

# **Nottinghamshire Pension Fund Committee**

**Thursday, 07 June 2018 at 10:30**

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

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## **AGENDA**

- |   |  |         |
|---|--|---------|
| 1 | To note the appointment of Councillor Eric Kerry as Chairman and Stephen Garner as Vice-Chairman of the Nottinghamshire Pensions Fund Committee                    |         |
| 2 | Membership and Terms of Reference of the Fund  | 5 - 8   |
| 3 | Minutes of the last meeting 19 April 2018  | 9 - 12  |
| 4 | Apologies for Absence  |         |
| 5 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 6 | LGPS - Pension Admin Performance Report and Data Quality   | 13 - 26 |
| 7 | Work Programme   | 27 - 32 |
| 8 | Fund Valuation and Performance   | 33 - 36 |
| 9 | Future of the In-House Equity Portfolio  | 37 - 40 |

## 10 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 paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 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**

### 11 Future of the In-House Equity Portfolio EXEMPT

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

### 12 Fund Valuation and Performance EXEMPT

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

### 13 Independent Adviser's Report EXEMPT

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

### 14 Managers' Reports:

#### a Aberdeen Standard Investments EXEMPT

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

#### b Kames Capital EXEMPT

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

#### c Schroders Investment Management EXEMPT

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

Please note, hard copies of the above management reports are available to Committee members on request.

### **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>

7 June 2018

Agenda Item: 2

## **REPORT OF THE CHIEF EXECUTIVE**

### **MEMBERSHIP AND TERMS OF REFERENCE NOTTINGHAMSHIRE PENSIONS FUND**

#### **Purpose of the Report**

1. To report the membership and terms of reference of the Nottinghamshire Pensions Fund

#### **Information**

2. Committee is asked to note that the following Members have been appointed to the Nottinghamshire Pensions Fund:-

#### **County Councillors**

Chairman – Councillor Eric Kerry (C)  
Vice-Chairman – Councillor Stephen Garner (MI)

Councillor Reg Adair (C)  
Councillor Chris Barnfather (C)  
Councillor Sheila Place (L)  
Councillor Mike Pringle (L)  
Councillor Francis Purdue-Horan (C)  
Councillor Helen-Ann Smith (AI)  
Councillor Parry Tsimbiridis (L)

#### **NON VOTING-MEMBERS OF THE PENSIONS FUND COMMITTEE**

##### **Nottingham City Council**

Councillor Graham Chapman  
Councillor Anne Peach  
Councillor Sam Webster

## **Nottinghamshire Local Authorities' Association**

Councillor Richard Jackson – Broxtowe Borough Council  
Kate Allsop – Executive Mayor Mansfield District Council

### **Trade Unions**

Mr C King - UNISON  
Mr A Woodward - GMB

### **Scheduled Bodies**

Mrs S Reader – Nottingham Trent University

### **Pensioner Representatives**

Terry Needham (current pensioner rep)  
1 vacancy

## **NOTTINGHAMSHIRE PENSION FUND COMMITTEE – TERMS OF REFERENCE**

- 3 The exercise of the powers and functions set out below are delegated by the Full Council to the Committee in relation to pensions:
  - a. All decisions within the control of the Council including but not limited to those listed in the Table below
  - b. Policy development in relation to pensions, subject to approval by the Policy Committee or the Full Council
  - c. Review of performance in relation to the services provided on a regular basis
  - d. Review of day to day operational decisions taken by officers
  - e. Approval of consultation responses except for responses to day-to-day technical consultations which will be agreed with the Chairman and reported to the next available Committee following their submission.
  - f. Approving all Councillor attendance at conferences, seminars and training events within the UK mainland for which a fee is payable including any expenditure incurred, within the remit of this Committee and to receive quarterly reports from Corporate Directors on departmental officer travel outside the UK within the remit of this Committee.
4. If any report comes within the remit of more than one committee, to avoid the report being discussed at several committees, the report will be presented and determined at the most appropriate committee. If this is not clear, then the report will be discussed and determined by the Policy Committee.

5. As part of the detailed work programme the Committee will receive reports on the exercise of powers delegated to officers.
6. The Committee will be responsible for its own projects but, where it considers it appropriate, projects will be considered by a cross-committee project steering group that will report back to the most appropriate Committee.

Table
Administering the Nottinghamshire Pension Fund, including investments by and management of pension funds and the administration of the Pension Fund

**NOTE:** The County Council administers this Pension Fund on behalf of Nottinghamshire County Council, Nottingham City Council, the District and Borough Councils and other admitted bodies in Nottinghamshire.

### **APPOINTMENT OF THE NON-VOTING MEMBERS**

7. It is proposed that the existing members appointed as the Scheduled Bodies and Pensioner Representatives be asked to continue in their current roles for a further three years. Further consideration will be given to the appointment to the current Pensioner Representative vacancy and any further appointment will be brought to this Committee for approval.

### **Statutory and Policy Implications**

8. 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 have been described in the text of the report.

### **RECOMMENDATION**

9. That the membership be noted and that the terms of reference of the Committee be approved.

**Anthony May**  
**CHIEF EXECUTIVE**

**Financial Comments (NS 15/5/18)**

8. There are no financial implications arising from this report.

**Background Papers Available for Inspection**

None

**Electoral Divisions Affected**

All.

## minutes

Meeting NOTTINGHAMSHIRE PENSIONS FUND COMMITTEE

Date Thursday 19 April 2018 at 10.30 am

### **membership**

Persons absent are marked with 'A'

### **COUNCILLORS**

Eric Kerry (Chairman)  
Stephen Garner (Vice Chairman)

Reg Adair  
Chris Barnfather  
A Sheila Place  
Mike Pringle

Francis Purdue-Horan  
Helen-Ann Smith  
Parry Tsimbirdis

### **Nottingham City Council**

Councillor Graham Chapman  
Councillor Anne Peach  
A Councillor Sam Webster

### **Nottinghamshire Local Authorities' Association**

A Councillor Richard Jackson – Broxtowe Borough Council  
Kate Allsop – Executive Mayor Mansfield District Council

### **Trades Unions**

Mr A Woodward  
A Mr C King

### **Scheduled Bodies**

A Mrs Sue Reader

### **Pensioners**

Vacancy  
Mr T Needham

### **Independent Advisor**

William Bourne

### **Officers in Attendance**



Pete Barker	(Resources)
Jon Clewes	(Resources)
Ciaran Guilfoyle	(Resources)
Keith Palframan	(Resources)
Tamsin Rabbitts	(Resources)
Nigel Stevenson	(Resources)
Sarah Stevenson	(Resources)

## **1. MINUTES**

The minutes of the last meeting held on 8 March 2018, 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 Sheila Place, Councillor Sam Webster and Sue Reader.

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

None.

## **4. REVISION OF FUND STRATEGIES**

Mrs Rabbitts introduced the report and following a debate an amendment to the motion was moved by Councillor Kerry and seconded by Councillor Garner:

That a new paragraph 54 be added under the Assessment of the Suitability of Investments heading of the Investment Strategy Statement to read:

‘Infrastructure investments can provide predictable income streams with a high correlation to inflation over a long period of time’

After discussion the amendment was put to the vote and was carried.

### **RESOLVED 2018/018**

1. That the revised Funding Strategy Statement, Investment Strategy Statement and Governance Statement be approved subject to adding a new paragraph 54 to the Investment Strategy Statement:

‘Infrastructure investments can provide predictable income streams with a high correlation to inflation over a long period of time’

2. That a report be brought to a future meeting of the Committee on the subject of training.

## **5. LGPS CENTRAL LIMITED UPDATE**

Mr Palframan introduced the report and on a motion by the chairman, duly seconded it was:

### **RESOLVED 2018/019**

That a report on the options concerning the future of the in-house portfolio be brought to a future meeting of the Committee.

## **6. LAPFF CONFERENCE 2017**

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

### **RESOLVED 2018/020**

1. That Committee continues to ensure the measures the Authority has in place to combat cybercrime are robust.
2. That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to investments.

## **7. LAPFF BUSINESS MEETING**

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

### **RESOLVED 2018/021**

That membership of the LAPFF and attendance at the meetings be continued.

## **8. PROXY VOTING**

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

### **RESOLVED 2018/022**

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

## **9. IMPLEMENTATION OF THE GENERAL DATA PROTECTION REGULATION**

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

### **RESOLVED 2018/023**

That the Nottinghamshire Pension Fund GDPR action plan be approved and Committee receive quarterly progress reports.

#### **10. PENSION FUND DATA IMPROVEMENT PLAN**

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

##### **RESOLVED 2018/024**

That the Data Improvement Plan be adopted and update reports on progress be presented to Committee on a six monthly basis.

#### **11. UPDATE ON THE LOCAL GOVERNEMENT SCHEME ADVISORY BOARD**

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

##### **RESOLVED 2018/025**

That the administering authority implements the recommendations of the Board once they are formally communicated to pension funds.

#### **12. WORK PROGRAMME**

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

##### **RESOLVED 2018/026**

That reports on the following subjects be brought to future meetings of the Committee:

- Training for Members
- LGPS Central – options
- GDPR – quarterly progress reports
- Pensions Fund Data Improvement Plan – 6 monthly progress reports

The meeting concluded at 11.43am

**CHAIRMAN**

**REPORT OF THE SERVICE DIRECTOR - CUSTOMERS AND HR****LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION  
PERFORMANCE REPORT AND DATA QUALITY.****Purpose of the Report**

1. The purpose of this report is to inform the Pension Committee of the continuing work being under taken by the Administration Team to improve data quality, and ensure statutory compliance of the scheme employers.
2. The report also outlines the performance of the Administration Team against the Service Level Agreement outlined in the Administration Strategy.

**Information and Advice****Background**

3. One of the 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. This matter has been highlighted by The Scheme Advisory Board along with the Local Government Association
4. The Pensions Regulator has been raising concerns relating to data quality and the need for improvement across pension funds. To help manage the improvement of data, In March 2017 Pension Committee approved the Nottinghamshire Pension Fund Administration Strategy, which was implemented in April 2017. This has also been supplemented by the data improvement plan that was presented to Pensions Committee April 2018.
5. The Administration Strategy is designed to provide a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data.
6. Data is important to the Administering Authority for a number of reasons, the main reasons being:
  - a. Members are paid the pensions they are entitled to
  - b. Employers' costs are reliable/correct
  - c. Investment and administration costs are reliable/correct
  - d. Fund valuations reflect true costs/ liabilities of the fund

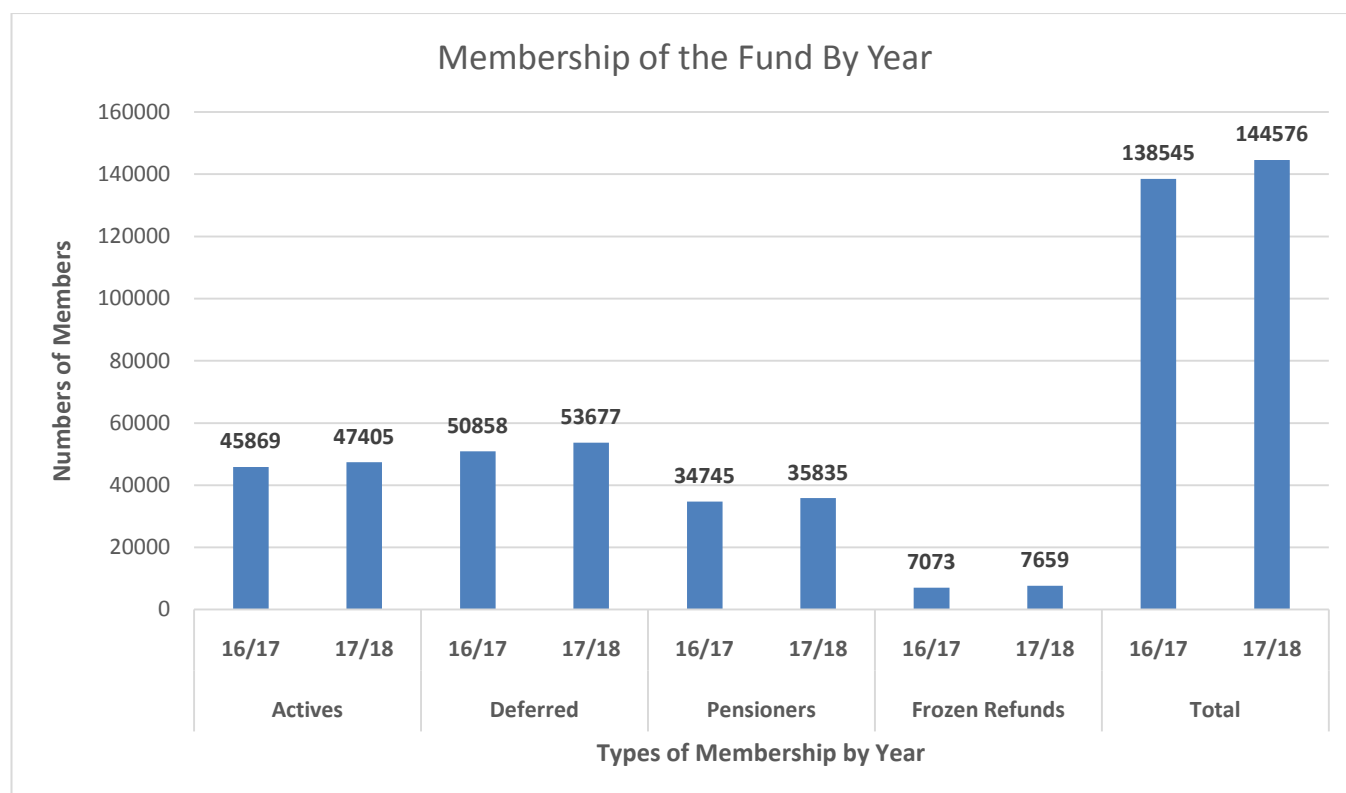
- e. Cost effective administration – fewer queries
  - f. Reduce Internal Dispute Resolution Procedure cases
  - g. Avoid the Pensions Regulator
  - h. Maintains the scheme's reputation
7. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority. A number of service level agreement reports that have been developed by Civica, our pension administration software provider. These reports provide data on a number of pension administration processes, and report performance against the agreed service level. Work is currently underway to develop reports on employer activities.

### Pension Fund Membership Statistics

8. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the Fund under certain categories. These figures are used to populate the Fund's annual report. The following table details the membership of the Fund against each category, and sets a context to the size of the Fund.

Employer	Actives		Deferred		Pensioners		*Frozen Refunds		Total	
Year	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018
City	8,196	7,968	11,469	12,137	6,870	7,152	1,473	1,704	28,008	28,961
County	17,061	17,102	22,202	23,441	16,319	16,521	3,920	4,026	59,502	61,090
District	3,146	3,141	4,227	4,301	4,665	4,797	424	445	12,462	12,684
Other	17,466	19,194	12,960	13,798	6,891	7,365	1,256	1,484	38,573	41,841
<b>Totals</b>	<b>45,869</b>	<b>47,405</b>	<b>50,858</b>	<b>53,677</b>	<b>34,745</b>	<b>35,835</b>	<b>7,073</b>	<b>7,659</b>	<b>138,545</b>	<b>144,576</b>

\* **Frozen Refunds** – Members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the payment to be processed.



9. In addition, it is important to understand the context of the number of employers in the fund as this increases the complexity of managing the collection of data from different employers.
10. From April 2017 to March 2018, the number of active scheme employers has increased to 335. In 2017-2018, the Fund received 25 applications from employers who met the admitted body criteria for admission into the fund, 5 employers withdrew 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 expected to continue 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. As agreed in a previous report to Committee a list of new scheme employers 2017-2018 is attached in Appendix A. This list is split into compulsory bodies, designating bodies, and transfer admitted bodies. As requested by Committee, the employers have been listed against their administration area. As you will see that vast majority of new employers relate to schools, with a number of applications still to be completed.

## **Year End and Employer Activities**

13. Since moving to Civica UPM, pension administration system in November 2014, the Employer and Compliance Team have been working with employers to improve the

submission of pension data to the fund. This was particularly important in 2015-2016 as this was a valuation year.

14. There is a statutory requirement for participating scheme employers to provide timely and accurate data and in particular to provide accurate year-end data. For the year 2016-2017, participating employers in the scheme were required to provide accurate year-end data by 2 May 2017. Following the processing of the year-end returns, annual benefit statements were issued to active members of the scheme by 31 August 2017 and issued to deferred members by 8 September 2017.
15. The following table provides information on employer submissions of year-end data over the last three year-ends.

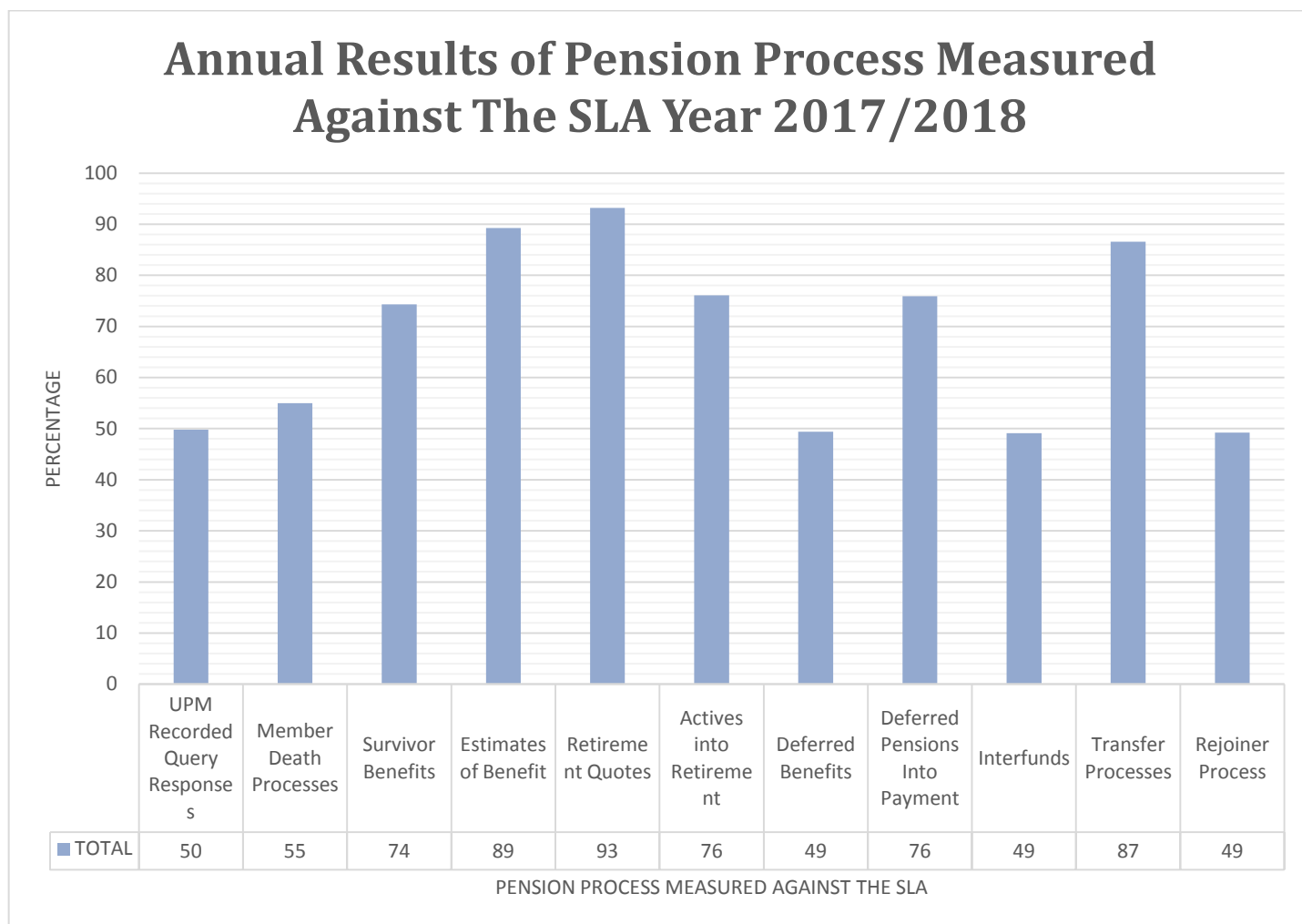
Year End	Number of submissions received by submission date	Accurate submissions received by submission date	Submission date	Number of Employer returns expected	Percentage of expected returns received by the deadline
2014-2015	112	92	31 May 2015	260	43%
2015-2016	162	157	30 April 2016	276	59%
2016-2017	253	166	2 May 2017	310	82%
2017-2018	317	Not available until all balancing complete	14 May 2017	338	93%

16. Work has been undertaken to support employers and to simplify the way data is requested, this have been achieved by reviewing communications and improving the content of the year-end briefings. The briefing delivered in March 2018 targeted new employers to ensure that they understood their responsibilities.
17. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. The Administering Authority may not be able to issue annual benefit statements to individual members where the scheme employer has failed to provide the required data. This situation would ultimately result in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non-compliant scheme employers.
18. For year ending 2016-17, 47,382 lines of year-end data that were processed across the fund and approximately 90% of all records provided by scheme employers were accurate, however issues that were identified within the data were returned to individual scheme employers for resolution.
19. Following the completion of employer queries for 2016-2017 year end activity, the Administering Authority issued 35,960 active annual benefit statements by 31 August 2017 and 37,356 deferred annual benefit statements by 8 September 2017. Three employers failed to meet the deadlines which resulted in additional work being undertaken to issue their statements in November breaching the statutory deadline

20. The administration team levied the additional costs incurred due to late data onto the three employers, and a report was sent to the Pension Regulator. The report explained the reasons for the late issue of benefit statements, and what actions were taken by the Administration Authority to ensure that the benefits statements had been issued.
21. The Pension Office will document the additional work and costs associated for all Scheme Employers who fail to meet their responsibilities for the 2017-2018 year end. These Scheme Employers will be charged for the additional work undertaken as laid down in the Administration Strategy.

## Performance Data

22. This is the first year in reporting on the Service Level Agreement data to the Pensions Committee since the implementation of the Pensions Administration Strategy from April 2017. To illustrate the performance of the administration team against the SLA the data is summarised in the following graph with a commentary on the main process undertaken by the Administration Team.





## **Death Processes**

23. The process dealing with deaths of active members, pensioners, as well as deferred members is very involved in terms of collecting the correct relevant information at the appropriate time to process payments at what is a difficult time for members and their relatives depending on the circumstances. The main challenge for pensioner and deferred member death is actually being informed of the death, as the notification of deaths is often days or in certain circumstances weeks after the death, which results in an over payment of pension.
24. One of the main priorities is to ensure that survivor benefits are processed as soon as possible, and the performance measure identifies that 74% are paid within 10 days of notification. The overall performance across these processes is an average is 55% within the SLA.
25. The notification of deaths come in clusters as they can be very seasonal and therefore this does have an effect of being able to apply resources at different times of the year. Notification of Deaths comes from a number of sources, these being direct notification to payroll, through the Department of Work and Pensions (DWP) Tell Us Once Service, through the Pensions Website notification process, and telephone calls to the Pensions Office. Once notified, the pension is suspended immediately and the calculation of benefits begins.
26. Once an overpayment is identified, the process is to issue an invoice to the estate and this instigates a debt recovery process against the estate. In 2017-2018, the total amount of invoices raised for overpayment of pensions were £111,046 and £85,030 recovered with a remaining £24,965 being collected through the debt process.
27. In order to try and reduce the number of overpayments further consideration is being given to changing the dates that pension payslips are issued, currently they are issued in March, April, May, and June each year, however consideration is being given to changing one of the dates to later in the year e.g. October.
28. Finally in-service survivor processes, and deferment processes take longer to administer as not all the information is received at the same time or further checks might sometimes be required, and therefore the SLA can be missed. It is therefore proposed that the SLA targets be reviewed to ensure that a more accurate measure can be made.

## **Transfers**

29. The number of transfers tend to fluctuate, in some cases due to financial institutions/ financial advisors in contacting members and persuading members to transfer pension in line with the Pension Freedoms Legislation. However, the overall performance is an average of 86%. Other factors that affect performance have been changes to the transfer factor tables, which the government changed in 2017; this had an impact on the ability to undertake some transfers from April 2017. There was a delay in the confirmation of the transfer factors by DWP, which also delayed the updating of the Pension Administration Software, which in turn led to a delay in processing a number of transfers.

## **Retirements**

30. The overall performance for retirements processes in the first and second quarters the team met the SLA with an overall annual average of 93%. Actives and deferred members put into payment over the year are at 76% within the SLA; whilst there is a continual stream of retirements throughout the year, there are busy times, mainly around the second and fourth quarters due to retirements in schools and Authorities. In order to improve this performance, and especially to provide estimates of benefit a bulk process has been implemented for larger groups of members and this has helped to improve performance for retirement quotes for groups of staff.
31. One of the main priorities within the process which it is not possible to monitor separately at the moment, is once the Administration Team is notified of a leaving date, then the appropriate payments are made at the appropriate payroll date. What tends to hold up retirements in meeting the SLA is incorrectly filled out forms and missing information, for example bank details or incorrect salary details.
32. Work has been undertaken to review the retirement process and it is hoped that this will be applied into the Administration System by June to try to reduce delays further.

### **Deferred benefits**

33. The Administration Team are undertaking the process of notifying leavers of the fund of their deferred benefit within 50% of the SLA. In terms of priority this is the least prioritised activity, however there is a team working on these, and again we have reviewed the process this year.
34. Deferred benefits is the one process where the priority is impacted when there is demand within the office for other more priority work to be completed; an example is that resources are moved to year-end activity in June and July, which has an impact on the completing deferred benefit information to members, there are currently 7,135 deferments outstanding.
35. The increase in deferred benefit activity is due to an increase in leaver notifications at year-end with one employer in 2015-2016 notifying the fund of 3,500 as opposed to informing the pension's team at the time of the individual leaving employment. This situation builds up a backlog of work, which perpetuates the numbers over the years. Discussions are currently being had with our software provider in how this process might be more automated, however this will take some time to develop.
36. In addition there have been recent changes to the regulations (April 2018) which are applied from 17 May 2018 allowing those deferred members with pre 2014 service to access their deferred benefits with actuarial reduction at the age of 55. It is envisaged that there will be a lot of interest in this change of regulations, resulting in increased requests for estimates, and release of benefits.

### **Other Options Considered**

37. A data improvement plan has been developed and the administration team will be working towards data improvement in line with the Pension Regulator requirements. Information on data improvement will be included in the Pension Scheme Return, which is normally completed in September.

38. Work will continue on the development of the SLA reports, with a further development on reports that will focus on scheme employer's performance. A request has been made to the software provider to advise on how this might be implemented
39. It is hoped that the implementation of an employer portal will also improve the transfer of data from employers to the Administration Team. Security testing is due to start following some changes that are required. Once this testing has been completed, a planned roll out will be offered to a number of selected scheme employers.

### **Reason/s for Recommendation/s**

40. This report has been compiled to seek Pension Committee approval 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**

41. 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**

42. The performance of the administration of the pension fund is being delivered within the existing resources.

## **RECOMMENDATION/S**

It is recommended:

1. That the Pension 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.
2. That the Pension Committee continue to support the recharging of non-compliant Scheme Employers for the additional work incurred by the Pension Office, as laid down in the Administration Strategy.

**Marjorie Toward**  
**Service Director – Customers and HR**

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

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

### **Constitutional Comments (KK 14/05/2018)**

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

### **Financial Comments (KRP 14/05/2018)**

44. There are no direct financial implications relating to this report.

### **HR Comments**

45. Not applicable

### **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

### Compulsory bodies

Employer / work base	Administration area	Date of entry	Academy proprietor
Sir John Sherbrooke Junior School	Gedling	01.04.2017	Aspire Multi Academy Trust
Woodlands School	Nottingham	01.04.2017	Raleigh Learning Trust
Westbury School	Nottingham	01.04.2017	Raleigh Learning Trust
Unity Learning Centre	Nottingham	01.04.2017	Raleigh Learning Trust
Denewood Learning Centre	Nottingham	01.04.2017	Raleigh Learning Trust
Raleigh Learning Trust	Nottingham	01.04.2017	Not applicable
Kirkby Woodhouse School	Ashfield	01.05.2017	Aspire Multi Academy Trust
Springfield Academy	Nottingham	01.06.2017	Djanogly Learning Trust
Porchester Junior School	Gedling	01.07.2017	Flying High Trust
Mapplewells Primary & Nursery School	Ashfield	01.07.2017	Flying High Trust
Whitegate Primary & Nursery School	Nottingham	01.07.2017	Transform Trust
Robert Shaw Primary & Nursery School	Nottingham	01.06.2017	Transform Trust
William Booth Primary & Nursery School	Nottingham	01.06.2017	Transform Trust
Stanstead Nursery & Infants School	Nottingham	01.09.2017	Flying High Trust
Bracken Lane Primary Academy	Bassetlaw	01.09.2017	Diverse Academies Trust
Samuel Barlow Primary Academy	Newark	01.09.2017	Diverse Academies Trust
Gunthorpe C of E Primary School	Newark	01.08.2017	Aspire Multi Academy Trust
Redgate Primary Academy	Mansfield	01.10.2017	Diverse Academies Trust
Thrumpton Primary Academy	Bassetlaw	01.10.2017	Diverse Academies Trust
Yeoman Park Academy	Mansfield	01.10.2017	Diverse Academies Trust
Westdale Junior School	Gedling	01.10.2017	Nova Education Trust
Robert Miles Infants School	Rushcliffe	01.10.2017	Nova Education Trust
Garibaldi College	Mansfield	01.10.2017	Nova Education Trust
Colonel Frank Seely School	Gedling	01.10.2017	Redhill Academy Trust
St. Peters Primary Academy	Mansfield	01.11.2017	Diocese of Southwell & Nottingham Multi Academy Trust
Carlton Central Infants School	Gedling	01.11.2017	Redhill Academy Trust
Carlton Central Junior School	Gedling	01.11.2017	Redhill Academy Trust
The West Park Academy	Ashfield	01.12.2017	Forge Trust

**Continued;**

<b>Employer / work base</b>	<b>Administration area</b>	<b>Date of entry</b>	<b>Academy proprietor</b>
South Wilford Endowed C of E Primary School	Rushcliffe	01.01.2018	Transform Trust
Believe Academy Trust	Nottingham	01.09.2017	Not applicable
Two Counties Trust	Ashfield	01.04.2018	Not applicable
Mornington Primary School	Broxtowe	01.03.2018	East Midlands Education Trust
St Swithuns C of E Primary Academy	Bassetlaw	01.04.2018	Diocese of Southwell & Nottingham Multi Academy Trust
Gilthill Primary School	Broxtowe	01.04.2018	East Midlands Education Trust
Kimberley Primary School	Broxtowe	01.04.2018	East Midlands Education Trust
Pending applications;			
Alderman Pounder Infants School	Broxtowe	To be confirmed	Flying High Trust
Awsworth Primary School	Broxtowe	To be confirmed	East Midlands Education Trust
Bleasby CE Primary School	Newark	To be confirmed	Minster Trust for Education
Farnsfield St Michaels C of E Primary	Newark	To be confirmed	Minster Trust for Education
Flintham CE Primary School	Newark	To be confirmed	To be confirmed
Halam CE Primary School	Newark	To be confirmed	Minster Trust for Education
Hillocks Primary School	Ashfield	To be confirmed	To be confirmed
Hollywell Primary School	Broxtowe	To be confirmed	To be confirmed
Holy Trinity Infants School	Newark	To be confirmed	Minster Trust for Education
Larkfields Infants School	Broxtowe	To be confirmed	To be confirmed
Larkfields Junior School	Broxtowe	To be confirmed	To be confirmed
Lowes Wong Infants School	Newark	To be confirmed	Minster Trust for Education
Minster C of E School	Newark	To be confirmed	Minster Trust for Education
Netherfield Primary School	Gedling	To be confirmed	Greater Nottingham Educational Trust
Parkdale Primary School	Gedling	To be confirmed	To be confirmed
Robert Mellors Primary School	Gedling	To be confirmed	Redhill Academy Trust
St Mary's CE Primary School	Newark	To be confirmed	To be confirmed

### **Designating bodies**

<b>Academy name</b>	<b>Administration area</b>	<b>Date of entry</b>
Tuxford Town Council	Bassetlaw	01.05.2017
Dunham & District Parish Council	Bassetlaw	13.05.2017
Rampton Parish Council	Bassetlaw	01.04.2018
No pending applications		

### **Transferee admission bodies**

<b>Applicant</b>	<b>Scheme employer</b>
Fitzroy Support	Service contract with Nottinghamshire County Council
Aspens Services Limited*	Service contract with South Nottingham Catholic Academy Trust to deliver catering functions at The Becket School
Aspens Services Limited*	Service contract with South Nottingham Catholic Academy Trust to deliver catering functions at St Edmund Campion Catholic Primary School
Aspens Services Limited*	Service contract with South Nottingham Catholic Academy Trust to deliver catering functions at St Patricks Catholic Primary School
Compass Contract Services (UK) Limited*	Service contract with Diverse Academies Trust to deliver catering functions at academies within the Trust
Compass Contract Services (UK) Limited*	Service contract with the National Church of England Academy Trust to deliver catering functions at the National Church of England Academy
Churchill Contract Services Limited	Service contract with the National Church of England Academy Trust to deliver cleaning functions at the National Church of England Academy

\*the scheme regulations require a separate admission arrangement for each service contract.

### **Deemed bodies**

<b>Foundation status - pending applicant</b>	<b>Scheme employer</b>
Hollywell Primary	Nottinghamshire County Council





## **REPORT OF CORPORATE DIRECTOR, RESOURCES**

### **WORK PROGRAMME**

#### **Purpose of the Report**

1. To consider the Committee's work programme for 2018-19.

#### **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.

**Jayne Francis-Ward**  
**Corporate Director, Resources**

**For any enquiries about this report please contact: Pete Barker, x 74416**

## **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

<b><u>Report Title</u></b>	<b><u>Brief summary of agenda item</u></b>	<b><u>Report Author</u></b>
<b>19 July 2018</b>		
Proxy Voting	Summary of voting activity during quarter 1 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
Working Party Report	Update on issues discussed at June meeting	Keith Palframan
PLSA conference	Report from PLSA conference	Keith Palframan
National GMP Reconciliation update	Update on progress with the national GMP reconciliation project	Jon Clewes
LGPS Central Update	Update on the latest position	Keith Palframan
Amendment to Regulations	Update on the latest position	Jon Clewes
<b>13 September 2018</b>		
Fund Valuation & Performance – Qtr 2	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers

<b>4 October 2018</b>		
Annual General Meeting		
<b>15 November 2018</b>		
Proxy Voting	Summary of voting activity during quarter 2 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<b>10 January 2019</b>		
Fund Valuation & Performance – Qtr2	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers
Admission Body Status Update	Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)	Andy Durrant
<b>7 March 2019</b>		
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers

<b>25 April 2019</b>		
Proxy Voting	Summary of voting activity during quarters 3 & 4 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LAPFF Conference	Report from the LAPFF conference	Tamsin Rabbitts
<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>
Admission Body Status Update	Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)	Andy Durrant
<b>6 June 2019</b>		
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers
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

<b>18 July 2019</b>		
Proxy Voting	Summary of voting activity during quarter 1 of 2016	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>
PLSA conference	Report from PLSA conference	Nigel Stevenson

7 June 2018

Agenda Item: 8

## **REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT**

### **FUND VALUATION AND PERFORMANCE**

#### **Purpose of the Report**

1. To report on the total value and performance of the Pension Fund to 31 March 2018.

#### **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 31 March 2018, in comparison with the benchmark, together with the comparative position 3 and 12 months previously.

	<b>Latest Quarter</b>		
	<b>31 Mar 2018</b>		<b>Benchmark</b>
	£m	%	
Equities			
Quoted	3,195	62.2%	60%
Private	263	5.1%	5%
Property	691	13.5%	15%
Bonds			
Gilts	125	2.4%	5%
Other Bonds	721	14.0%	12.5%
Cash	138	2.7%	2.5%
	5,133	100%	<b>100%</b>

<b>Previous Quarter</b>	
<b>31 Dec 2017</b>	
£m	%
3,403	64.1%
262	4.9%
667	12.6%
122	2.3%
753	14.2%
105	2.0%
5,311	100%

<b>Previous Year</b>	
<b>31 Mar 2017</b>	
£m	%
3,153	64.4%
201	4.1%
572	11.7%
144	2.9%
723	14.8%
105	2.1%
4,898	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £169.2m or 3.3% of the fund. Infrastructure commitments amount to 4.4% of the fund. There is a long term target for investments in infrastructure to be 5% of the fund.



5. The Fund investments have decreased by £177.8 million (3.3%) since the previous quarter (offsetting part of the previous quarter's gains). Fund investments have increased by £235.0 million (4.8%) over the last 12 months. The table below shows the unaudited Fund Account for 2017/18 along with the full year figures for 2016/17.

<b>Summary Fund Account</b>	<b>Q4 2017/18 £000</b>	<b>Full Year 2016/17 £000</b>
Employer contributions	(193,459)	(135,650)
Member contributions	(45,176)	(43,495)
Transfers in from other pension funds	(9,813)	(4,068)
Pensions	153,122	146,132
Commutation of pensions and lump sums	27,700	31,093
Lump sum death benefits	4,741	4,726
Payments to and on account of leavers	16,713	14,746
Administration Expenses	1,953	1,703
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(44,219)</b>	<b>15,187</b>
<b>Oversight &amp; governance expenses</b>	<b>488</b>	<b>806</b>
Investment Income	(149,816)	(142,281)
Profits & losses on disposals & changes in value	(51,189)	(744,384)
Taxes on income	620	593
Investment management expenses	4,895	4,381
<b>Net Returns on Investments</b>	<b>(195,490)</b>	<b>(881,691)</b>
 <b>Net (increase)/decrease in net assets</b>	 <b>(239,221)</b>	 <b>(865,698)</b>

6. The fund value increased significantly in 2016/17 reflecting the unusually high returns on equity over the year. This rate of return has been more variable and more subdued in 2017/18. There has been moderate growth and increased investment, especially in infrastructure and property.

## Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## RECOMMENDATION

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

**Name of Report Author:** Tamsin Rabbitts

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

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

### **Constitutional Comments**

8. 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 22/5/2018)**

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



**REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT****FUTURE OF THE IN-HOUSE EQUITY PORTFOLIO****Purpose of the Report**

1. To discuss options for the future management of our current in-house equity portfolio.

**Information**

2. Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities of LGPS Schemes to pool investments to reduce costs. LGPS Central Ltd was created by Nottinghamshire and other partners to deliver pooled investments to the member schemes. As funds become available, Nottinghamshire need to consider transferring investments to the pooled arrangements.
3. The in-house passive equity portfolio within Nottinghamshire Pension Fund amounts to around £1.5 billion. It consists of directly held shares in UK, Europe and North America, and some funds managed by Legal and General (LGIM).
4. LGPS Central is offering an internal passive equity fund to Pension Funds from May 2018. LGIM was procured by a number of partner funds to offer passive fund management before LGPS Central existed and is considered as part of the wider Pool. We need to consider the best option for Nottinghamshire Pension Fund.
5. Some information relating to this decision 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.

**Summary Assessment****Guiding principles**

6. There are a number of issues we need to consider in deciding how to invest the in-house portfolio going forwards. These issues will to an extent be common to each of our major portfolios at the point at which we need to consider transferring to LGPS Central. These include:-

- Ongoing management costs
- Transition costs
- Quality and performance of the service
- Risk to service delivery
- Responsible Investment implications.

### **Ongoing Management Costs**

7. Passive funds under any option are cheap to manage – transition costs are much more significant to the decision.

### **Transition costs**

8. As far as possible we hope to transfer holdings rather than sell and repurchase to minimise transition costs. LGIM have a transitions team who would help with transitions into LGIM.
9. LGPS Central's Overseas passive fund has a different allocation to our current geographic allocation. If we change our allocation to enable us to invest in this fund, further rebalancing costs will be incurred. The rebalancing costs due to any Global allocation change could be significant.

### **Quality and performance**

10. Quality considerations relate to differences in tracking error (how closely the index is followed), performance, reporting, and levels of service. We have experience of LGIM as we already have existing investments in their funds. LGPS Central is a new company and as such is still developing a track record.

### **Risk to Service Delivery**

11. LGIM have massive scale in the market. Although there are some peripheral advantages to managing shares internally, there are challenges to smaller operators in accessing sufficient market liquidity, and lower economies of scale.

### **Market influence and Responsible Investment**

12. Although the shares invested in (apart from the geographic split) would be largely the same with these options, the voting control would pass to LGIM, or to LGPS Central when we invest in their funds. Both LGIM and LGPS Central offer a good corporate engagement service. Although there are some minor differences between the two, and there is potential for a more bespoke service to be delivered through LGPS Central in the future, it is not considered that the differences are significant enough to influence the investment decision.

### **Related issues**

13. We have a number of investments in funds within our in-house portfolio which are excessive compared to the index as they were purchased for specific reasons. Where we consider these are worth continuing to hold they will be transferred to the specialist portfolio.

14. The in-house portfolio will no longer be managed in house, so the name of the portfolio needs to be changed. It is sometimes also known as the Core Index portfolio, and this name will be used after transfer.

### **Responsibility for decision**

15. It is the Pension Fund Committee's responsibility to appoint Fund Managers for portfolios and to set asset allocation. These key decisions need to be taken by the Pension Fund Committee. As this investment relates to a whole portfolio within the fund, this is a Pension Fund Committee decision. Members should note that future investments in particular subfunds through LGPS Central, within the agreed asset allocation will be the responsibility of officers.

### **Other Options Considered**

16. Transferring all our investments to LGPS Central. This is not felt to be the best option due to the reasons summarised above and in the exempt appendix.
17. A combination of the two to enable comparison between the funds, and to enable our current global allocations to remain unaltered. This would enable us to keep our current geographical asset allocation if we wished, but would increase complexity, so is not recommended. However we are proposing a £10million investment in each LGPS Central fund to enable comparison between the two in the future.

### **Reason/s for Recommendation/s**

18. The recommended actions propose the lowest cost and lowest risk option for the passive portfolio at the current point in time, and will reduce our rebalancing costs on transition, which are the most significant area of costs at this stage. Guiding principles will be set to assess future portfolio transfers.

### **Statutory and Policy Implications**

19. 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**

There will be costs of transition and rebalancing. These will be managed to keep them as low as possible.

This transfer will help to realise the savings to be delivered as a result of Pooling.

### **RECOMMENDATION/S**

- 1) The passive equity portfolio be transferred to LGIM except for £20 million which will be invested in LGPS Central (£10 million in the UK Fund and £10 million in the Global ex UK Fund).
- 2) The geographic split of overseas investments will be changed to the suggested LGIM allocation described in the exempt appendix.
- 3) Holdings within the current portfolio which are more specialist in nature will be transferred to the Specialist Portfolio.
- 4) The portfolio will be referred to as the Core Index portfolio after transfer.
- 5) The following guiding principles will be used in the assessment of the transfer of future portfolios:-
  - Ongoing management costs
  - Transition costs
  - Quality and performance of the service
  - Risk to service delivery
  - Responsible Investment implications.

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

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

#### **Constitutional Comments (SLB 30/05/2018)**

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

#### **Financial Comments (TMR 29/05/2018)**

21. The financial implications are described within the report and the appendix.

#### **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