Nottinghamshire County Council

Nottinghamshire Pension Fund Committee

Thursday, 12 March 2020 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

1	Minutes of the last meeting 13 February 2020	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	The Local Government Pension Board Review 1 April 2018 to 31 March 2019	9 - 16
5	Triennial Valuation - Initial Results	17 - 50
6	Work Programme	51 - 56
7	Independent Adviser's Report	57 - 58
8	Fund Valuation and Performance	59 - 66

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 Peformance EXEMPT

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

11 Fund Managers' Presentations

11a Aberdeen Standard Investments

11b Kames Capital

11c 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

Nottinghamshire County Council

minutes

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 13 February 2020 at 10.30am

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
Helen-Ann Smith - A
Parry Tsimbiridis

Nottingham City Council

Councillor Graham Chapman
Councillor Anne Peach - A
Councillor Sam Webster

District / Borough Council Representatives

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

Trades Unions

Mr A Woodward
Mr C King

Scheduled Bodies

Mrs S Reader - A

Pensioners

Mr T Needham - A
Vacancy

Independent Adviser

William Bourne

Substitute Members in Attendance.

Councillor Hollis for Councillor Smith.

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)
Nigel Stevenson	(Chief Executive's Department)
Marje Toward	(Chief Executive's Department)

1. MINUTES

RESOLVED 2020/011

That the minutes of the last meeting held on 20 January 2020, 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 Peach, Councillor Smith, Mr Needham and Ms Reader.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

No declarations of were interest.

4. LGPS GOVERNANCE CONFERENCE: 23-24 JANUARY 2020

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

RESOLVED 2020/012

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

5. LAPFF ANNUAL CONFERENCE 2019

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

RESOLVED 2020/013

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.

6. PROXY VOTING

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

RESOLVED 2020/014

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

7. FINANCIAL RISKS OF CLIMATE CHANGE

Following Mrs Rabbitts' introduction an amendment to the motion was moved by Councillor Hollis:

'That this Committee immediately withdraws investment from any fund that deals in fossil fuels'

The amendment was not seconded and therefore fell.

Following a debate, an amendment to the motion was moved by Councillor Kerry and seconded by Councillor Garner:

'That Committee endorses the developing approach to assessing and responding to the financial risks of climate change as detailed in the report.'

The amendment was put to the vote and was carried:

RESOLVED 2020/015

That Committee endorses the developing approach to assessing and responding to the financial risks of climate change as detailed in the report

8. WORKING PARTY

Mrs Rabbitts introduced the report and informed members that the appendix referred to in the report had been omitted from the papers circulated for the meeting and would be forwarded to members after the meeting.

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

RESOLVED 2020/016

1. That no changes are currently required to the strategic asset allocation.

2. That the short-term target asset allocation for 2020 be approved.

3. That the revised range constraints as detailed in Table 2 of the report be approved.

4. That the new reporting schedule for Investment Manager attendance at Committee meetings be approved.

9. CONFERENCES AND TRAINING

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

RESOLVED: 2020/017

1) That attendance at conferences and training as set out in the report be approved.

2) That a report be brought to a future meeting of the Committee following a review of the work of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board.

10. WORK PROGRAMME

RESOLVED 2020/018

That the Work Programme be updated in line with Committee's recommendations.

The meeting concluded at 11.43am

CHAIRMAN

Nottinghamshire County Council

Report to the Nottinghamshire Pension Fund Committee

12 March 2020

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE AND EMPLOYEES

THE LOCAL GOVERNMENT PENSION BOARD REVIEW 1 APRIL 2018 TO 31 MARCH 2019.

Purpose of the Report

1. To provide a report reviewing the activity of the Nottinghamshire Local Pension Board for the period 1 April 2018 to 31 March 2019 which will be presented by the Independent Advisor to the Board.

2. That the Pension Committee consider the report.

Information

3. The Local Government Pension Board was established on 26 March 2015 and is responsible for "assisting" to secure compliance with pension legislation, regulations and guidance to ensure the effective governance and administration of the Local Government Pension Scheme.

4. The Pension Board is not a decision making body and the decision making function remains with the Administering Authority and this in Nottinghamshire is delegated to the Pension Committee.

5. The Board currently meets twice a year and the last meeting was held on 12 December 2019.

6. As part of the work activities of the Pension Board there is a requirement for the Chair of the Pension Board to provide a report to the Pension Committee updating the committee on the work of the Board and where appropriate to make recommendations to the Pension Committee.

7. The report is attached in Appendix 1. In drawing up the report the chair of the Pension Board requested the Independent Pension Board Advisor to write the report reviewing the activities of the Pension Board since 1 April 2018 to 31 March 2019. The Independent Advisor agreed to this request and prepared the attached report which has been considered by the Pension Board.

Other Options Considered

8. There are no other options to be considered.

Reason/s for Recommendation/s

9. This report is presented to the Pension Committee on behalf of the Chair of The Pension Board by John Raisin advisor to the Board.

Statutory and Policy Implications

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

Data Protection and Information Governance
N/A

Financial Implications
N/A

Human Resources Implications
N/A

Implications for Service Users
N/A

RECOMMENDATION/S

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

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jon Clewes, Pension Manager on 0115 977 3434 or Jon.Clewes@nottscc.gov.uk

Constitutional Comments (KK)

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

Financial Comments (KP)

12. There are no financial implications identified within the report

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

Appendix 1

JOHN RAISIN FINANCIAL SERVICES LIMITED

The Nottinghamshire Local Pension Board
Pension Board Review 1 April 2018 to 31 March 2019
A report by the Advisor the Board

Executive Summary

This report reviews the activity of the Nottinghamshire Local Pension Board during the period 1 April 2018 to 31 March 2019.

Purpose of the Nottinghamshire Local Pension Board

Under its Terms of Reference, approved by the Nottinghamshire County Council on 26 March 2015, the purpose of the Nottinghamshire Local Pension Board is to assist the Nottinghamshire Pension Fund Committee (and its sub-committees). The Pension Fund Committee exercises the role of Scheme Manager for the Nottinghamshire Fund under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

Regulation 106(1) of the Local Government Pension Scheme Regulations 2013 (as amended) requires that each Administering Authority, which in the case of the Nottinghamshire Local Government Pension Fund is Nottinghamshire County Council, establish a Local Pension Board by 1 April 2015 responsible for *"assisting it"* to secure compliance with pension legislation, regulations and guidance; and "*to ensure the effective and efficient governance and administration"* of the Local Government Pension Scheme.

Under its Terms of Reference (and in accordance with the LGPS Regulations 2013 (As amended)), the Board does not replace the Pension Fund Committee or make any decisions or carry out other duties which are the responsibility of that Committee. Rather, its first core function is to assist the Pension Fund Committee in securing compliance with the relevant legislation relating to the governance and administration of the LGPS in Nottinghamshire. The second core function is to ensure the effective and efficient governance and administration of the Fund. In accordance with its Terms of Reference the Board may, however, determine which areas it wishes to consider and the Board has authority to make a request for information with regard to any aspect of the operation of the Pension Fund. It may also make recommendations to the County Council or any relevant committees which must be considered and a response made to the Board.

Board Meetings

The report to Council, in 2015, which resulted in the establishment of the Board proposed that the Board meet twice a year. Two meetings of the Board were held during the period covered by this review. The Agenda Items considered at each Board meeting are shown in the Table below:

	14/6/18	4/12/18
Minutes of Previous Meeting	/	/
Declarations of Interest	/	/
Pension Board Review 26 March 2015 to 31 March 2018	/	
Pension Administration Performance and Data Quality	/	/
Pension Fund Risk Register	/	
Pension Board Work Programme	/	/
Update on the Scheme Advisory Board		/
The Pension Regulator Questionnaire and Scheme Return		/

James Lacey, Director of Finance at Nottingham Trent University, who was elected Chair of the Board in April 2016, continued in this role throughout the period 1 April 2018 to 31 March 2019. As in previous years consideration of Pensions Administration issues was a particular focus of the Board. This is rightly an area of close interest to the Board as it is made up of representatives of the Employers and Employees within the Nottinghamshire Fund. Both the Pensions Regulator (Code of Practice No 14) and CIPFA (Managing Risk in the Local Government Pension Scheme) emphasise the importance of risk management. Therefore, it was very important that the Pension Board should review both the Nottinghamshire Fund's approach to risk management and the Risk Register itself. The LGPS is a complex and ever developing pension scheme and consequently it is vital that the members of the Board are provided with information to keep them abreast of the latest developments within the Scheme. Such an update was provided, at the December 2018 Board meeting, in the context of the role and work of the national Scheme Advisory Board. An Update on national LGPS developments will be presented to Board meetings, or during training, on a regular basis going forward.

At both the June 2018 and December 2018 meetings the Board received a detailed report covering a range of Pension Administration issues. These included membership, employer data, performance data, death processes, transfers, retirements, deferred benefits, GMP reconciliation. These reports together with an oral presentation by the Pension Manager provided the Board with relevant and significant material upon which to ask questions and provide constructive challenge. The performance and resourcing of the Pensions Administration service was an area of particular interest as reflected in the questions and comments of Board members.

At the June 2018 meeting a report providing both the background to the management of risk by the Nottinghamshire LGPS Fund together with the Risk Management Strategy and the actual Risk Register were presented to the Board. This provided members with an opportunity to understand the risk management process which resulted in both queries and discussion across both Investment and Pensions Administration.

A broad report on national developments relating to the LGPS which included a focus on the Scheme Advisory Board (SAB) was presented to the Board at its December 2018 meeting. The report included coverage of the purpose of the SAB, background to and progress relating to the 'Cost Cap' introduced as part of the 2014 reforms of the LGPS, the background and results of the 'Section 13 Valuation' of the LGPS across England and Wales, the SAB 'Separation Project' (now renamed 'Good Governance in the LGPS') looking at governance across the LGPS, and the SAB 'Tier 3 employer' review. After hearing from the Pensions Manager and Advisor to the Board members commented that they considered the report extremely useful as it enabled them to better understand the broader context and developments in the LGPS nationally.

At the December 2018 meeting the Board received a report on the response of the Nottinghamshire LGPS Fund to the Pension Regulator's (TPR) Annual Governance Survey 2018. This report highlighted to the Board the broad range of the active interest of TPR in relation to the LGPS. As the survey demonstrated this covers not only the crucial issue of Pensions Administration including record keeping, data review, Annual Benefit Statements and complaints. The survey also included Pension Board governance, managing Risks, cyber security and reporting breaches of the law.

The Work Programme was considered and further developed at both the June 2018 and December 2018 Board meetings. This continued the practice established at the first meeting of the Board held on 16 December 2015. Pensions Administration in particular was identified as an area of focus.

Pension Board Review 26 March 2015 to 31 March 2018

A review of the establishment of the Nottinghamshire Local Pension Board and its activity from 2015 to 31 March 2018 was considered by the Board at its meeting held on 14 June 2018. The review included coverage of the background to the creation of the Board, its role, training of Board members and Board activity. The review highlighted the focus of the Board on the administration of the Nottinghamshire LGPS Fund. In the discussion of the report specific reference was made by the Chair of the Board to its role in relation to assurance.

Training and Development

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 and Section 248A of the Pensions Act 2004 (As amended) that members of Pension Boards have "knowledge and understanding" of pensions law and be "conversant" with the Scheme Regulations and Fund documents. During the period covered by the previous Board review (2015 to 31 March 2018) the Board received training, from the Advisor to the Board, which addressed the eight "core" areas of Knowledge and Skills for Pension Board Members as set out in the CIPFA *"Local Pension Boards A Technical Knowledge and Skills Framework"* and members of the Board also successfully completed the Pension Regulator's online *"Public Service Toolkit."* Therefore prior to the period covered by this Pension Board review (1 April 2018 to 31 March 2019) the members of the Board had received the fundamental training which would be reasonably expected to be provided to a newly created Pension Board.

Prior to both Board meetings held during the period 1 April 2018 to 31 March 2019 the Advisor to the Board presented a training session of approximately 90 minutes. Before the Board meeting held on 14 June 2018 further training was provided on Legislation, Governance, Roles and Responsibilities including in the specific context of the Nottinghamshire LGPS Fund. After this there was a session dedicated to Investment Pooing covering the background, national guidance, developments to April 2018, and an introduction to LGPS Central the Pool which Nottinghamshire is a member of.

Prior to the Board meeting held on 4 December 2018 the Advisor to the Board presented a training session entitled *"An introduction to the 2019 LGPS Actuarial Valuation."* This explained the role of the Fund Actuary, the purpose, process and outcomes of the Three Yearly Actuarial Valuation. This was followed by a session entitled *"Update on LGPS Developments."* This provided an update on the Government Actuary's Department Section 13 Report, the approach of the Pensions Regulator to the LGPS and on Investment Pooling.

The objective of the training provided prior to the 2018 Pension Board meetings was to provide knowledge and understanding that built upon the strong foundations of the earlier Board training. The 2018 training sought to achieve this by covering additional topics, looking at issues in more depth, specifically considering the Nottinghamshire context and by providing updates on issues previously covered.

Support for the Board by the Administering Authority 1 April 2018 - 31 March 2019

The effectiveness of the Board is dependent not only on the approach and contribution of its members but also that of the Administering Authority. Throughout the period covered by this review the Board received positive support, advice and guidance from the Officers of the Nottinghamshire Pension Fund.

Meetings of the Board were also supported and attended by the Advisor to the Board who provided independent support including advice on issues the Board might wish to consider, and an external viewpoint on the Officers reports in addition to presenting training to the Board.

John Raisin
Advisor to the Nottinghamshire LGPS Local Pension Board
21 November 2019

John Raisin Financial Services Limited
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Registered Office 130 Goldington Road, Bedford, MK40 3EA
VAT Registration Number 990 8211 06

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Nottinghamshire County Council

Report to Nottinghamshire Pension Committee

12 March 2020

Agenda Item: 5

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

TRIENNIAL VALUATION – INITIAL RESULTS

Purpose of the Report

1. To inform members of the results of the triennial valuation of the Fund as at 31 March 2019.

Information

2. The Fund is required to obtain an actuarial valuation of the assets and liabilities of the Fund every three years in order to determine the contributions payable by each employer. The actuary issues a rates and adjustments certificate specifying the common rate of employer's contribution and any individual adjustments to take account of circumstances particular to each employer. These circumstances include the different membership profiles of each employer and the level of assessed deficit of liabilities over assets.

3. The rates and adjustments certificate covers the three years following the year in which the valuation is prepared. The latest triennial valuation of the Fund was required as at 31 March 2019 with rates being certified for years 2020/21 to 2022/23. A draft final report has now been received, although the valuation will not be finalised until the end of March 2020.

4. In order to carry out the valuation, the actuaries, Barnett Waddingham, require detailed information about the membership of the fund and the investments. This information is used to estimate the cash flows in relation to each member. The actuaries have made assumptions over pay increases, inflation, life expectancy and other relevant issues in order to come up with this estimate. Further assumptions are used (mainly in respect of expected investment returns) to determine a 'discount rate' which is then used to discount the cash flows to estimate the total of the Fund's liabilities.

5. The basic premise of the discount rate is that investment returns can help to cover liabilities in the future – if the Fund has £100 now and can expect investment returns of 5% pa then that £100 is sufficient to cover £105 of liabilities in 1 years' time. Hence the liability figure (in this example £105) is 'discounted' back to the present value (£100) using the assumed rate of investment return. The actuaries therefore look at the asset allocation of the Fund and the expected long term returns of each asset class in deciding the appropriate discount rate. It is important to note that a lower discount rate produces a higher liability figure (and vice versa).

6. The agreed financial assumptions used in the latest valuation are shown below, along with comparisons from the previous valuation.

Financial Assumptions		**31/03/19**	**31/03/16**
Central Discount Rate		4.8%	5.4%
Pay Increases:	Long term	3.6%	3.9%
	Short term	n/a	2.4%
Pension Increases (CPI)		2.6%	2.4%

7. Factored in to the discount rate is a prudence adjustment of 1%. This includes an allowance for the uncertainty relating to the impact of the recent McCloud/Sargeant ruling.

8. As can be seen, the discount rate has reduced thus increasing liabilities, although the increase is mitigated slightly by assumptions over mortality. Initial results for the Fund show liabilities of £5,820 million compared to assets of £5,415 million, giving a funding level of 93%. This is up from 87% at 2016.

9. The contributions determined at this valuation payable by each employer are still being finalised but will be set out in the actuary's final report. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers. Future service contributions are certified as a percentage of payroll. For the majority of employers, deficit recovery contributions have been certified as a monetary amount, payable each year in addition to the future service rate. This is to ensure that deficit contributions are made at the required level regardless of any reductions in payroll. The certified contributions are the minimum that each employer is required to pay. The deficit recovery contributions are set to enable employers to move towards a fully funded position over the recovery period which is specific to each employer. No employers have a recovery period longer than 19 years (reduced from 20 years at the last valuation).

10. As part of the communication process with employers a briefing note was prepared by the actuaries in January and circulated to employers. It was also made available via the employers section of the Fund's website. In addition specific queries were passed to the actuaries for individual responses as they were received.

Other Options Considered

11. None.

Reason/s for Recommendation/s

12. The triennial valuation is an important part of the management of the funding for the Pension Fund.

Statutory and Policy Implications

13. 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

14. The triennial valuation ensures that employer contributions are set at an appropriate level to ensure the solvency and sustainability of the Fund.

RECOMMENDATION/S

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

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement
For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 03/03/2020)

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

Financial Comments (TMR 11/02/2020)

16. The financial implications are set out in paragraph14.

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

BARNETT WADDINGHAM
beyond the expected

VALUATION REPORT

Nottinghamshire County Council Pension Fund

Actuarial valuation as at 31 March 2019

Barry McKay FFA & Ross Anderson FFA | Barnett Waddingham LLP

BARNETT WADDINGHAM
beyond the expected

Introduction

We have been asked by Nottinghamshire County Council, the administering authority for the Nottinghamshire County Council Pension Fund (the Fund), to carry out an actuarial valuation of the Fund as at 31 March 2019.

The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2020 to 31 March 2023 as required under Regulation 62 of the Regulations. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

This report is provided further to earlier advice dated 7 October 2019 which set out the background to the valuation and explained the underlying methods and assumptions derivation.

This report summarises the results of the valuation and is addressed to the administering authority of the Fund. It is not intended to assist any user other than the administering authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council – in particular TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions.

We would be pleased to discuss any aspect of this report in more detail.

BARNETT WADDINGHAM
beyond the expected

Contents

BARNETT WADDINGHAM
beyond the expected

Executive summary

Some of the key results contained within this report are set out below:

1. Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 93% of the accrued liabilities as at 31 March 2019, an improvement of 6% from 87% at the 2016 valuation. The main reason for the increase is the strong Fund investment performance over the period.

2. Contributions

Overall, employers' primary contribution rates have generally increased due to the reduction in future anticipated returns but secondary rates have largely reduced as a result of the improved funding level, resulting in generally stable contributions. Individual employer contributions are set out in Appendix 4 in the Rates and Adjustments Certificate to cover the period from 1 April 2020 to 31 March 2023.

3. Method and assumptions

Methodology is consistent with the previous valuation, however, a lower assumed discount rate has been adopted. The resulting method and assumptions are set out in Appendix 2 and we believe they are appropriate for the 31 March 2019 valuation.

4. Regulatory risks

Regulatory uncertainties have put increased pressure on the 2019 valuation results. An implicit allowance for McCloud/Sargeant has been made in the prudence margin included in the discount rate.

5. Next valuation

Despite the consultation to move local actuarial valuations to a quadrennial cycle, the next actuarial valuation should be carried out with an effective date of 31 March 2022.

BARNETT WADDINGHAM
beyond the expected

Background to valuation approach

The purpose of the 2019 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2020 to 31 March 2023, as required under Regulation 62 of the LGPS Regulations.

The contribution rates consist of two elements, the primary rate and the secondary rate:

- The **primary rate** for each employer is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The **secondary rate** is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). The secondary rate may be expressed as a percentage of pay or a monetary amount.

Regulation 62 specifies four requirements that the actuary "must have regard" to and these are detailed below:

1. The existing and prospective liabilities arising from circumstances common to all those bodies
2. The desirability of maintaining as nearly a constant a primary rate as possible
3. The current version of the administering authority's Funding Strategy Statement (FSS)
4. The requirement to secure the "solvency" of the pension fund and the "long-term cost efficiency" of the Scheme, so far as relating to the pension fund

The wording of the second objective is not ideal in that it appears to be aimed towards the primary rate rather than taking into account the surplus or deficit of the employer. We believe that if we achieve reasonably stable total individual employer rates (which seems like a preferable objective) then we will also meet the regulatory aim.

Definitions for "solvency" and "long-term cost efficiency" are included in CIPFA's Funding Strategy Statement guidance. These can be briefly summarised as:

- ensuring that employers are paying in contributions that cover the cost of benefit accrual and target a fully funded position over an appropriate time period using appropriate actuarial assumptions, and
- ensuring that employers have the financial capacity to increase contributions (or there is an alternative plan in place) should contributions need to be increased in future.

We have considered these four requirements when providing our advice and choosing the method and assumptions used and a number of reports and discussions have taken place with the administering authority before agreeing the final assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 7 October 2019 which provides information and results on a whole fund basis as well as more detailed background to the method and derivation of the assumptions.
- The follow up report dated 12 November 2019 confirming the agreed actuarial assumptions following the meeting of 9 October 2019.
- The Funding Strategy Statement which will confirm the approach in setting employer contributions.

Note that not all these documents may be in the public domain.

The final assumptions have been agreed with the administering authority. We suggest that the Fund's Funding Strategy Statement is reviewed to ensure that it is consistent with this approach as well as complying with the updated version of CIPFA's Funding Strategy Statement guidance.

We confirm that in our opinion the agreed assumptions are appropriate for the purpose of the valuation. Assumptions in full are set out in Appendix 2.

Regulatory uncertainties

There are currently a few important regulatory uncertainties surrounding the 2019 valuation as follows:

- Effect of the McCloud and Sargeant cases and the cost cap on the future and historic LGPS benefits structure
- Change in timing of future actuarial valuations from a triennial cycle
- Guaranteed Minimum Pensions (GMP) equalisation

Although it is unclear what impact these uncertainties will have on the future benefits of individual members, we have considered these issues in the assumptions used to set the contribution rates for employers. We have considered the McCloud/Sargeant cases as part of our overall allowance for prudence within the valuation and our approach taken to the treatment of McCloud/Sargeant will be disclosed in the Funding Strategy Statement.

Membership data

A summary of the membership data used for the valuation is set out in Appendix 1.

The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund accounts. Any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

BARNETT WADDINGHAM
beyond the expected

Benefits

Full details of the benefits being valued are set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Valuation of liabilities

To calculate the value of the liabilities, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then discount these projected cashflows using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

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

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions used in projecting the future cashflows in respect of both past service and future service are summarised in Appendix 2.

Assets

We have been provided with audited Fund accounts for each of the three years to 31 March 2019.

The market asset valuation as at 31 March 2019 was £5,433,000,000. Please note that this excludes members' additional voluntary contributions (AVCs).

For the purposes of the valuation, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the period 1 January 2019 to 30 June 2019. Therefore we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

The smoothed asset valuation as at 31 March 2019 was £5,415m. This was based on a smoothing adjustment of 99.7%.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the discount rate assumption. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) that should be made publicly available on the Fund's website.

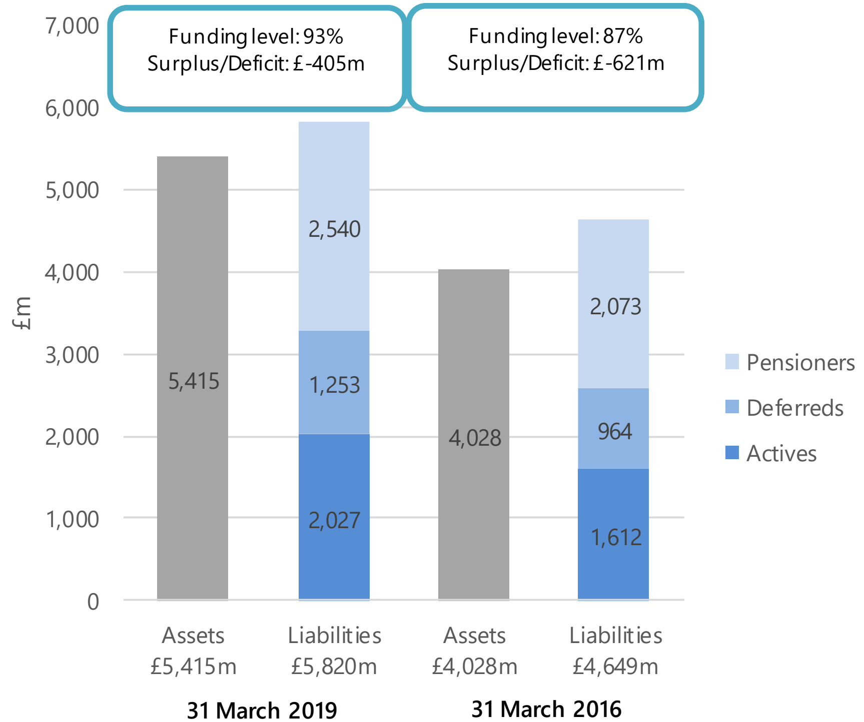
Previous valuation

The previous valuation was carried out as at 31 March 2016 by Barnett Waddingham. The results are summarised in the valuation report dated 31 March 2017 and reported a deficit of £621m.

Results

Shortfall between assets and liabilities

A comparison is made of the value of the existing assets with the value of liabilities. If there is an excess of assets over the liabilities then there is a surplus, otherwise there is a deficit. Using the assumptions summarised in Appendix 2, the results of the valuation are set out in the graph below.



There was a deficit of £405m in the Fund at the valuation date, corresponding to a funding level of 93%. This is an improvement from the previous valuation, where there was a deficit of £621m, corresponding to a funding level of 87%.

Contribution rates

The total contribution rate payable by employers consists of two elements: the primary rate and the secondary rate.

Primary rate

Using the assumptions summarised in Appendix 2, the resulting average primary rate across the whole Fund is set out in the table below after allowing for member contributions.

The primary rate for the whole Fund is the weighted average (by Pensionable Pay) of the individual employers' primary rates (after allowing for member contributions).

Primary rate	Valuation basis 31 March 2019 % of payroll p.a.	Previous valuation 31 March 2016 % of payroll p.a.
Average total future service rate	24.2%	20.8%
Less average member rate	-6.3%	-6.3%
Fund primary rate	**17.9%**	**14.5%**

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Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

Please note that expenses are dealt with in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

Secondary rate

The secondary rate is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). Where there is a deficit, contributions should be set to restore the funding positions to 100% over an agreed "recovery period".

Please note that the recovery period for individual employers varies across the Fund but the administering authority will set out their approach in their FSS to setting recovery periods to address each employer's shortfalls. Where there is a surplus, in line with the Fund's FSS this may be reflected in contribution rates.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustments Certificate in Appendix 4. These will differ from the primary rate set out above as well as varying from each other as they are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

The secondary contributions agreed with individual employers have been set at this valuation in order to restore the Fund to a funding position of 100% over a recovery period length of no more than 19 years.

In Appendix 4 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning 1 April 2020.

Standardised basis

As part of our calculations we have considered the results a standardised basis as set by the Scheme Advisory Board (SAB). We are required to provide the Scheme Advisory Board with the results for the Fund for comparison purposes.

The standardised basis is set by the Government Actuary's Department (GAD) with some of the assumptions used being set locally (such as mortality) and some are set at Scheme level (including all the financial assumptions). It is not used to set contributions as it does not reflect the Fund's investment strategy or the administering authority's attitude to risk; contributions are set using the funding basis.

The results on the standardised basis as at 31 March 2019 are set out in the dashboard in Appendix 3. The dashboard has been introduced since the previous valuation to assist readers to compare LGPS valuation reports and the information will be used by GAD in their Section 13 review of the LGPS funds.

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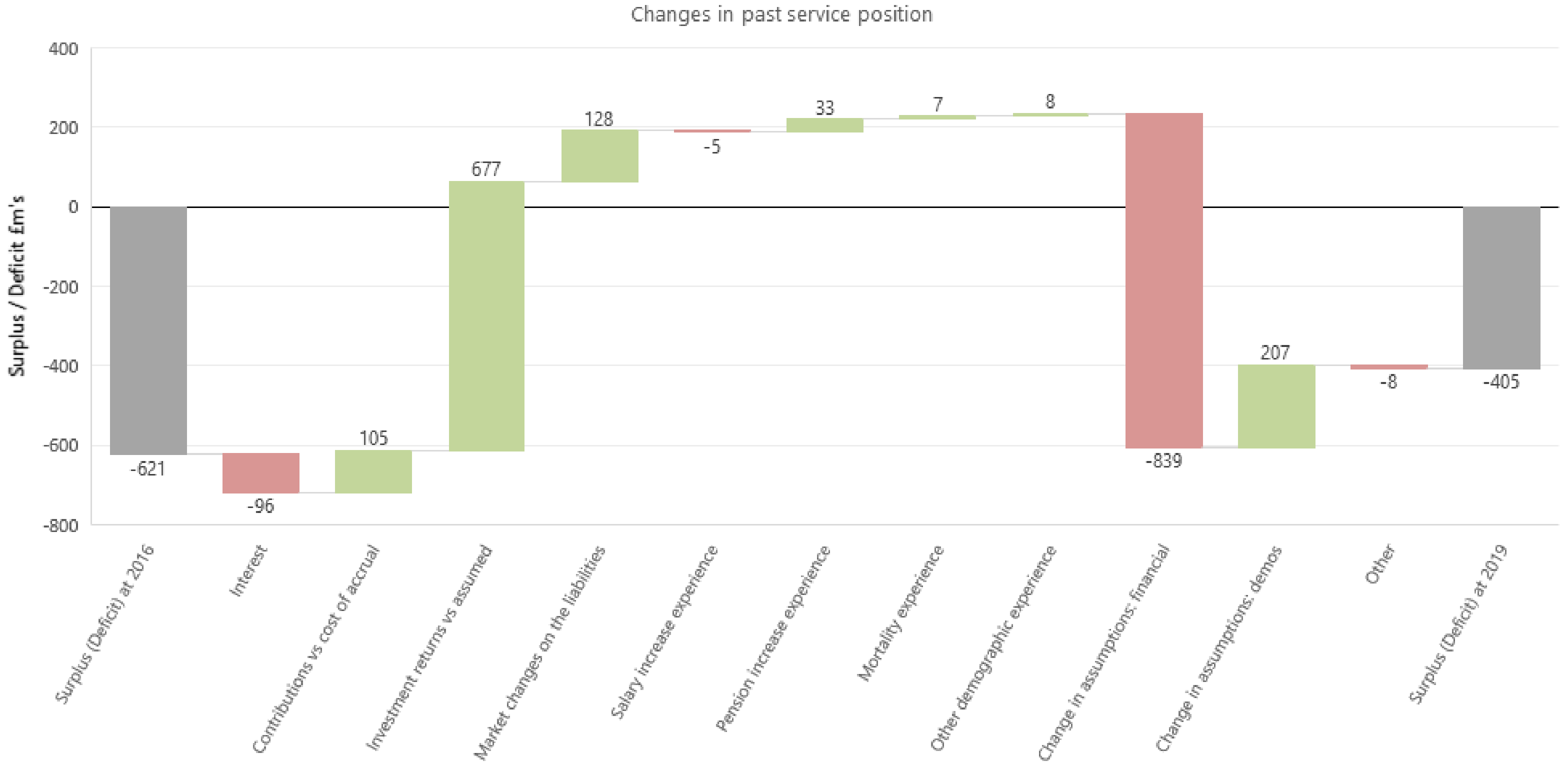
Reconciliation to the previous valuation

Funding position

Overall the deficit has reduced from £621m at 31 March 2016 to £405m at 31 March 2019. The key factors that have influenced the funding level of the Fund over the period are illustrated in the chart below.



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Experience

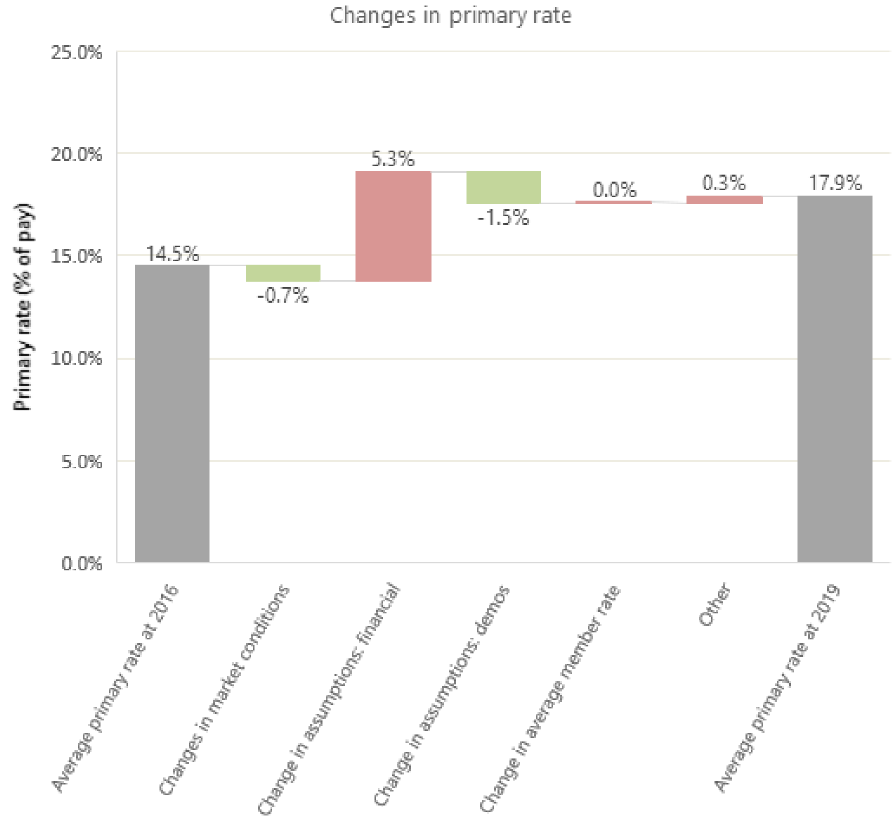
- Investment returns have been strong since 2016 leading to an estimated improvement in the position of just under £680m. The Fund's investment returns have been 10.3% p.a. on average compared to the prudent long-term return assumption at the last valuation of 5.4% p.a. over the three year period.
- Contributions paid were slightly higher than the cost of benefits accrued as the employers made deficit contributions resulting in an improvement in the position of £105m, which more than covers the interest cost on the deficit.
- Salary increases were very similar to that assumed at the previous valuation, however, pension increases were slightly lower than assumed resulting in a gain of £28m. The overall impact of other financial and demographic experience was minimal.

Assumptions

- A review of the approach when setting the financial assumptions combined with the change in market conditions resulting in an increase in the liabilities of £711m.
- Updating the mortality assumptions to allow for the observed slowdown in observed mortality improvements resulted in a decrease in the liabilities of £207m.

Primary contribution rate

The previous valuation resulted in an average primary rate of 14.5% of Pensionable Pay. The reasons for the change in the cost of future benefit accrual are set out in the reconciliation chart below.



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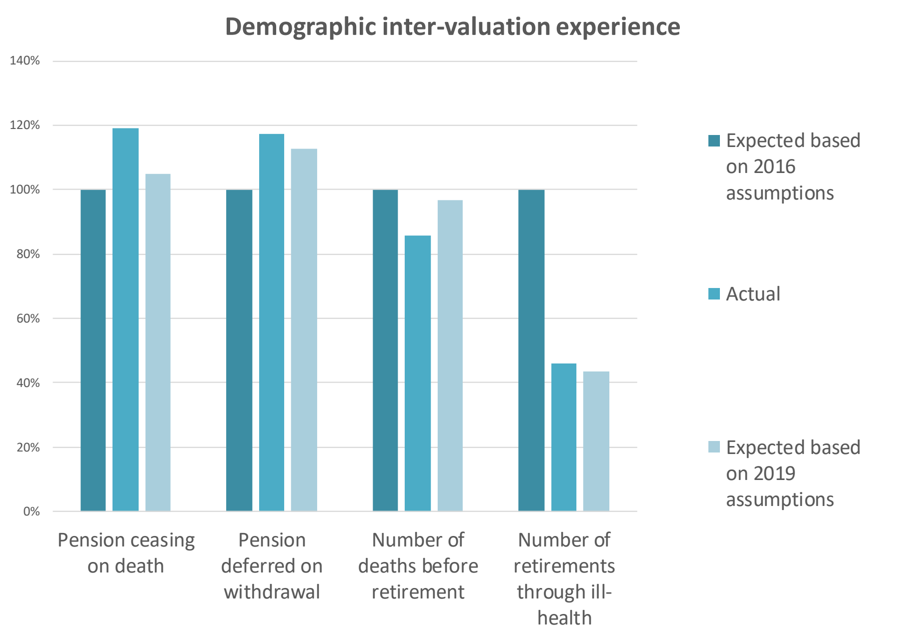
Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2016 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2016.



Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below. The figures in the table are shown relative to the deficit of £405m and funding level of 93% on the agreed funding basis.

Sensitivity analysis - Past service funding position

	Valuation basis	Increase discount rate by 0.1% p.a.	Increase CPI inflation by 0.1%	Increase salary assumption by 0.5%	Increase initial addition to mortality improvement by 0.5%	Increase long-term rate of mortality improvement by 0.25%	Twice as many ill-health retirements
	£m	£m	£m	£m	£m	£m	£m
Smoothed asset value	5,415	5,415	5,415	5,415	5,415	5,415	5,415
Total past service liabilities	5,820	5,724	5,832	5,874	5,859	5,876	5,841
Surplus (Deficit)	**-405**	**-309**	**-417**	**-459**	**-444**	**-461**	**-426**
Funding level	93%	95%	93%	92%	92%	92%	93%

Sensitivities to the primary contribution rate

The calculated primary contribution rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below. The figures in the table are shown relative to the primary rate of 17.9% of Pensionable Pay on the agreed funding basis.

Please note that the primary rate set out below does not include any adjustment via the secondary rate. The total contribution rate payable by employers will be a combination of the primary rate and a secondary rate adjustment, further details can be found in Appendix 4.

Sensitivity analysis - Primary rate

	Valuation basis	Increase discount rate by 0.1% p.a.	Increase CPI inflation by 0.1%	Increase salary assumption by 0.5%	Increase initial addition to mortality improvement by 0.5%	Increase long-term rate of mortality improvement by 0.25%	Twice as many ill-health retirements
	% of pay	% of pay	% of pay	% of pay	% of pay	% of pay	% of pay
Total future service rate	24.2%	23.6%	24.3%	24.3%	24.4%	24.4%	24.9%
less employee contribution rate	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%
Total primary rate	**17.9%**	**17.3%**	**18.0%**	**18.0%**	**18.1%**	**18.1%**	**18.6%**

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Final comments

Funding Strategy Statement (FSS)

The assumptions used for the valuation must be documented in a revised Funding Strategy Statement to be agreed between the Fund Actuary and the administering authority.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Regulatory risk

Sensitivity to some of these risks were set out in the sensitivities section of this report. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the Funding Strategy Statement.

Rates and Adjustments Certificate

The contributions payable in respect of benefit accrual and any deficit contributions under each employer's recovery period have been set out in Appendix 4 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations and cover the period from 1 April 2020 to 31 March 2023. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, recovery of this deficit is targeted in line with the Fund's FSS and all employers are projected to be fully funded after a recovery period length of no more than 19 years.

This document has been agreed between the administering authority and the Fund Actuary. Contributions have been set which in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's Funding Strategy Statement.

This report must be made available to members on request.

The next formal valuation is due to be carried out as at 31 March 2022 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.

Barry McKay

Barry McKay FFA
Partner
Barnett Waddingham LLP

Ross Anderson FFA
Associate
Barnett Waddingham LLP

Appendices

Appendix 1 Summary of membership data and benefits

Membership data

The membership data has been provided to us by the administering authority on behalf of the Fund's administrators. We have relied on information supplied by the administering authority being accurate. A summary of the membership data is included below and data from the previous valuation is also shown for comparison.

The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund's accounts. Any missing or inconsistent data has been estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

There are number of members who appear on the list of members who were active at the valuation date who, we were informed, left active service before the valuation date. For these members, the process of paying a refund of contribution or converting their active record to a deferred record had not yet been finalised. We have therefore treated these individuals as deferred members by calculating deferred benefits in line with the information provided in their active record, assuming they continued to accrue pension benefits to the date that they left active service. These members are included in the 'Deferred members (including undecided)' summary table below.

Membership summary

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison. The 2019 average ages are weighted by liability calculated on the funding basis, while the 2016 average ages are unweighted.

Active members

	31 March 2019			31 March 2016		
	Number	Pensionable pay £ms	Average age	Number	Pensionable pay £ms	Average age
Males	12,974	295	53	11,934	265	45
Females	35,321	529	52	31,730	462	45
Total	48,295	823	52	43,664	727	45

For comparison, the unweighted average age of active members at the valuation date is 45.

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Deferred members (including undecided)						
	31 March 2019			31 March 2016		
	Number	Current Pension £ms	Average age	Number	Current Pension £ms	Average age
Males	16,594	28	52	14,767	26	45
Females	46,883	48	52	41,187	40	47
Total	63,477	77	52	55,954	66	46

For comparison, the unweighted average age of deferred members at the valuation date is 47.

Pensioner and dependant members						
	31 March 2019			31 March 2016		
	Number	Current Pension £ms	Average age	Number	Current Pension £ms	Average age
Males	11,721	84	69	10,787	75	71
Females	20,020	70	68	17,102	56	70
Dependants	4,784	15	70	4,470	12	72
Total	36,525	169	68	32,359	142	71

For comparison, the unweighted average age of pensioner and dependant members at the valuation date is 71.

Projected retirements

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2019 to 31 March 2023 as required under the Regulations.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill-health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits		
Year to	Number of members	Retirement benefits £m's
31/03/2020	3,260	24
31/03/2021	2,711	14
31/03/2022	3,058	19
31/03/2023	2,874	26

Allowance for GMP equalisation

On 26 October 2018 the judgement was published for the Lloyd's Banking Group Pensions Trustees Ltd vs Lloyds Bank Plc & Ors on how their Guaranteed Minimum Pensions (GMPs) should be equalised. However, HM Treasury (HMT) have confirmed that the GMP judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes", which is set out here:

www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

The assumption made at the 2019 valuation is that funds pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase and that funds will be required to pay the full indexation on GMPs for those attaining SPA after 6 April 2016. This effectively assumes that the Government extends their current policy indefinitely and we believe this is a sensible approach to making an interim allowance for GMP equalisation.

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Appendix 2 Summary of assumptions

A summary of the assumptions adopted for the valuation at 31 March 2019 is set out below. The assumptions used in the previous valuation are also given below for comparison.

Summary of financial assumptions

Assumptions		Assumptions used for the 2019 valuation	Assumptions used for the 2016 valuation
Financial assumptions			
Market date		31 March 2019	31 March 2016
CPI inflation		2.6% p.a.	2.4% p.a.
Salary increases			
	Short-term	n/a	CPI to 31 March 2020
	Long-term	3.6% p.a.	3.9% p.a.
Discount rate		4.8% p.a.	5.4% p.a.
Pension increases on GMP		Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reach SPA after this date , we have assumed that Funds are required to pay the entire inflationary increases	

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Summary of demographic assumptions

Assumptions	Assumptions used for the 2019 valuation	Assumptions used for the 2016 valuation
Demographic assumptions		
Post-retirement mortality	Male / Female	Male / Female
Member base tables	S3PA	S2PA
Member mortality multiplier	110% / 105%	100% / 90%
Dependant base tables	S3PA	S2PA
Dependant mortality multiplier	110% / 105%	100% / 90%
Projection model	CMI 2018	CMI 2015
Long-term rate of improvement	1.25% p.a.	1.5% p.a.
Smoothing parameter	7.5	n/a
Initial addition to improvements	0.5% p.a.	n/a
Retirement assumption	Weighted average of each tranche retirement age	
Pre-retirement decrements	GAD 2016 scheme valuation with no salary scale, 50% IH decrement	GAD 2013 scheme valuation
50:50 assumption	Member data	Member data
Commutation	50% of maximum	50% of maximum
% members with qualifying dependant	75% / 70%	75% / 70%
Age difference	Husbands are 3 years older	Husbands are 3 years older

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These sample rates are based on those set by the Government Actuary's Department (GAD) for their 2016 Scheme valuation based on analysis of the Local Government Pension Scheme (LGPS) in England and Wales.

Allowance for ill-health early retirements

A small proportion of members are assumed to retire early due to ill-health. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.01%
40	0.04%	0.03%
45	0.09%	0.06%
50	0.18%	0.13%
55	0.36%	0.28%
60	0.74%	0.62%
65	1.51%	1.34%

Please note the above rates are the raw decrements as set by GAD for use in the 2016 Scheme valuations. Our assumption is that there will be 50% of the number of ill-health retirements assumed by GAD.

The proportion of ill-health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.02%	0.01%
30	0.03%	0.01%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.12%
60	0.32%	0.19%
65	0.50%	0.29%

Allowance for withdrawals

This assumption is regarding active members who leave service to move to deferred member status. Active members are assumed to leave service at the following sample rates:

Age	Males	Females
25	9.21%	10.17%
30	7.25%	8.07%
35	5.70%	6.40%
40	4.48%	5.07%
45	3.53%	4.03%
50	2.78%	3.19%
55	2.18%	2.53%
60	1.72%	2.01%
65	1.35%	1.59%

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Appendix 3 Dashboard

Past service funding position - local funding basis

Funding level (assets/liabilities)	93%
Funding level (change since previous valuation)	6%
Asset value used at the valuation	£5,415,000,000
Value of liabilities	£5,820,000,000
Surplus (deficit)	-£405,000,000
Discount rate(s)	4.8% p.a.
Assumed pension increases (CPI)	2.6% p.a.
Method of derivation of discount rate, plus any changes since previous valuation	In line with page 5 of the Funding Strategy Statement
Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	21.7 years
Average life expectancy for current pensioners - women currently age 65	24.3 years
Average life expectancy for future pensioners - men currently age 45	23.1 years
Average life expectancy for future pensioners - women currently age 45	25.8 years

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Past service funding position - SAB basis (for comparison purposes only)

Market value of assets	£5,433,063,000
Value of liabilities	£5,421,000,000
Funding level on SAB basis (assets/liabilities)	100%
Funding level on SAB basis (change since last valuation)	10%

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Contribution rates payable

Primary contribution rate	17.9% of pay		
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)			
Secondary contribution rate 2020/21	tbc		
Secondary contribution rate 2021/22	tbc		
Secondary contribution rate 2022/23	tbc		
Giving total expected contributions:			
Total expected contributions 2020/21 (£ figure based on assumed payroll)	tbc	Based on assumed payroll of	£853,508,000
Total expected contributions 2021/22 (£ figure based on assumed payroll)	tbc	Based on assumed payroll of	£884,625,000
Total expected contributions 2022/23 (£ figure based on assumed payroll)	tbc	Based on assumed payroll of	£916,877,000
Average employee contribution rate (% of pay)	6.3% of pay		
Employee contribution rate (£ figure based on assumed payroll)	£53,771,000 p.a.	Based on assumed payroll of	£853,508,000 p.a.
Additional information			
Percentage of liabilities relating to employers with deficit recovery periods longer than 20 years	0%		
Percentage of total liabilities that are in respect of Tier 3 employers	tbc		

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Appendix 4 Rates and Adjustments Certificate

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and our this report.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2020 to 31 March 2023 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2020. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2020 to 31 March 2023 is set out in the table below.

Secondary Contributions	2020/21	2021/22	2022/23
Total as a % of payroll	tbc	tbc	tbc
Equivalent to total monetary amounts of	tbc	tbc	tbc

The total monetary amounts reflect the individual employers' deficit recovery plans.

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General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with the advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the administering authority and an individual employer.

R&A table TBC

Specific notes

The notes referred to in the table above are as follows:

A We understand that employers with this note have agreed with the administering authority that they will prepay the secondary element of their certified contributions by making a single lump payment in April 2020. This lump sum payment will receive an actuarially equivalent discount and the employer has been notified of the required amount separately. If they do not make the lump sum payment by 30 April 2020, the above contributions in the table will apply as normal.

B We understand that employers with this note have agreed with the administering authority that they will prepay the secondary element of their certified contributions by making lump sum payments at the start of each year (i.e. in April 2020, April 2021 and April 2022). This lump sum payment will receive an actuarially equivalent discount and the employer has been notified of the required amount separately. If they do not make the lump sum payments by 30 April in the period they are due, the above contributions in the table will apply as normal.

Post valuation employers

Any employer that joined the Fund after 31 March 2019 and is not listed above will be advised of their contribution rates separately.

Nottinghamshire County Council

Report to Pension Fund Committee

12 March 2020

Agenda Item: 6

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.

3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

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

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

RECOMMENDATION/S

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

Marjorie Toward
Customers, Governance and Employees

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

Constitutional Comments (HD)

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

Financial Comments (NS)

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

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME

Report Title	**Brief summary of agenda item**	**Report Author**
11 June 2020		
Administration Performance	12 Months Update	Jon Clewes
Transforming Pension Administration	Update Report	Sarah Stevenson
LGPS Scheme Advisory Board Update	*6 monthly report updating members on the work of the SAB if anything of note*	*Jon Clewes/Ciaran Guilfoyle*
Actuarial Valuation	Details of Valuation	Tamsin Rabbitts
Fund Strategies	Review of Fund Strategies	Tamsin Rabbitts
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 Presentations	Presentations 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
LGPS Central's Climate Risk Monitoring Service (exempt).		Tamsin Rabbitts
Update on LGPS Asset Pooling	*(If required)*	*Keith Palframan*
10 September 2020		
Managers Presentations	Presentations by Fund Managers (exempt)	ASI and Schroders
10 December 2020		
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and Specialist Portfolio
11 March 2021		
Managers Presentations	Presentations by Fund Managers, to include training (exempt)	ASI and Schroders
17 June 2021		
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM

TO BE PLACED		
Guaranteed Minimum Pension Reconciliation Exercise With HMRC	Update Report	Jon Clewes
Pensions Effect on Higher Education		Jon Clewes
Monitoring of the Member Death Process	Update Report	Jon Clewes
Investment in Renewables	Report following LAPFF survey	Ciaran Guilfoyle
Review of Work of the Pension Fund Committee and Pension Board		Marje Toward

Independent Adviser's Public Report for Nottinghamshire Pension Fund Committee

William Bourne

12th March 2020

Market commentary

1. Six weeks ago I commented that the background was quite equity-friendly, with BREXIT and trade uncertainty reduced, and generally supportive policy from both governments and central banks. Despite major long-term imbalances which must one day be addressed, I expected bond and equity markets to carry on their gentle upward path until some catalyst upsets it.

2. At a high level little has changed, though perhaps trade tensions have eased. While there are plenty of threats to markets, investors have taken the view that central banks and government are reacting to the risks around today by printing more money and easing fiscal policy. It is noteworthy that the US equity market has made new highs and coronavirus has had only a limited impact, even on the Chinese and Hong Kong stock-markets.

3. Perhaps bond markets, like last summer, are showing more signs of stress. Yields have continued to fall and, for example, the UK 10 year gilt yield at 0.5% in early February was close to its lowest level last year. In the US, the yield curve has inverted (ie. you get paid more for holding money for three months than for 10 years) which is a traditional signal of trouble ahead.

4. Growth in the world in 2019 has been, as I have previously commented, very low by historic standards. The US grew by 2.1% but European growth has in aggregate been close to 1%. BREXIT uncertainty has clearly been a contributor both in the UK and Europe, but I believe the underlying causes have more to do with demographics and lack of wealth creation.

5. Forecasters remain downbeat about economic growth (and by implication corporate earnings) because of trade worries, coronavirus and the consequences of BREXIT. While it is not my central forecast the risk remains that low growth and low inflation leads the West into Japan style deflation. Central banks seem to be aware of this risk, as their policy needle is clearly at the loose end of the dial. I expect governments to react similarly and use fiscal policy to try and avoid the risk of deflation taking hold, so am more positive about the economic outlook than some.

6. The appointment of Rishi Sunak as Chancellor and the approval of HS2 are signals of a likely significant increase in U.K. Government spending. The Bank of England has been notably less supportive than other central banks over the past 12 months, which may be a case of keeping their powder dry in case of trouble while post-BREXIT negotiations with the European Union take place. Not much will change in the transition period lasting until 31 December 2020, but there are likely to be significant bumps in the road as we approach that date. But the combination of greater spending and potentially looser monetary policy means the U.K. economy may provide a significant positive surprise.

7. In investment one learns to expect the unexpected. While I did suggest in January that any slowdown might come out of China, I had no inkling that the coronavirus was about to be unleashed on the world. The virus may, or may not, prove to be more devastating than previous flu-like epidemics but the way that 'authority' has responded undoubtedly has the potential to be damaging to both the Chinese and the global economy. With parts of China in lockdown and travel to some regions of the world severely curtailed, there will inevitably be a negative impact on global growth.

8. This will come from three discrete sources. First is the impact on globalised industries such as autos. If Chinese factories are not manufacturing parts, there will be shortages, much as after the Japanese tsunami in 2011, which will affect global production. Secondly, Chinese GDP forecasts are already down to 2%, the lowest since the Global Financial Crisis, because of the slow-down in activity. Thirdly, Chinese consumers are major customers for a range of global industries such as travel, tourism and luxury goods. Companies in these sectors will inevitably be affected.

9. For investors the question has been whether lower earnings from lower economic growth is reason enough to move out of equities. So far they have chosen not to, largely because other asset classes look unattractive compared to the dividend stream which equities offer. They also assume that central banks would react to trouble by being even more supportive. They are effectively once again calling the bluff of the central banks – as has happened for much of the past 20 years.

10. Looking forward, the default case for markets globally is a continuation of the current trends over the next year or two. As explained above, I expect economic growth to surpass expectations, especially in the U.K., but that may not necessarily be reflected in stockmarket performance.

11. There is always the possibility that political events knock the market off its course:
    - Unrest in China if the economic slowdown turns into recession.
    - Uncertainty in the US over the 2020 election.
    - Tensions over the Middle East and oil.

RECOMMENDATION/S

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

Nottinghamshire County Council

Report to Pension Fund Committee

12 March 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 31 December 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 31 December 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**	
	31 December 2019		**Benchmark**	**30 September 2019**		**31 December 2018**	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,485	60.4%	56%	3,389	59.6%	2,943	57.5%
Private	510	8.8%	12%	505	8.9%	385	7.5%
Property	733	12.7%	15%	733	12.9%	796	15.5%
Bonds							
Gilts	190	3.3%	2%	193	3.4%	147	2.9%
Other Bonds	712	12.3%	13%	687	12.1%	696	13.6%
Cash	141	2.4%	2%	181	3.2%	154	3.0%
	5,770	**100%**	**100%**	**5,687**	**100%**	**5,120**	**100%**

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £306.1m or 5.3% of the fund. Including infrastructure commitments made but not drawn down gives a total amount of 5.8% 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 31 December 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					189.7	37%	0.0	0%					189.7	3%
Corporate Bonds					288.6	57%	200.1	100%					488.7	8%
					478.3	94%	**200.1**	100%					**678.4**	**12%**
Overseas Bonds														
Corporate Bonds					11.8	2%	0.0	0%					11.8	0%
					11.8	2%	**0.0**	0%					**11.8**	**0%**
Inflation Linked											210.1	15%	210.1	**4%**
UK Equities	600.2	42%	834.3	50%							53.0	4%	1,487.5	**26%**
Overseas Equities														
North America	321.9	22%	477.1	29%							0.0	0%	799.0	14%
Europe	188.8	13%	129.3	8%							177.0	13%	495.1	9%
Japan	110.5	8%	72.9	4%							91.5	7%	274.9	5%
Pacific	106.7	7%	46.1	3%									152.8	3%
Emerging Markets	74.9	5%	76.7	5%							92.2	7%	243.8	4%
Global	31.8	2%									0.0	0%	31.8	1%
	834.6	58%	**802.1**	48%							**360.7**	26%	**1,997.4**	**35%**
Private Equity											205.1	15%	205.1	**4%**
Infrastructure											306.1	22%	306.1	**5%**
Property														
UK Commercial									440.4	74%			440.4	8%
UK Commercial - Local									23.9	4%			23.9	0%
UK Strategic Land									7.4	1%			7.4	0%
Pooled - UK									19.1	3%	138.1	10%	157.2	3%
Pooled - Overseas									103.2	17%	0.7	0%	103.9	2%
									594.0		**138.8**	10%	**732.8**	**13%**
Cash/Currency	3.7	0%	18.3	1%	18.5	4%	0.0	0%			100.6	7%	141.1	**2%**
Total	**1,438.5**	25%	**1,654.7**	29%	**508.6**	9%	**200.1**	3%	**594.0**	10%	**1,374.4**	24%	**5,770.3**	
Previous Qtr Totals	1,445.0	25%	1,605.2	28%	518.0	9%	170.5	3%	597.2	11%	1,351.3	24%	5,687.2	

6. The Fund investments have increased by £83.1 million (1.5%) since the previous quarter. Fund investments have increased by £650.4 million (12.7%) over the last 12 months. The 12 month figures are impacted by the sharp drop in equity markets in December 18 which has dropped out of the figures, leaving the recovery in the quarter to March 19 which inflates the returns for that particular period.

7. The table below shows the Fund Account for 2019/20 to date along with the full year figures for 2018/19.

Summary Fund Account	**Q3 2019/20 £000**	**Full Year 2018/19 £000**
Employer contributions	(105,668)	(135,001)
Member contributions	(35,398)	(46,216)
Transfers in from other pension funds	(6,487)	(9,473)
Pensions	128,964	162,267
Commutation of pensions and lump sums	28,980	34,937
Lump sum death benefits	3,955	4,495
Payments to and on account of leavers	9,957	34,732
Net (additions)/withdrawals from dealings with members	**24,303**	**45,741**
Administration Expenses	**37**	**2,112**
Oversight & governance expenses	**682**	**1,630**
Investment Income	(62,035)	(162,772)
Profits & losses on disposals & changes in value	(302,842)	(154,446)
Taxes on income	245	850
Investment management expenses	2,387	5,410
Net Returns on Investments	**(362,245)**	**(310,958)**
Net (increase)/decrease in net assets	**(337,223)**	**(261,474)**

Core Index Portfolio

8. 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 around £10m LGPS Central Overseas passive fund, plus around £20m of the LGPS Central Global Equity Active fund. From 20/21 we will separate the LGPS Central investments into their own portfolio. In the meantime this active investment distorts this sector of the Core Index portfolio.

	31 December 2019			**30 September 2019**	
	Portfolio		**B/Mark**	**Portfolio**	
	£000	**%**	**%**	**£000**	**%**
UK Equities	600,218	41.7%	40.0%	575,969	39.9%
Overseas Equities:	834,652	58.0%	59.5%	865,434	59.9%
North America	321,892	22.4%	18.0%	358,502	24.8%
Europe	188,850	13.1%	18.0%	187,198	13.0%
Japan	110,511	7.7%	9.0%	110,237	7.6%
Pacific Basin	106,685	7.7%	9.0%	106,098	7.3%
Emerging Markets	74,944	5.2%	5.5%	72,195	5.0%
Global	31,770	2.2%	0%	31,204	2.2%
Cash	3,677	0.3%	0.5%	3,593	0.2%
Total	**1,438,547**			**1,444,996**	

9. 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	40,000	-40,000
Europe	0	0	0
Japan	0	0	0
Pacific Basin	0	0	0
Emerging Markets	0	0	0
Global	0	0	0
Totals	**0**	**40,000**	**-40,000**

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. The impact of this on asset allocation was more than offset by the increase in equity values over the quarter.

Schroder Investment Management Portfolio

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

	31 December 2019			**30 September 2019**	
	Portfolio		**B/Mark**	**Portfolio**	
	£000	**%**	**%**	**£000**	**%**
UK Equities	834,293	50.4%	50.0%	779,019	48.5%
Overseas Equities	802,070	48.5%	49.5%	781,857	48.7%
North America	477,066	28.8%	28.9%	470,171	29.3%
Europe	129,316	7.8%	8.3%	119,802	7.5%
Japan	72,919	4.4%	4.7%	71,815	4.5%
Pacific Basin	46,081	2.8%	3.0%	45,124	2.8%
Emerging Markets	76,688	4.6%	4.6%	74,945	4.7%
Cash	18,339	1.1%	0.5%	44,291	2.8%
Total	**1,654,702**			**1,605,167**	

10. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	58,655	34,076	24,579
Overseas Equities			
North America	29,678	0	29,678
Europe	31,551	24,184	7,367
Japan	5,662	5,354	308
Pacific Basin	3,047		3,047
Emerging Markets	0	0	0
Totals	**128,593**	**63,614**	**64,979**

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.

	31 December 2019 Portfolio £000	%	B/Mark %	30 September 2019 Portfolio £000	%	B/Mark %
UK Bonds						
Gilts	189,720	37%	30%	193,161	37%	30%
Corporate Bonds	288,631	57%	70%	291,383	56%	70%
Overseas Bonds						
Corporate Bonds	11,835	2%		22,556	4%	
Cash	18,332	4%		10,721	2%	
Total	**508,518**			**517,821**		

12. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Bonds			
Gilts	133,936	129,781	4,155
Corporate Bonds	5,697	4,138	1,559
Overseas Bonds			
Government Bonds	0	30,495	-30,495
Corporate Bonds	31,655	9,343	22,312
Totals	**171,288**	**173,757**	**-2,469**

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
10/10/2019	Queen Street, Cardiff	Short-term lease
15/10/2019	Queen Street, Cardiff	Rent review
21/10/2019	Queen Street, Cardiff	Wayleave Agreement
28/10/2019	Grovebury Retail Park, Leighton Buzzard	DFA Variation
20/11/2019	Units 2B and 2C, Bagshot Retail Park, London Road, Bagshot	Exclusivity Agreement
25/11/2019	Kings Stables Road, Edinburgh	Engrossed leases
25/11/2019	Vertex Park, Emersons Green, Bristol	Alterations license
27/11/2019	Kings Stables Road, Edinburgh	Lease
27/11/2019	Grovebury Retail Park, Leighton Buzzard	S106 Agreement
27/11/2019	Cross Point Business Park, Coventry	Alterations license L&B
04/12/2019	Kings Stables Road, Edinburgh	Transaction Tax

06/12/2019	56-60 & 68 New Dover Road, Canterbury	License to assign
19/12/2019	Units 5 & 6, Crosspoint Business Park, Coventry	Lease
24/12/2019	Kings Stables Road, Edinburgh	L&B Transaction Tax
30/12/2019	Queen Street, Cardiff	Sale of property

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.

	31 December 2019		30 September 2019	
	£000	%	£000	%
Private Equity	205,100	16.1%	206,800	16.8%
Infrastructure	306,100	24.0%	299,400	24.4%
Property Funds	138,800	10.9%	135,600	11.0%
Kames DGF	210,100	16.5%	201,000	16.3%
Equity Funds	413,700	32.5%	386,700	31.5%
Total	**1,273,800**		**1,229,500**	

15. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Private Equity	97	1,415	-1,318
Infrastructure	3,333		3,333
Property Funds	4,841	405	4,436
Kames DGF	0		0
Equity Funds	35,450	31,340	4,110
Totals	**43,721**	**33,160**	**10,561**

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.

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

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 28/2/2020)

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