

Nottinghamshire Pension Fund Committee

Monday, 20 January 2020 at 14:00

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|---|--|---------|
| 1 | Minutes of the last meeting 14 November 2019 | 5 - 8 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | LGPS - Pension Administration Performance Report | 9 - 18 |
| 5 | Independent Adviser Objectives | 19 - 22 |
| 6 | Independent Adviser's Report | 23 - 24 |
| 7 | Work Programme | 25 - 30 |
| 8 | Fund Valuation and Performance | 31 - 36 |

9 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

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

Note

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

EXEMPT INFORMATION ITEMS

10 Fund Valuation and Performance EXEMPT

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

11 FUND MANAGERS PRESENTATIONS

11a Kames Capital

11b Schroders Investment Management

Notes

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

Customer Services Centre 0300 500 80 80

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

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

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

minutes

Meeting NOTTINGHAMSHIRE PENSIONS FUND COMMITTEE

Date Thursday 14 November 2019 at 10.30 am

membership

Persons absent are marked with 'A'

COUNCILLORS

Eric Kerry (Chairman)
Stephen Garner (Vice Chairman)

Reg Adair
Chris Barnfather
Sheila Place
Mike Pringle

Francis Purdue-Horan
A - Helen-Ann Smith
Parry Tsimbiridis

Nottingham City Council

A - Councillor Graham Chapman
A - Councillor Anne Peach
A - Councillor Sam Webster

DISTRICT / BOROUGH COUNCIL REPRESENTATIVES

A - Councillor David Lloyd – Newark & Sherwood District Council
Councillor Gordon Moore – Rushcliffe Borough Council

Trades Unions

A - Mr A Woodward
Mr C King

Scheduled Bodies

A - Mrs Sue Reader

Pensioners

Mr T Needham
Vacancy

Independent Adviser

William Bourne

Officers in Attendance

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

The Chairman welcomed new member, Councillor Moore, to his first meeting of the Committee.

1. MINUTES

RESOLVED 2019/054

That the minutes of the last meeting held on 12 September 2019, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Chapman, Councillor Lloyd, Councillor Peach, Councillor Smith, Councillor Webster, Mrs Reader and Mr Woodward.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

While not a member of the Committee or officer of the Council, Mr Bourne expressed an interest in Item 8, 'Pension Fund Independent Adviser'.

4. TRAINING GUIDANCE NOTE

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

RESOLVED 2019/055

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

5. PROXY VOTING

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

RESOLVED 2019/056

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

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

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

RESOLVED 2019/057

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

7. RESPONSE TO PETITION PRESENTED TO THE CHAIRMAN OF THE COUNTY COUNCIL

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

RESOLVED 2018/058

1. That the proposed response be approved, and the lead petitioner be informed accordingly.
2. That the outcome of Committee's consideration be reported to Full Council.

8. WORK PROGRAMME

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

RESOLVED 2018/059

That the next meeting of the Committee, due to be held on the 12th December, the day of the General Election, be postponed to a date in January 2020.

9. PENSION FUND INDEPENDENT ADVISER

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

RESOLVED 2018/060

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

10. EXCLUSION OF THE PUBLIC

RESOLVED: 2019/061

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 item.

EXEMPT INFORMATION ITEM

11. ABERDEEN STANDARD INVESTMENTS - PRESENTATION

RESOLVED 2019/062

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

The meeting concluded at 11.58am

CHAIRMAN

20 January 2020**Agenda Item: 4****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE
AND EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION
PERFORMANCE REPORT.****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Fund Committee of the administration activity and performance of the Administration Team.

Information**Background**

2. One of the main areas of focus across the Local Government Pension Scheme has been the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association has highlighted this as an issue.
3. The Pensions Regulator has continued to raise concerns across the LGPS funds regarding data quality and the need for improvement. To help manage the improvement of data, the Pensions Office has been using the Pension Administration Strategy to try and drive compliance with scheme employers. Compliance has mainly been driven through the monitoring of the year end returns.
4. The Fund is required by the Pension Regulator to complete an Annual Scheme Return as part of this return the Fund is required to report on the quality of its common and conditional data. The table below presents the improved position for 2018-2019 compared to the first year of reporting in 2017-2018 -

	Common Data	Conditional Data
2017 - 2018	59%	60%
2018 - 2019	68%	66%

5. As Committee are aware one of the key work streams of Pension Digital Transformation programme, which was approved by Committee in September, is Data Audit and Improvement. This work stream will support the Fund to meet the Pension Regulators requirement for it to have a data improvement plan. Good quality data is also a critical element in the success of digital transformation. To support members to channel shift good quality data is a key requirement. Without the required data members will be unable to process requests on line.
6. A series of workshop to scope this work stream are scheduled for November and December and an update on the Pension Digital Transformation programme will be provided in the New Year.

Pension Fund Membership Statistics

7. At 31 March each year the Administering Authority reports the number of members within the Fund under certain categories. These figures are used to populate the Fund's annual report, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report.
8. The following table details the membership of the Fund against each category and sets a context to the size of the Nottinghamshire Pension Fund.

Pension Fund Members as at 31 March	2017-2018	2018-2019	As September 2019 at
Active Members	44,436	46,350	46,418
Deferred - Staff	46,448	47,365	49,494
Pensioners	35,245	37,157	38,461
Frozen Refunds	8,275	8,118	8,599
Leavers in progress	9,202	7,070	6,666
Total Membership	143,606	146,060	149,638

Frozen Refunds – are where members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the Fund to process a refund of contributions. The total net refund value is £1,598,266.56

9. The following table provides information taken from data provided to the Cipfa Benchmarking Club that provides comparison of the average cost per member against the cost of the Nottinghamshire Pension Fund.

Nottinghamshire Administration Costs compared to the average cost per member within the CIPFA Benchmarking Club

Process	2014	2015	2016	2017	2018	2019
Total Net Cost (£'000)	£1,585	£2,027	£1,475	£1,972	£1,952	£2,134
Total membership (Nos)	116,815	127,221	131,923	138,625	143,606	148,484
Cost per member	£13.57	£15.93	£11.18	£14.23	£13.59	£14.37
Average cost per member in the Cipfa benchmarking club	£19.52	£18.73	£18.69	£20.14	£21.85	£21.34

For 2019/20 the difference between the cost per member within the Nottinghamshire Pension fund and the average cost per member within the benchmarking club (there are 30 LGPS members within the club) is £6.97.

Employer Scheme Membership

LGPS Employers	31.03.2019	Number Admitted	Changes +/-	Number Leaving *	30.09.2019
Scheduled 1					
Local Authorities	9				9
Academies	196	4		39	161
Others- Active	16				16
Others- Defunct	42		39		81
	263				267
Scheduled 2					
Town and Parish Councils	33				33
Others - Active	9				9
Others - Defunct	13				13
Total Scheduled	318				322
Admitted					
Admission	59	6		3	62
Others - Active	22				22
- Defunct	86				86
Total Admitted	167				170
Total	485				492

Academies: 19 – Flying High Trust,
20 – Our Lady of Lourdes Catholic Multi Academy Trust

These are Academies that have consolidated into single employers

New Admissions: Aspens Services Limited (Magnus),
 Taylor Shaw Limited,
 Webb Support Services Limited,

10. From April 2019 to September 2019, the number of active scheme employers has increased, with the continued growth and change of academies adding to the complexity of the scheme by increasing the employer bodies. The Fund has admitted 4 employers who met the criteria for admission into the Fund the table above shows the movement of employers in the Fund with employers withdrawing from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.
11. The number of scheme employers is continuing to increase as schools convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.
12. In order to try to reduce the number of employer bodies the Fund continues to work with a number of Academy Trusts to support the merger of single academies within Multi Academy Trusts into one single employer, to try and reduce the complexity of scheme data, however this takes time and resource in supporting the changes. The two particular trusts that have converted to a single employer are the Flying High Trust, and Our Lady of Lourdes Catholic Academy Trust.

Activities

Annual Benefit Statements

13. In the July Pension Administration Performance report information was reported to Committee the number of scheme employers who provided their annual return by the deadline date and the percentage of accurate returns provided. All employers submitted their data to enable the submission of valuation and annual benefit statement data. This enabled the Fund to issue annual benefit statement to all employers' deferred and active members where data was submitted and balanced.
14. The Fund issued 41,899 deferred statements in July 2019. This was the first time that the Fund had issued benefit statements earlier than the August statutory deadline.
15. The Fund also issued 37,770 active benefit statements and prior to the statutory deadline where data had been provided by the scheme employers.
16. A further 600 benefit statements were issued in November for those members that missed the first print run due to incorrect data being provided by the scheme employers.

17. In August 2019 the Fund also issued 170,724 lines of valuation data to Barnett Waddingham, the scheme actuary. Barnett Waddingham are processing the valuation data to determine the contribution rate for the next 3 years from April 2020 onwards.

Performance Data

18. The Fund monitors its performance through a suite of service level agreement (SLA) reports, which are based on the agreed SLA's within the Administration Strategy.
19. In addition, this year CIPFA set up a working party which has developed a process whereby scheme administration data can be captured on a consistent basis and shared between funds, and as a result, the Administration Team is able to report on its quarter 1 and 2 performance figures as attached in Appendix 1.
20. The Table presents the performance for the first two quarters of 2019/20 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. The Committee will see that performance against the legal requirement averages around 83%.
21. The Pension Administration Team is also able to report a significant increase in the number of completed process in addition to the performance against the Fund KPI's. The total amount of processes completed in Quarter 1 was 8049 and Quarter 2 7018 as recorded in the Pension Administration System, this totals 15067.
22. Since the changes in legislation in May 2018, which have enabled deferred pension members over 55 years of age to seek payment of their benefits there has been a significant increase in these types of requests. The Administration Team completed 1026 processes in the last two quarters of 2018/19. This work has continued to increase with 1143 retirement quotes completed.
23. The member death process is the most difficult statistic to gather and measure, and the team is currently reviewing how this process is monitored. The difficulty is the date and timing of when the Pension Administration Team are informed of the death, against when the team receive the appropriate documentation.

Other Administration Activities

24. The Pension Administration Team continue to undertake a data reconciliation exercise against the pension payroll. There are a number of reasons to undertake this work, including a requirement by as part of our Audit report, it is also a regulator requirement, and is also necessary to support the completion of the GMP reconciliation project.
25. The Fund, as part of its GMP reconciliation project has now paid its bill to HMRC as part of the GMP financial reconciliation. A significant amount of investigation was undertaken which has resulted in reducing the amount originally identified by HMRC of £750k to a final payment of £165K.
26. The employer portal will go live in December, and the first scheme employer, Nottinghamshire County Council is currently working through the on boarding process.

27. The Pension Fund will be issuing its scheme return to the Pension Regulator by the deadline of 19 November, this is a statutory requirement, and updates the regulator the governance, data statistics, and information on the Pension Board, and employers who are members within the scheme.
28. The Fund has undertaken a data screening of the Pension Payroll which includes mortality screening, and tracing members of the scheme.
29. The Pension Fund continues to work on year end issues related to members records as an ongoing piece of work, along with working on outstanding processes including deferred benefit estimates and aggregations

Other Options Considered

30. Work will continue on the development of the SLA reports to provide a full range of benchmarking data over the coming financial year.
31. Further development of the Cipfa benchmarking reports in line with the guidance produced by Cipfa in the 2019 edition preparing the annual report.

Reason/s for Recommendation/s

32. This report has been compiled to inform the Nottinghamshire Pension Fund Committee of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

Statutory and Policy Implications

33. 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

34. The administration of the Nottinghamshire Pension Fund Administration is being delivered within existing resources at £2.134m 2019/20.

RECOMMENDATION

It is recommended:

That the Nottinghamshire Pension Fund Committee consider the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.

Marjorie Toward
Service Director – Customers, Governance, and Employees
For any enquiries about this report, please contact:

Jonathan Clewes, Pension Manager on 01159773434 or jon.clewes@nottsc.gov.uk

Constitutional Comments (KK28.11.2019)

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

Financial Comments (KP28.11.2019)

36. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.134m at 2019/20.

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 1

1st & 2nd Quarters 2019-2020 1.04.2019 to 30.09.2019 Fund Key Performance Indicators compared to performance of the Cipfa benchmark Key Performance Indicators					
Process	No. cases completed In Period	Fund KPI	% of cases completed within the fund KPI	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI
Deaths – Initial letter acknowledging death of member	178	5 days	28	2 months	89.33
Deaths – letter notifying amount of dependant's pension	238	10 days	78.03	2 months	78.99
Retirements –letter notifying estimate of retirement benefits	60	15 days	86.67	2 months	96.67
Retirements – process and pay pension benefits on time (next available payroll) –	1394	30 days	74.71	2 months	85.51
Deferment Retirement Quote Letter	1143	2 Months	95.01	2 Months	95.01
Deferment – calculate and notify deferred benefits	2646	2 months	56.24	2 months	56.24
Transfers in/out – letter detailing transfer quote	434	2 months	52.30	2 months	52.30.
Refund – Process and pay a refund following election	442	2 months	94.34	2 months	94.34
Divorce quote – letter detailing cash equivalent value and other benefits	162	2 months	95.06	2 months	95.06
Divorce Settlement – Letter detailing implementation of pension sharing order	7	2 months	28.57	2 Months	28.57
Provision of Estimate of Benefits	766	2 months	91.78	2 Months	91.78

20 January 2020**Agenda Item: 5****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &
IMPROVEMENT****INDEPENDENT ADVISER OBJECTIVES****Purpose of the Report**

1. To agree objectives for Nottinghamshire Pension Fund's Independent Adviser.

Information

2. The Competition & Markets Authority (CMA) has undertaken a market investigation of Investment Consultants. As a result of this investigation the CMA has made an Order called the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.
3. The Department of Work and Pensions subsequently issued a consultation called Trustee Oversight of Investment Consultants and Fiduciary Managers to implement this order, which appears to clarify that this is not intended to apply to the LGPS with the exception for Remedy 7: Requirement to set strategic objectives for providers of investment consultancy.
4. The legal arguments are not entirely clear, as regulations for the LGPS normally come under the MJCLG, but it is likely that Remedy 7 will be incorporated into the latter's next review of ISS guidance. In the meantime it is considered that the CMA order, and the guidance provided by DWP, in this respect alone does apply to the LGPS.
5. As a result of this order Nottinghamshire Pension Fund is required to set strategic objectives for our Independent Adviser. These strategic objectives should relate to the objectives of the Pension Fund.
6. The following table sets out the relevant objectives of the Pension Fund together with the objectives for the Independent Adviser to support the Pension Fund in delivering those objectives.

Nottinghamshire Pension Fund requirements	Independent Adviser objectives	Desired Outcomes/Measurement
Ensure that sufficient resources are available to meet all liabilities as they fall due <i>FSS</i>	Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to ensure the pension liabilities of the Fund are met and support progress towards a long term steady state of funding. Whilst insuring the appropriate level of risk is utilised to achieve these outcomes.	
Achieve and maintain Fund solvency at reasonable cost to taxpayers, scheduled, resolution and admitted bodies, and enable contribution rates to be kept as nearly constant as possible where practical <i>FSS</i>	Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	Returns from the investment strategy over time are in line with or exceed the assumptions within the Funding Strategy Statement, and the funding level remains within the expected range of outcomes. The Fund has sufficient cash flow to allow members benefits to be paid when due.
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance as referred to in the Approach to pooling investments section in the ISS	Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the LGPS Central pool.	Ensure a focus on key risk / return priorities Any areas of poor performance highlighted, challenged and solutions identified
Achieve and maintain long-term cost efficiency <i>FSS</i>		
Ensure the Fund's approach reflects relevant regulatory and legislative requirements <i>General</i>	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	No instances of non-compliance with relevant regulations
The Fund will aim to conduct its business and to use its influence in a long term responsible way. <i>ISS</i>	Advise and support the Committee and Officers in developing the Committee's policies and beliefs, including those in relation to Responsible Investment.	Committee are satisfied with the value of money represented by the services provided
Ensure the Fund's investment objectives are supported by an effective governance framework and comply with guidance issued by the Secretary of State <i>GCS</i>	Provide relevant and timely advice. Assist with identifying topics where further training may be beneficial to the Committee	All reports and advice delivered within prescribed timescales

FSS Funding Strategy Statement
ISS Investment Strategy Statement
GCS Governance Compliance Statement

Other Options Considered

6. None.

Reason/s for Recommendation/s

7. The Pension Fund is required to set objectives for our Independent Adviser. These objectives are consistent with the objectives of the Pension Fund.

Statutory and Policy Implications

8. 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

9. No additional financial implications.

RECOMMENDATION/S

That Pension Fund Committee approve the objectives for the Independent Adviser, as set out in the report.

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 19/11/19)]

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

Financial Comments (TMR 18/11/2019)

11. The financial implications are set out in paragraph 9.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All



Independent Adviser's Public Report for Nottinghamshire Pension Fund Committee

William Bourne

8th January 2020

Market Commentary

1. In September I noted that there were numerous - mainly political - dark clouds around but that they seemed largely discounted by the market. I thought authorities were poised to cut taxes/raise spending significantly, and that central banks would react to trouble by easing monetary policy. I considered this a supportive background for markets generally.
2. In practice government bond yields have fallen sharply before recovering (eg. UK 10 year gilt yield almost halved from a peak 0.81% in July to a low of 0.41% but are now back at 0.76%). The markets at the time ascribed this to a fear the world would sink into Japanese style deflation and low growth but, in my view, there were significant technical factors at play as well which will keep yields low.
3. Central banks in many countries (US, Japan, Europe) are running looser monetary policy (the jargon for this is QE4) and politicians around the world are about to loosen fiscal policy as well. The UK election result has driven home the message that **governments of whatever colour need to get money into the pockets of those who have not done well in the last 10 years.**
4. Against this background, many investors have therefore concluded that **equities at current levels may be expensive but are less risky than, for example, government or corporate bonds.**
5. That is not to say that all is well. From a long-term perspective, huge imbalances remain between:
 - Rich and poor, especially the asset-rich and the asset-poor;
 - Nations with an export surplus and those without;
 - The indebted West (I include Japan) and China;
 - And corporates and institutions with cash piles and those struggling to find finance.
6. Central banks today are unable to return interest rates from today's near-zero or negative levels to more normal ones, as personal debt levels make the cost of doing so politically impossible. Such **ultra- low interest rates are therefore likely to remain in place for many years.** As Japan has discovered over nearly 30 years, the second-order consequences of this deflationary environment can be undesirable.

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7. This combination of major long-term imbalances with the ineffectiveness of traditional monetary policy tools such as interest rates means that there will almost certainly be another global financial crisis at some point. However, markets are comfortable with today's policy mix of monetary easing from most central banks (though not yet the UK), the prospect of the end of austerity for political reasons, and modest economic growth. I therefore expect **the environment of low positive returns from both bonds and equities will continue until there is a catalyst big enough to change it.**
8. The next question to ask is what that catalyst might be. While I stress none of them are imminent, today my top candidates are:
 - Social - a retreat of market-oriented capitalism as a result of a swing to more extreme politics;
 - Political – a flare-up of a geo-political flashpoints (Iran, Russia, Hong Kong, China-US trade);
 - Financial – seizing up of corporate debt markets because of lack of suitable quality collateral;
 - Valuations – if they become unsustainable, markets will eventually correct sharply as in 1987.
9. Closer to home, the election has now been decided. Voters voted primarily to end uncertainty over Europe and perhaps against the radical agenda of Labour. UK markets reacted mildly positively to prospect of moving forward but, as with all negotiations, the path is unlikely to be smooth and there will be further uncertainty for many months over precisely what trade deal is struck with Europe. On the domestic front, the new Government has said it will focus on helping areas left behind over the last 30 years. This is likely to be positive for demand and ultimately markets.
10. Talk about global recession seems to be receding, though growth is clearly going to be muted and a downturn remains possible. If so, it may come out of China rather than the US (eg. Hong Kong 2019 growth is likely to be zero or lower) though I suspect the Chinese authorities will use the tools they possess as a centrally controlled economy to prevent that happening.
11. **In summary, there is not much change from four months ago.** Equity and bond prices remain high but will probably continue on a similar path in the short and possibly medium term until something knocks them off course. When that happens, there is scope for a considerable fall in equities.

RECOMMENDATIONS

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

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

1. To consider the Committee's work programme for 2020.

Information

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

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

RECOMMENDATION/S

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

Marjorie Toward
Customers, Governance and Employees

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

Constitutional Comments (HD)

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

Financial Comments (NS)

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

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME

Report Title	Brief summary of agenda item	Report Author
13 February 2020		
Governance Conference	Update Report	Jon Clewes
Transforming Pension Administration	Quarterly Update	Sarah Stevenson
<i>Admission Body Status Update</i>	<i>Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)</i>	<i>Andy Durrant</i>
Fund Strategies	Review of Fund Strategies	Tamsin Rabbitts
LAPFF Conference	Report from the LAPFF conference	Keith Palframan
Proxy Voting	Summary of voting activity during quarter 4 2019	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
<i>LGPS Scheme Advisory Board Update</i>	<i>6 monthly report updating members on the work of the SAB if anything of note</i>	<i>Jon Clewes/Ciaran Guilfoyle</i>

12 March 2020		
Report of Chairman of the Pensions Board	Update Report	Jon Clewes
Triennial Evaluation	Results of evaluation	Tamsin Rabbitts
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports	Independent Adviser
Managers Reports	Presentations of quarterly reports by Fund Managers (exempt)	Relevant fund managers
11 June 2020		
Administration Performance	12 Months Update	Jon Clewes
Transforming Pension Administration	Quarterly Update	Sarah Stevenson
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports	Independent Adviser
Managers Reports	Presentations of quarterly reports by Fund Managers (exempt)	Relevant fund managers

9 July 2020		
Pension Administration Annual Performance & Strategy Review	Report detailing the Administering Authority and Scheme Employers performance against the Admin Strategy including any data breaches	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 1 of 2020	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
TO BE PLACED		
Guaranteed Minimum Pension Reconciliation Exercise With HMRC	Update Report	Jon Clewes
Pensions Effect on Higher Education		Jon Clewes
Environmental Impact of Companies Invested in by the Pensions Fund		Tamsin Rabbitts
Investment in Renewables	Report following LAPFF survey	Ciaran Guilfoyle

20 January 2020
Agenda Item: 8

REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

FUND VALUATION AND PERFORMANCE

Purpose of the Report

1. To report on the total value and performance of the Pension Fund to 30 September 2019.

Information

2. This report is to inform the Pension Fund Committee of the value of the Pension Fund at the end of the latest quarter and give information on the performance of the Fund. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendices.
3. The table below shows a summary of the total value of the investment assets of the Fund as at 30 September 2019, in comparison with the benchmark, together with the comparative position 3 and 12 months previously. The benchmark was reviewed and changed early in 2019. This is a long-term target and it will take some years to achieve it.

	Latest Quarter		Long term	Previous Quarter		Previous Year	
	30 September 2019		Benchmark	30 June 2019		30 September 2018	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,389	59.6%	56%	3,343	59.8%	3,427	62.3%
Private	505	8.9%	12%	476	8.5%	329	6.0%
Property	733	12.9%	15%	738	13.2%	760	13.8%
Bonds							
Gilts	193	3.4%	2%	183	3.3%	135	2.5%
Other Bonds	687	12.1%	13%	683	12.2%	722	13.1%
Cash	181	3.2%	2%	164	2.9%	126	2.3%
	5,687	100%	100%	5,586	100%	5,498	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £299.4m or 5.3% of the fund. Including infrastructure commitments made but not drawn down gives a total amount of 5.9% of the fund. There is a long term target for investments in infrastructure to be 8% of the fund.

5. The table below shows the detailed breakdown by portfolio of the Fund as at 30 September 2019 together with the total value of each portfolio at the previous quarter end.

	Core Index		Schroders		Kames		Kames S		Aberdeen		Specialist		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
UK Bonds														
Gilts					193.2	37%	0.0	0%					193.2	3%
Corporate Bonds					291.4	56%	170.5	100%					461.9	8%
					484.6	94%	170.5	100%					655.1	12%
Overseas Bonds														
Corporate Bonds					22.6	4%	0.0	0%					22.6	0%
					22.6	4%	0.0	0%					22.6	0%
Inflation Linked											201.0	15%	201.0	4%
UK Equities	576.0	40%	779.0	49%							46.8	3%	1,401.8	25%
Overseas Equities														
North America	358.5	25%	470.2	29%							0.0	0%	828.7	15%
Europe	187.2	13%	119.8	7%							167.6	12%	474.6	8%
Japan	110.2	8%	71.8	4%							86.6	6%	268.6	5%
Pacific	106.1	7%	45.1	3%									151.2	3%
Emerging Markets	72.2	5%	74.9	5%							85.7	6%	232.8	4%
Global	31.2	2%									0.0	0%	31.2	1%
	865.4	60%	781.8	49%							339.9	25%	1,987.1	35%
Private Equity											206.8	15%	206.8	4%
Infrastructure											299.4	22%	299.4	5%
Property														
UK Commercial									441.9	74%			441.9	8%
UK Commercial - Local									24.3	4%			24.3	0%
UK Strategic Land									8.0	1%			8.0	0%
Pooled - UK									17.4	3%	134.9	10%	152.3	3%
Pooled - Overseas									105.6	18%	0.7	0%	106.3	2%
									597.2		135.6	10%	732.8	13%
Cash/Currency	3.6	0%	44.3	3%	10.9	2%	0.0	0%			121.7	9%	180.5	3%
Total	1,445.0	25%	1,605.1	28%	518.1	9%	170.5	3%	597.2	11%	1,351.2	24%	5,687.1	
Previous Qtr Totals	1,451.2	26%	1,561.1	28%	494.7	9%	186.2	3%	605.1	11%	1,287.4	23%	5,585.7	

6. The Fund investments have increased by £101.4 million (1.8%) since the previous quarter. Fund investments have increased by £189.4 million (3.4%) over the last 12 months. The table below shows the Fund Account for 2019/20 to date along with the full year figures for 2018/19.

Summary Fund Account	Q2 2019/20 £000	Full Year 2018/19 £000
Employer contributions	(75,103)	(135,001)
Member contributions	(23,415)	(46,216)
Transfers in from other pension funds	(2,666)	(9,473)
Pensions	79,158	162,267
Commutation of pensions and lump sums	19,770	34,937
Lump sum death benefits	2,751	4,495

Payments to and on account of leavers	5,199	34,732
Net (additions)/withdrawals from dealings with members	5,694	45,741
Administration Expenses	19	2,112
Oversight & governance expenses	511	1,630
Investment Income	(38,245)	(162,772)
Profits & losses on disposals & changes in value	(223,586)	(154,446)
Taxes on income	243	850
Investment management expenses	1,252	5,410
Net Returns on Investments	(260,336)	(310,958)
 Net (increase)/decrease in net assets	 (254,112)	 (261,474)

Core Index Portfolio

7. Below are detailed reports showing the valuation of the Core Index portfolio at the quarter end and the transactions during the quarter. The table below summarises the valuation and compares it to the portfolio benchmark (and a comparison with the previous quarter). The benchmark changed in the second quarter of 18/19 as part of a long term aim to bring our overseas developed market passive investments to be consistent with the regional allocation of the LGPS Central Overseas passive fund as agreed at the June Pension Fund Committee. This will be a gradual change over time. The Global category below is the LGPS Central Overseas passive fund.

	30 September 2019			30 June 2019		
	Portfolio	B/Mark		Portfolio		
	£000	%	%	£000	%	
UK Equities	575,969	39.9%	40.0%	568,585	39.2%	
Overseas Equities:	865,434	59.9%	59.5%	879,286	60.6%	
North America	358,502	24.8%	18.0%	380,211	26.2%	
Europe	187,198	13.0%	18.0%	184,483	12.7%	
Japan	110,237	7.6%	9.0%	103,445	7.1%	
Pacific Basin	106,098	7.3%	9.0%	107,896	7.4%	
Emerging Markets	72,195	5.0%	5.5%	72,872	5.0%	
Global	31,204	2.2%	0%	30,379	2.1%	
Cash	3,593	0.2%	0.5%	3,315	0.2%	
Total	1,444,996			1,451,186		

8. The table below summarises transactions during the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	0	0	0
Overseas Equities			
North America	0	40,007	-40,007
Europe	0	0	0
Japan	0	0	0
Pacific Basin	0	0	0
Emerging Markets	0	0	0
Global	0	0	0
Totals	0	40,007	-40,007

The £40 million sale is part of a gradual reduction in our NA equity overweight to fund commitments in other parts of the fund in line with our asset allocation.

Schroder Investment Management Portfolio

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

	30 September 2019			30 June 2019		
	Portfolio		B/Mark	Portfolio		B/Mark
	£000	%	%	£000	%	%
UK Equities	779,019	48.5%	50.0%	736,255	47.2%	
Overseas Equities	781,857	48.7%	49.5%	778,043	49.8%	
North America	470,171	29.3%	28.9%	474,396	30.4%	
Europe	119,802	7.5%	8.3%	117,618	7.5%	
Japan	71,815	4.5%	4.7%	67,589	4.3%	
Pacific Basin	45,124	2.8%	3.0%	45,461	2.9%	
Emerging Markets	74,945	4.7%	4.6%	72,979	4.7%	
Cash	44,291	2.8%	0.5%	46,793	3.0%	
Total	1,605,167			1,561,091		

10. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	48,256	9,611	38,645
Overseas Equities			
North America	0	25,296	-25,296
Europe	16,547	16,423	124
Japan	3,715	3,314	401
Pacific Basin			0
Emerging Markets	6,872	5,362	1,510
Totals	75,390	60,006	15,384

Kames Capital

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

	30 September 2019			30 June 2019		
	Portfolio		B/Mark	Portfolio		B/Mark
	£000	%	%	£000	%	%
UK Bonds						
Gilts	193,161	37%	30%	182,739	37%	30%
Corporate Bonds	291,383	56%	70%	281,966	57%	70%
Overseas Bonds						
Corporate Bonds	22,556	4%		13,101	3%	
Cash	10,721	2%		16,950	3%	
Total	517,821			494,756		

12. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Bonds			
Gilts	32,168	32,654	-486
Corporate Bonds	5,859	4,462	1,397
Overseas Bonds			
Government Bonds	0	0	0
Corporate Bonds	10,274	1,357	8,917
Totals	48,301	38,473	9,828

Aberdeen Standard Investments (ASI)

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

Date	Property	Transaction
05/07/2019	14-22 Lands Lane, Leeds	Alterations license
08/07/2019	Unit E, Grovebury Retail Park, Leighton Buzzard	Alterations license
11/07/2019	Woodyard Lane, Wollaton, Nottingham	Access license
18/07/2019	Land at Dowding Way, Tunbridge Wells	License to assign
23/07/2019	1 Forward Drive, Harrow	Engrossment agreement
24/07/2019	Queen Street, Cardiff	Surrender of Lease
29/07/2019	Woodyard Lane, Wollaton, Nottingham	Sale to Avant Homes
31/07/2019	Grovebury Retail Park, Leighton Buzzard	DFA Variation
31/07/2019	Grovebury Retail Park, Leighton Buzzard	Collateral warranties
02/08/2019	Woodyard Lane, Wollaton, Nottingham	Deed of variation
06/08/2019	Woodyard Lane, Wollaton, Nottingham	Deed of variation
03/09/2019	Grovebury Retail Park, Leighton Buzzard	Engrossment of the Lease
23/09/2019	Grovebury Retail Park, Leighton Buzzard	Lease completion

Specialist Portfolio

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

	30 September 2019		30 June 2019	
	£000	%	£000	%
Private Equity	206,800	16.8%	198,400	16.7%
Infrastructure	299,400	24.4%	278,200	23.4%
Property Funds	135,600	11.0%	133,200	11.2%
Kames DGF	201,000	16.3%	200,600	16.8%
Equity Funds	386,700	31.5%	380,200	31.9%
Total	1,229,500		1,190,600	

15. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Private Equity	4,886	1,193	3,693
Infrastructure	15,039	0	15,039
Property Funds	1,780	0	1,780
Kames DGF	0	0	0
Equity Funds	53,650	57,767	-4,117
Totals	75,355	58,960	16,395

Statutory and Policy Implications

16. 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

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

Tamsin Rabbitts

Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments

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

Financial Comments (TMR 13/12/2019)

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