		
Fund Valuation & Performance – Qtr 2	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM
21 January 2021		
AGM		
11 March 2021		
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts

Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Presentations	Presentations by Fund Managers, to include training (exempt)	ASI and Schroders
22 April 2021		
Proxy Voting	Summary of voting activity during quarter 1 of 2020	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
17 June 2021		
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM

TO BE PLACED		
Pensions Effect on Higher Education		Jon Clewes
Monitoring of the Member Death Process	Update Report	Jon Clewes
Review of Work of the Pension Fund Committee and Pension Board		Marje Toward