Nottinghamshire County Council

# Nottinghamshire Pension Fund Committee

## Thursday, 16 November 2017 at 10:30

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

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# AGENDA

| | | |
|---|---|---|
| 1 | Minutes of the last meeting held on 14 Sept 2017 | 3 - 6 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | Implementation of the Markets in Financial Instruments Directive (MIFID II) | 7 - 16 |
| 5 | Working Party | 17 - 22 |
| 6 | Proxy Voting | 23 - 24 |
| 7 | LGC Investment Summit 2017 | 25 - 44 |
| 8 | Local Authority Pension Fund Forum Business Meeting | 45 - 48 |
| 9 | LGPS - Annual Allowance - Extension of 'Scheme Pays' to include Voluntary Function | 49 - 58 |
| 10 | Work Programme | 59 - 62 |

None

## 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 PENSIONS FUND COMMITTEE |
| Date | Thursday 14 September 2017 at 10.30 am |

**membership**
Persons absent are marked with `A'

**COUNCILLORS**

Eric Kerry (Chairman)
Stephen Garner (Vice Chairman)

| | | | |
|---|---|---|---|
| | Reg Adair | | Mike Pringle |
| A | Chris Barnfather | | Francis Purdue-Horan |
| | Sheila Place | | Helen-Ann Smith |
| | | A | Parry Tsimbiridis |

**Nottingham City Council**

Councillor Graham Chapman
Councillor Anne Peach
Vacancy

**Nottinghamshire Local Authorities' Association**

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

**Trades Unions**

Mr A Woodward
Mr C King

**Scheduled Bodies**

A Mrs Sue Reader

**Pensioners**

Vacancy
Mr T Needham

**Officers in Attendance**

| | |
|---|---|
| David Forster | (Resources) |
| Peter Barker | (Resources) |
| Nigel Stevenson | (Resources) |
| Tamsin Rabbitts | (Resources) |
| Sara Stevenson | (Resources) |
| Keith Palframan | (Resources) |

**MINUTES**

That the minutes of the last meeting held on 20 July 2017 be signed as a true and correct record.

**APOLOGIES FOR ABSENCE**

Apologies for absence were received from:

Councillor Parry Tsimbiridis
Councillor Chris Barnfather
Mayor Kate Allsop
Sue Reader

**DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS**

None.

**LGPS TRUSTEES CONFERENCE 29 – 30 JUNE 2017**

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

**RESOLVED 2017/013**

1. That Pensions Committee members continue to attend the Trustees Conference to enable members to be kept up to date with the main national topics relating to the administration of the pension fund and

2. That a future report is presented to update the committee on pension fund data quality and the new General Data Protection Regulations (GDPR).

**LOCAL GOVERNMENT PENSION SCHEME – ADMINISTERING AUTHORITY DISCRETIONS**

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

**RESOLVED 2017/014**

1. That the changes as set out in the report to the Administering Authority's published discretions be agreed and
2. That the application of the discretions is delegated to the Service Director – Customers and HR, the Service Director – Finance, Procurement &

Improvement and Section 151 officer and the Pensions Manager.

**FUND VALUATION AND PERFORMANCE**

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

**RESOLVED 2017/015**

That the contents of the Fund Valuation and Performance report be noted

**EXCLUSION OF THE PUBLIC**

**RESOLVED: 2017/016**

That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve the disclosure of exempt information as 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.

And that Mr William Bourne, the Independent Advisor, be permitted to stay in the meeting during the exempt items

**EXEMPT INFORMATION ITEMS**

**FUND VALUATION AND PERFORMANCE**

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

**RESOLVED: 2017/017**

That the exempt Fund Valuation and Performance report be noted

**REPORT OF THE INDEPENDENT ADVISOR**

The Independent Advisor gave an update on issues that affect the Pensions Investments of Nottinghamshire

**RESOLVED: 2017/018**

That the Independent Advisor's report be noted

**FUND MANAGERS REPORTS**

**RESOLVED: 2017/019**

That the fund managers' reports received from Schroders Investment Management, Aberdeen Property Investors and Kames Capital be noted.

The meeting concluded at 12.30 pm

**CHAIRMAN**

Nottinghamshire County Council

**Report to Pension Fund Committee**

**16 November 2017**

**Agenda Item: 4**

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

# IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID II)

## Purpose of the report

1. The purpose of this report is to outline the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018 and recommend that the committee agree that elections for professional client status should be made on behalf of the authority.

## Information and advice

2. Under the current UK regime, local authorities are automatically categorised as 'per se professional' clients in respect of non- MiFID scope business and are categorised as 'per se professional' clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain 'opt-up criteria'.

3. Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt ("local authority") as a 'per se professional client' or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as "retail clients" unless they are opted up by firms to an 'elective professional client' status.

4. Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

## Potential impact

5. A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer's needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.

6. Such protections would come at the cost of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the LGPS are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so.

7. Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as ‘non-complex’ which would exclude many of the asset classes currently included in LGPS fund portfolios. In many cases managers will no longer be able to even discuss (‘promote’) certain asset classes and vehicles with the authority as a retail client.

## Election for professional client status

8. MiFID II allows for retail clients which meet certain conditions to elect to be treated as professional clients (to ‘opt up’). There are two tests which must be met by the client when being assessed by the financial institution: the quantitative and the qualitative test.

9. The Local Government Pension Scheme Advisory Board (SAB) and the Local Government Association (LGA) along with the Department of Communities and Local Government (DCLG) and the Investment Association (IA) have successfully lobbied the FCA to make the test better fitted to the unique situation of local authorities.

10. The new tests recognise the status of LGPS administering authorities as providing a ‘pass’ for the quantitative test while the qualitative test can now be performed on the authority as a collective rather than an individual.

11. The election to professional status must be completed with all financial institutions prior to the change of status on 3rd January 2018. Failure to do so by local authorities would result in the financial institution having to take ‘appropriate action’ which could include a termination of the relationship at a significant financial risk to the authority.

12. The SAB and the LGA have worked with industry representative bodies including the IA, the British Venture Capital Association (BVCA) and others to develop a standard opt-up process with letter and information templates. This process should enable a consistent approach to assessment and prevent authorities from having to submit a variety of information in different formats.

13. Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. A local authority may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end, for example, if the next procurement is achieved via the LGPS pool. It is recommended that officers determine the most appropriate basis of the application, either via full or single service.

14. Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the

membership of the committee changed significantly resulting in a loss of experience, or if the relationship with the authority's investment adviser was terminated.

## LGPS pools

15. LGPS pools will be professional investors in their own right so will not need to opt up with the external institutions they use. Local authorities will however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer.

16. Elections to professional status will be needed for every financial institution that the authority uses outside of the pool, both existing and new, together with a continuing review of all elections. If all new purchases are made via fund structures within the pool then no new elections will be required, only an ongoing review of the elections made with the pool and any legacy external institutions, the number of which would reduce as assets are liquidated and cash transferred.

## Decision making within Nottinghamshire

17. The Investment Strategy Statement sets out the responsibilities of the Pension Fund Committee and officers as follows:-

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

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

***Committee Members***
*The Committee Members recognise their full responsibility for the oversight of the Fund, and operate to a Code of Conduct. They shall:*

- *Determine the overall asset allocation and investment strategy of the Fund*
- *Determine the type of investment management to be used and, until LGPS Central is operational, appoint and dismiss fund managers*
- *Receive regular reports on performance from the main fund managers and question them regularly on their performance*
- *Receive independent reports on the performance of fund managers on a regular basis*
- *Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.*

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

*Authorised signatories for operational matters relating to pension fund investments are:*

- *Service Director (Finance, Procurement & Improvement)*
- *Group Manager (Financial Strategy & Compliance)*
- *Group Manager (Financial Management)*
- *Senior Accountant (Pensions & Treasury Management)*
- *Investments Officer*

18. Consequently the MiFID application will be made on the basis that the officers named above are responsible for making investment decisions.

## Independent Adviser

19. The requirement to opt up with Linchpin has been discussed, but it is felt that this is not required as the contract is to provide general advice, and therefore does not constitute regulated advice under FCA rules.

## Next steps

20. In order to continue to effectively implement the authority's investment strategy after 3rd January 2018, applications for election to be treated as a professional client should be submitted to all financial institutions with whom the authority has an existing or potential relationship in relation to the investment of the pension fund.

21. This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority's pension fund investments.

22. The officer named in the recommendations should be granted the necessary delegation to make applications on the authority's behalf and to determine the nature of the application on either full or single service basis.

## Other Options Considered

23. The authority could accept the status change to a retail client which will occur by default when the provisions of MiFID II come into effect on 3rd January 2018. However this would undermine the investment strategy of the fund, potentially causing the forced sale of some investments and limiting options going forwards. Future investments would be limited to those available to retail clients; this is likely to impact on the ability of the fund to deliver the planned level of returns which would have associated financial implications for employers. For these reasons this option is not felt to be appropriate.

## Reason/s for Recommendation/s

24. The recommended opt-up process is the only way to enable the Pension Fund to continue its current Investment Strategy after 3rd January 2018.

## Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, 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.

## RECOMMENDATIONS

1) Approves the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.

2) Acknowledges and agrees to forgo the protections available to retail clients (attached as Appendix 1) as a result of electing for professional client status.

3) Confirms that investment decisions to implement the agreed strategy are operational decisions taken by officers.

4) Agrees that there is no requirement to opt up with Linchpin due to the general nature of advice provided.

5) Delegates responsibility to the Service Director for Finance, Procurement & Improvement and Section 151 Officer for the purposes of completing the applications and determining the basis of the application as either full or single service.

**Report Author: Tamsin Rabbitts**
**Senior Accountant Pensions and Treasury Management**

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

**Constitutional Comments (SLB 20/10/17)**

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

**Financial Comments (TMR 20/10/17)**

26. The financial implications are set out in 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.

C0934

**Warnings - loss of protections as a Professional Client**

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This document contains, for information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. **Communicating with clients, including financial promotions**

   As a Professional Client the simplicity and frequency in which the firm communicates with you may be different to the way in which they would communicate with a Retail Client. They will ensure however that our communication remains fair, clear and not misleading.

2. **Information about the firm, its services and remuneration**

   The type of information that the firm provides to Retail Clients about itself, its services and its products and how it is remunerated differs to what the firm provides to Professional Clients. In particular,

   (A) The firm is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and

   (B) there are particular restrictions on the remuneration structure for staff providing services to Retail Clients which may not be applicable in respect of staff providing services to Professional Clients;

   (C) the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, they are required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

   (D) when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. **Suitability**

   In the course of providing advice or in the course of providing discretionary management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the products, transactions and services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. **Appropriateness**

   For transactions where the firm does not provide you with investment advice or discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. **Dealing**

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. **Reporting information to clients**

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. **Client reporting**

Investment firms that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. **Financial Ombudsman Service**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Hence, depending on how you are constituted you may not have access to the Financial Services Compensation Scheme.

10. **Exclusion of liability**

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

11. **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. **Transfer of financial collateral arrangements**

As a Professional Client, the firm may conclude title transfer financial collateral arrangements with you for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. **Client money**

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping the firm informed of any change that could affect your categorisation as a Professional Client.

Nottinghamshire County Council

Report to Pension Fund Committee

16 November 2017

Agenda Item: 5

# REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

# WORKING PARTY

## Purpose of the Report

1. The Pension Fund Working Party meets twice a year and is open to all Pension Committee Members to attend. The purpose of the Woking Party is to discuss key issues in more detail and to make recommendations to Pension Fund Committee. This report sets out details of the items discussed at the most recent meeting on 19 September 2017 and makes recommendations

   a. To maintain the current investment strategy
   b. To revise the target for the Kames Capital Fixed Income mandate
   c. To revise the geographical area and financial limit for the Local Property Fund
   d. To allocate an additional £10m to the Local Property Fund

## Information and Advice

2. The Working Party Agenda is set out in Appendix A. Details of the discussions and recommendations for each item are set out below.

### Strategic Choices in a Low Return World

3. The funds Independent Adviser, William Bourne, set out his views on likely future returns across the funds main asset classes in the short and medium term. The main concern is that returns over this period may be below that received over the last few years and may be below that estimated by the Actuary at the recent fund valuation as the amount required to continue to reduce the deficit.

4. The Working Party considered 2 options, either to accept possible lower returns in the short term or to choose to invest in more 'non-traditional' assets to achieve possible higher returns, albeit at a greater risk and probably at a higher fee.

5. After discussion it was proposed that the fund continues to only take sufficient risk to meet the investment return target as set out in the Investment Strategy Statement (ISS). The fund has a strong track record of delivering good returns over the long term and as a long term investor this is the approach that we should continue to take.

6. Also include in the report was a review of a proposal to revise the target for the Kames Capital Fixed Income mandate from the current 0.75% above benchmark to 0.40%. The rationale behind the proposal is that Kames cannot achieve the current benchmark without

increasing the risk. After discussion it was agreed the target should be revised, with a review after 12 months. This is consistent with the Funds policy of being a long term, low risk investor.

**Mapping of NCC assets to LGPS Central proposed sub funds**

7. LGPS Central have issued their proposed list of initial investment funds, based on a review of the range of investments currently held by all the funds in the pool. The proposed sub-funds are designed as a compromise to try and meet these needs but inevitably there will need to be some changes to each funds asset allocation.

8. The funds Independent Adviser has undertaking a mapping exercise, attempting to match the current asset allocation to proposed funds in LGPS Central. The aim is to ensure Nottinghamshire Pension Fund can continue to achieve the required returns, not increase its risks and maintain the diversification we currently have. In most cases there is a good match for our current assets, however William highlighted a number of areas where he had concerns. These concerns have been raised with LGPS Central staff and further discussions will take place to try and ensure the investment offering matches the requirements of the Nottinghamshire Pension Fund.

9. The outcome of the discussions and any impact on the asset allocation will be reported to a future meeting of this Committee.

**Markets in Financial Instruments Directive 2014/65 (“MiFID II”)**

10. The Working Party considered a draft Committee report and agreed with the proposal to opt up the Pension Fund with our investment managers. Details of MiFID II and the implications for the Pension Fund are included in a full report elsewhere on the agenda.

**Local Property Investments Initiative**

11. The Pension Fund has allocated £25m to a local property initiative. The current guidelines are for any purchases to be within Nottinghamshire and be below £5m. As the main property fund only looks at possible purchases over £10m there is a gap where currently neither fund look at opportunities in the £5 - £10m range. Following discussion at the Working Party it was proposed to increase the geographical area to coincide with the area covered by all pooling partners, to increase the financial limit for individual purchases to £10m and to add a further £10m to this fund.

## Statutory and Policy Implications

12. 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.

## RECOMMENDATIONS

13. Confirms the current approach to only incur sufficient risk to achieve the investment return required in the Investment Strategy Statement (ISS).

14. Approves the revision to the target for the Kames Capital Fixed Income as set out in the report, to be reviewed in 12 months.

15. Approves the changes to the geographical area and value for the Local Property Fund

16. Approves the allocation of a further £10m to the Local Property Fund.

**Report Author:**
**Keith Palframan – Group Manager Financial Strategy & Compliance**

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

**Constitutional Comments (SMG 30/10/2017)**

17. The proposals set out in this report fall within the remit of this Committee.

**Financial Comments (KRP 30/10/17)**

18. The financial implications are noted in 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

**APPENDIX**

# MEETING AGENDA

Nottinghamshire County Council

**Meeting title:** PENSION FUND WORKING PARTY MEETING
**Date and time:** Tuesday 19 September 2017, 9.30 – 11.50 am
**Location:** County Hall, Committee Room B

1. Independent Adviser Report – Strategic choices in a low return world

2. Independent Advisor Report – Mapping of NCC assets to LGPS Central proposed sub funds

3. Draft Pension Fund Committee report on Markets in Financial Instrument Directive 2014/65 ("MiFID II") – for discussion and comments

4. Local Property Investment initiative – verbal

5. Any other business

**Attendees**

Cllr Eric Kerry
Cllr Stephen Garner
Cllr Francis Purdue-Horan
Cllr Anne Peach (City Council)
Cllr Reg Adair
Alan Woodward
William Bourne
Tamsin Rabbitts
Keith Palframan

Nottinghamshire County Council

**Report to Pension Fund Committee**

**16 November 2017**

**Agenda Item: 6**

# REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

# PROXY VOTING

## Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the second and third quarters of 2017 (calendar year) as part of this ongoing commitment.

## Information and Advice

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

3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Statement of Investment Principles and report periodically on the discharge of such responsibilities. The Fund's statement on responsible investment states that 'the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds'.

4. The Fund retains responsibility for voting (rather than delegating to its investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Voting is implemented by Pensions Investment Research Consultants (PIRC). PIRC issue Shareholder Voting Guidelines each year and these are the basis of the voting implemented on behalf of the Fund.

5. An overview of the voting activity and analysis of the key issues during the quarters will be published on the Fund website:

   (http://www.nottspf.org.uk/about-the-fund/investments)

   and with the meeting papers on the Council Diary:

   (http://www.nottinghamshire.gov.uk/dms/Meetings.aspx).

## Statutory and Policy Implications

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

## RECOMMENDATION/S

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

**Report Author:**
**Ciaran Guilfoyle**
**Investments Officer**

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

**Constitutional Comments**

7. 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 23/10/2017)**

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

**Background Papers and Published Documents**

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

- PIRC – Nottinghamshire CC Pension Fund, Proxy Voting Review, 1 April 2017 to 30 June 2017
- PIRC – Nottinghamshire CC Pension Fund, Proxy Voting Review, 1 July 2017 to 30 September 2017
- Financial Reporting Council, *The UK Stewardship Code*, September 2012.

Nottinghamshire County Council

**Report to Pension Fund Committee**

**16 November 2017**

**Agenda Item: 7**

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

**LGC INVESTMENT SUMMIT 2017**

## Purpose of the Report

1. To report on the LGC Investment Summit 2017.

## Information and Advice

2. The 29th LGC Investment Summit was held on 7 to 8 September 2017 in Newport. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills, the conference was attended by Councillor Eric Kerry, Councillor Stephen Garner and Keith Palframan (Group Manager – Financial Strategy & Compliance). Details of the main sessions are set out below.

***Day One - Chaired by Hugh Grover, Chief Executive, London CIV***

3. ***Geo-political and economic update (Kamal Ahmed, Economics Editor, BBC)***
A wide ranging talk covering progress on EU negotiations and the impact of any 'transition period', improving economic performance in Europe (albeit underpinned by significant and ongoing QE), continued falling productivity and real incomes in the UK and the potential change in global leadership from the US to China.

4. ***Managing Assets & Liabilities in this new environment (Daniel Nicholas, Harris Associates L.P., Sorca Kelly-Scholte, J.P. Morgan Asset Management)***
Daniel discussed the active vs passive debate and that fact that many active funds struggle to match index returns despite higher fees. He argued that true active managers can outperform, but that funds should ensure their active managers are not a 'closet indexer'.
Sorca covered the issue of future liability management in a period of low growth and high uncertainty. She highlighted the compromise required between holding secure assets to guarantee benefits against the need for high returns to pay the benefits.

5. ***Cross Pool Update (Peter Wallach, Director of Pensions, Merseyside Pension Fund, Kevin McDonald, Director, Essex LGPS)***
This session included updates from all pools covering their progress to date and any issues they have identified. All are making progress but there are different approaches being adopted and some funds have expressed concerns at meeting the 1 April 2018 deadline (a number indicated they thought June was a more realistic date).

6. ***Better futures aren't down to chance (Dafydd Edwards, Head of Finance, Gwynedd Council, John Dickson, Senior Partner, Hymans Robertson)***
   Dafydd gave a summary of the position of the Welsh Pool covering the history of close working prior to pooling, the issues they face and the planned work.
   John covered returns of the last 20 years (around 4% across LGPS), the very good returns seen in 2016/17 and argued for more choice in investment strategies beyond standard asset classes. He also discussed the need for an effective and efficient transition of assets into the pools to avoid additional costs and lost returns.

7. ***Managing risk in the new environment (Andrew Cole, Pictet Asset Management, Joe Steidl, Research Affiliates)***
   Andrew discussed the good equity and bond yields over the last 20 years, but argued that he expected bond yields to fall and equity to remain as now in the future. He thought that bond yields could well turn negative and argued for LGPF funds to consider emerging market bonds.
   Joe followed on by encouraging funds to look further at 'smart beta', a compromise between active and passive investments.

8. ***The impact of MiFID II and Regulation (Daniel Measor, Wholesale Conduct Policy Team, Jeff Houston, Head of Pensions, LGA)***
   Daniel and Jeff covered the new MiFID II legislation due to come in to force in January 2018 and encouraged funds to quickly engage with their investment managers and complete the required documentation. (Paper elsewhere on this agenda)

***Day Two - Chaired by Nicola Mark, Norfolk Pension Fund.***

9. ***Infrastructure part 1 (Paddy Dowdall, Director, Greater Manchester Pension Fund, Fiona Miller, Head of Pensions, Cumbria County Council)***
   Paddy and Fiona provided an update on the cross pool working group on infrastructure. Infrastructure remains an attractive investment type as it offers long term returns, often index linked. The downside are the high transaction costs and that projects are generally high value and attract institutional investors from around the world, driving up prices. Examples given were railway rolling stock leasing, wind farms and bioenergy.

10. ***Infrastructure part 2 (Peter Hofbauer, Hermes Investment Management, Andrew Hills, Invesco Real Estate)***
    Peter again highlighted the long term, index linked returns available from infrastructure and the potential for liability matching. Infrastructure can be viewed as a fixed income substitute.
    Andrew covered potential investments in the Private Rented Sector (PRS), and gave examples of build to rent developments and how they differ from more traditional flats (larger shared space, designed for easy maintenance, equal room size, higher quality materials for lower maintenance costs).

11. ***Environmental Social and Governance (ESG) (Peter Borgdoff, Director, PFZW, Rob Stewart, Newton Investment Management, Dawn Turner, Chief Pensions Officer, Environment Agency Pension Fund)***
    Peter represents the Dutch public sector pension fund (>£100bn invested). The funds objective is "to allow pensioners to live the life they want in a world worth living in". They include sustainability in all that they do, but he acknowledged conflicts with return rates.

Rob highlighted some of the complex issues funds face when attempting to reflect ESG in their investment decisions. For example, electric cars are viewed as good for the environment, but the production of the materials required for batteries is bad (child labour, mining damage).
Dawn covered the approach taken by the Environment Agency Fund where they attempt to have 100% of investments ‘responsibly managed’. She added that pooling should allow improvements as they will have greater resources with the likelihood of dedicated staff with the required skills.

12. ***Where will we be in 2 years’ time? (Jeff Houston, LGA, Antony Barker, Santander, John Bayliss, GAD)***
Antony expressed his view that longer term there is likely to be collaboration between pools, and possibly this will lead to fewer pools.
John covered GADs role and also the fact that their view is that in the short to medium term we will be operating in a low growth environment.

## Statutory and Policy Implications

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

## RECOMMENDATION/S

1) 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.

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

**Report author:**
**Keith Palframan**
**Group Manager – Financial Strategy & Compliance**

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

**Constitutional Comments (SMG 30/10/2017)**

14. The Pension Fund Committee is the appropriate body to consider the content of this report. If the Committee resolves that any actions are required it must be satisfied that such actions are within the Committee’s terms of reference.

**Financial Comments (KRP 17/10/17)**

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

**Background Papers and Published Documents**

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

None

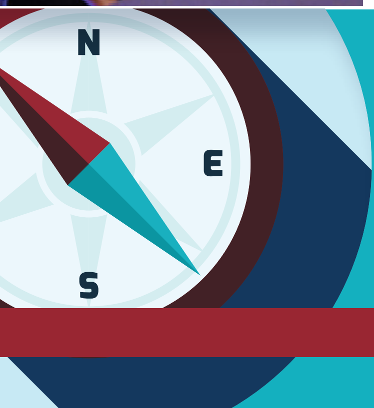
# WELCOME TO THE LGC INVESTMENT SUMMIT 2017

The challenge of providing workplace pensions, especially for the lower paid, has never been higher and that is even more so for the **Local Government Pension Scheme (LGPS)**. Pension funds are already well into the process of transition to combined investment pools, which will require new ways of working to deliver the best possible outcomes, and are revising their investment strategies, particularly in light of the result of the 2016 Valuation. Now they need to take stock and also consider the impact of fundamental political and economic change.

The whole investment landscape is changing with individual funds re-setting asset allocations under a new regulatory regime through newly structured pooled vehicles. There are tremendous opportunities to collaborate, invest 'smarter', achieve more cost efficient implementation, and to open up to investment solutions that meet our needs.

This year's Summit will address all these issues, drawing upon expert speakers and practitioners from around the globe, focussing not only on the issues of immediate concern, but also offering a longer term perspective, so vital to the long term investor.

Local government members and officers have an excellent track record in their stewardship of the LGPS but these changes mean that there has never been more need to improve the level of skills and knowledge of those responsible for investment and to cope with a rapidly changing investment environment and governance framework.




The **LGC Investment Summit** is the leading annual investment event for local government pension funds and sets the benchmark for effective learning and knowledge gathering.
Join us at Celtic Manor to find out more about what the future may hold for your pension fund and how you can best tackle the investment changes we all face.

As the pools are set up and the existing relationships within the LGPS change, it is even more important to be aware of all the contributing factors that impact on the investment of the fund. The content of this year's LGC Investment Summit will provide clarity and insight on all the key areas and the environment for you to work out what it means for your organisation.

## Why you should attend this year's event:

Gain clarity on the transition to pooling so you are fully aware of the key milestones for your organisation.

Benefit from insight on cMiFIDII, client categorisation and how to deal with the pitfalls and challenges.

Receive intuition on where pools will be in 2 years' time to enable you to plan your strategy for the future.

We monitor the ratio of local authority to fund manager attendees closely to ensure that the quality of networking is unrivalled. Share your experiences with your local authority colleagues to discover how they are handling the challenging environment.

The most important names in the LGPS contribute to the programme and we make sure the content is valuable and up-to-the-minute. Senior representatives from all the pools are scattered across the programme to make the most of their expertise.

29th anniversary

# PROGRAMME
# THURSDAY 7
# SEPTEMBER 2017

08:10 – 09:10 **Registration and the exhibition floor**

09:10 – 09:20 Welcome: **Rachel Dalton,** Features Editor, LGC

**Chairman sets the scene**

**Hugh Grover,** Chief Executive, London CIV

## SESSION 1

09.20 – 10:00 **Geo-political and economic update**

**Kamal Ahmed,** Economics Editor

## SESSION 2

10:00 – 10:40 **Latest global research on active management**

- Active vs passive vs closet indexing
- Identifying which active managers are most likely to outperform
- How to select active managers
- What are active managers' success factors

**Daniel Nicholas,** Client Portfolio Manager, Harris Associates L.P.

**The approach to future liability management**

- The need to be more active, more diversified, more inventive
- The right risk management tools
- Improving dynamic risk and return

**Sorca Kelly-Scholte,** Head of EMEA Pensions Solutions & Advisory, J.P. Morgan Asset Management

10:40-11:20 **Visit the exhibition floor for refreshments**

11:20-11:40 **Investment briefing sessions on the exhibition floor**

## SESSION 3

11:40 – 12:00 **Cross-pooling update. A high level snapshot of where the pools are with implementation and application**

- Different models being implemented
- Views on AUM and size of Pools
- Staffing approaches
- Forecasts on costs and savings
- Future changes in Asset Allocations
- Particular Risks

**Geik Drever,** Strategic Director of Pensions, West Midlands Pension Fund (Central pool)

**Peter Wallach,** Head, Merseyside Pension Fund (Northern pool)

## SESSION 4

**12:00 – 12:40** **Better futures aren't down to chance**
**John Dickson,** Senior Partner, **Hymans Robertson**
**Dafydd Edwards,** Head of Finance, **Gwynedd Council (Wales pool)**

**12:40 – 13:40** **Lunch on the exhibition floor**

**13:40 – 14:15** **Attend Focus session 1 or 2**

### FOCUS 1

**Looking to the future (of pooling)**

How can the Pools ensure effective set up? How might they look in 20-30 years? How can members ensure a successful relationship between the Pools and their clients?
This session will utilise Russell Investments' long experience in running multi-asset portfolios for large public and private organisations to consider the similarities and relevance to LGPS Pooling.

**David Rae,** Head of Client Strategy & Research, EMEA, **Russell Investments**

### FOCUS 2

**Forecasting the Future of Investing**

- Utilising information technology
- Big data
- Human judgement
- What the world of investing will look like in the future

**Hania Trollope,** Executive Director Quantitive Investment Strategies, **Goldman Sachs Asset Management**

**14:20 – 14:55** **Attend Focus session 3 or 4**

### FOCUS 3

**Business disruption – opportunity or risk?**

In a world where technological change can disrupt whole industries we look at what drives stock prices and which companies may be profit givers and profit takers.

**Rob Almeida,** Institutional Portfolio Manager, **MFS Investment Management**

### FOCUS 4

**How to integrate ESG into your investment strategy**

Join Stuart Doole as he discusses how ESG indexes can be used to help investors integrate ESG into their investment decision-making processes

**Stuart Doole,** Managing Director and Global Head of New Product Development Index Research, **MSCI**

**15:00 – 15:35** **Attend the session which relates to your role**

**Councillors' Discussion**

- The Scheme Advisory Board programme
- Issues for Councillors

**Roger Phillips,** Chair, **Scheme Advisory Board**

**Officer Focus Group**

Issues for Officers, with particular relevance to their professional and vfm responsibilities, and changes resulting from Pooling.

**Duncan Whitfield,** President, **ALATS**
**Sean Nolan,** Director of Local Government and Policing, **CIPFA**

**15:35 – 16:20** **Visit the exhibition floor for refreshments**

> "It is an excellent event for networking, learning and it will still be a must in the new world of pooled investments."

## SESSION 6

**16:20 – 17:00** **Lower returns ahead**

Future investment returns from the traditional asset classes of stocks and bonds are forecast to be lower than historical averages. What are the causes of this and what does it mean for the LGPS investor? Which markets are likely to offer the best returns and which should be avoided?

**Percival Stanion,** Head of International Multi Asset, **Pictet Asset Management**

**Recent performance is as good as useless for forecasting future returns**

Investors can be too reliant on past and even current performance. Research shows other factors to be much more important and this session outlines a framework for evaluating smart beta / factor investment strategies.

**Joe Steidl,** Vice President, **Research Affiliates**

## SESSION 7

**17:00 - 17:40** **The Impact of MiFID 2 and Regulation**

MiFID 2 client categorisation rules – an explanation of the changes in categorisation given to local authorities when they are clients of an investment firm.

What we should be looking for in a well-regulated Pool and what may be the impact on local authority funds.

**Daniel Measor,** Senior Associate, **Wholesale Conduct Policy team, FCA**

**19:30** **Networking reception on the exhibition floor**

Don't miss out on this networking opportunity

**20:00** **Networking Dinner**

Don't miss out on this networking opportunity

# PROGRAMME
# FRIDAY 8
## SEPTEMBER 2017

08:15 – 08:45 **Visit the exhibition floor for refreshments**

08:45 – 08:55 **Chairman's welcome**

**Nicola Mark,** Head, Norfolk Pension Fund

**SESSION 8**

08:55 – 09:35 **Infrastructure part 1**

- GLIL past approach
- Future and New Opportunities through Pooling
- Cross Collaboration through Pools
- Regional vs National vs international
- Residential Housing

**Paddy Dowdall,** Assistant Executive Director, Greater Manchester Pension Fund

**Fiona Miller,** Head of Pensions and Financial Services, Cumbria County Council

**SESSION 9**

09:35 – 10.15 **Infrastructure part 2**

- Larger investment opportunities
- Consortia and club arrangements
- Role in development of UK Infrastructure
- The case for PRS

**Peter Hofbauer,** Head of Infrastructure, Hermes Investment Management

**Simon Redman,** Global Head of Product Management, Invesco Real Estate

10:15–10:55 **Visit the exhibition floor for refreshments**

10:55–11:15 **Investment briefing sessions on the exhibition floor**

**SESSION 10**

11:15–12:30 **Environmental Social and Governance (ESG)**

**Governance, Social and Environmental Issues: A view from the Netherlands and other relevant issues**

**Peter Borgdoff,** Director, Pensioenfonds Zorg & Welzijn (PFZW)

**The Fund Manager's Approach**

An investment manager's experience of integrating ESG considerations in an investment process, and how it can add value.

**Rob Stewart,** Head of Responsible and Charity Investment, Newton Investment Management

**Environmentally Focussed Investing : the EAPF approach**

**Dawn Turner,** Chief Pensions Officer (substantive), Environment Agency Pension Fund

- Embedding ESG
- The fiduciary duty
- Researching risks and opportunities
- Environmental and carbon foot printing
- Positive vs negative approach
- Diversifying into sustainable alternatives

## SESSION 11

**12:30 – 13:15** **Where will we be in 2 years' time?**

- Delivering current policies
- Resolving Emerging Issues
- Future Government policy
- Likely position on AUM
- Delivery of benefits
- Changes in strategies and Asset Allocation
- What will success look like
- What will be/will have been the wicked issues

**John Bayliss,** Actuary, **GAD**

**Antony Barker,** Former Chief Investment Officer, **Santander**

**Jeff Houston,** Head of Pensions, **LGA**

**13:15** **Closing remarks**

**Nicola Mark**

**13:25** **Lunch**



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We are very grateful for the support of our sponsors.
The organisations who have confirmed their attendance include:

29th anniversary

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Email: louise_barnard@capgroup.com

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Email: moira.gorman@columbiathreadneedle.com

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**Hermes Investment Management**
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Email: mark.miller@hermes-investment.com

**HSBC Global Asset Management**
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Email: adrian.gordon@hsbc.com

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London W1H 6LY
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Phone: 0207 543 3551
Email: stephen_messenger@invesco.co.uk

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# KEYNOTE SPEAKER

**Kamal Ahmed**
Economics Editor

# OUR CHAIRS

**Hugh Grover**
Chief Executive
**London CIV**

**Nicola Mark**
Head
**Norfolk Pension Fund**

# OUR EXPERT SPEAKERS

**Rob Almeida**
Institutional Portfolio Manager
**MFS Investment Management**

**Antony Barker**
Former Chief Investment Officer
**Santander**

**John Bayliss**
Actuary
**GAD**

**Peter Borgdorff**
Director
**Pensioenfonds Zorg & Welzijn**

**John Dickson**
Senior Partner
**Hymans Robertson**

**Stuart Doole**
Managing Director and Global Head
of New Product Development
Index Research
**MSCI**

# OUR EXPERT SPEAKERS

**Paddy Dowdall**
Assistant Executive Director
**Greater Manchester Pension Fund**

**Geik Drever**
Strategic Director of Pensions
**West Midlands Pension Fund**

**Dafydd Edwards**
Head of Finance
**Gwynedd Council**

**Peter Hofbauer**
Head of Infrastructure
**Hermes Investment Management**

**Jeff Houston**
Head of Pensions
**Local Government Association**

**Sorca Kelly-Scholte**
Head of EMEA Pensions Solutions and Advisory
**J.P. Morgan Asset Management**

**Daniel Measor**
Senior Associate, Wholesale Conduct Policy Team
**FCA**

**Fiona Miller**
Head of Pensions and Financial Services
**Cumbria County Council**

**Daniel Nicholas**
Client Portfolio Manager
**Harris Associates L.P.**

**Sean Nolan**
Director of Local Government
and Policing
**CIPFA**

**Councillor Roger Phillips**
Chair
**Scheme Advisory Board**

**David Rae**
Head of Client Strategy
& Research, EMEA
**Russell Investments**

**Simon Redman**
Global Head of Product Management
**Invesco Real Estate**

**Rob Stewart**
Head of Responsible and Charity
Investment
**Newton Investment Management**

**Hania Trollope**
Executive Director, Quantitive
Investment Strategies
**Goldman Sachs Asset Management**

**Dawn Turner**
Chief Pensions Officer
**Environment Agency Pension Fund**

**Peter Wallach**
Director of Pensions
**Merseyside Pension Fund**

**Duncan Whitfield**
President
**ALATS**

# BOOKING INFORMATION

The **LGC Investment Summit** is **only open to delegates** from **public and local authorities.** We appreciate your support of this event over the years and are happy to offer a loyalty booking for **those authorities sending multiple bookings.**

The Celtic Manor Resort is located just off junction 24 of the M4 and is 45 minutes from Bristol and Cardiff-Wales International Airports and 5 minutes from the Severn Bridge. It is close to inter city rail services from Newport, with direct trains to Cardiff, London Paddington and Birmingham. The Celtic Manor Resort has extensive parking facilities available to delegates, with an underground car park directly below the Resort.

*Terms and Conditions apply

# BOOKING – STANDARD RATE

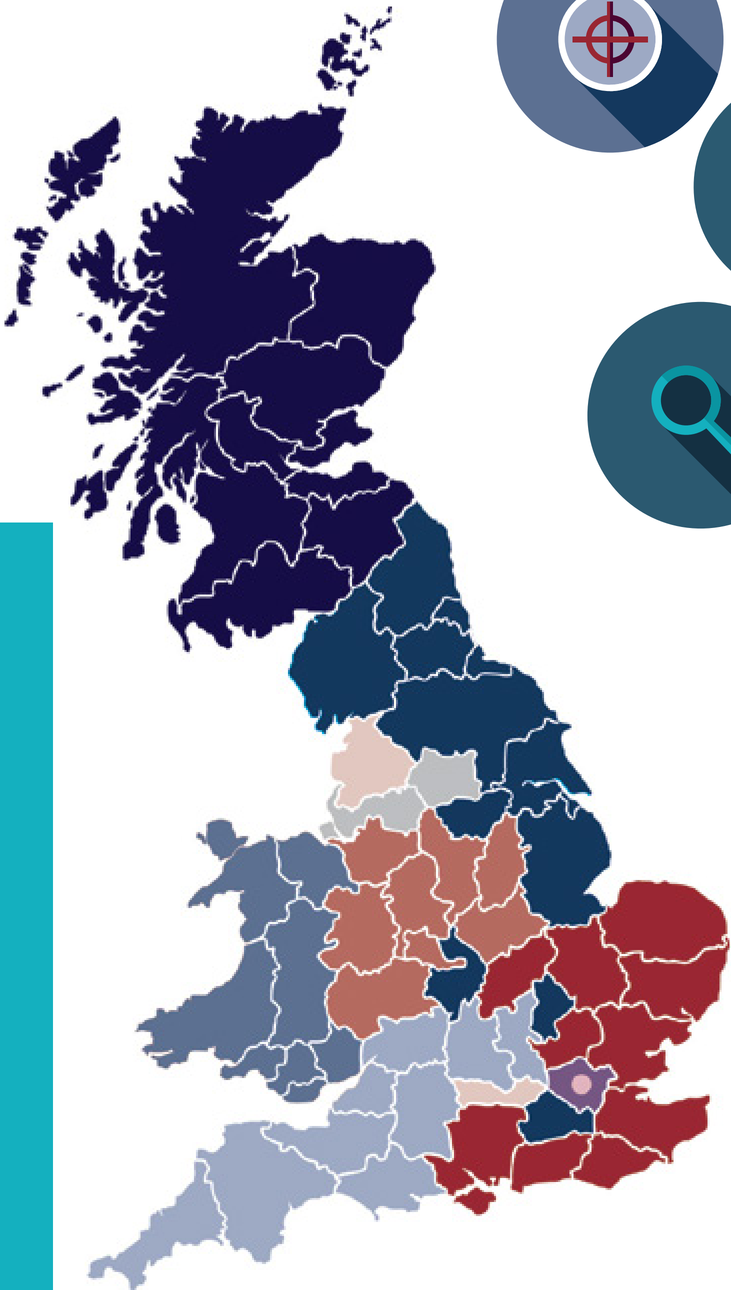
Conference including Thursday accommodation
**£999 + VAT**

Conference including Wednesday and Thursday accommodation
**£1099 + VAT**

**To register please call Chantal Hevey on 020 3033 2887 or email Chantal.Hevey@EMAP.com**

Please visit the website to view the Terms and Conditions

# LGPS POOLS



## KEY

- Access
- Central
- Border to Coast
- Welsh CIV
- Brunel
- London CIV
- Northern Pool
- Local Pensions Partnership

# LGC Investment Summit

7-8 September 2017 | Celtic Manor Resort, Newport, South Wales



investmentsummit.lgcplus.com

Nottinghamshire County Council

**Report to Pension Fund Committee**

**16 November 2017**

**Agenda Item: 8**

# REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

# LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

## Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meetings held in London on 27 June and 17 October 2017.

## Information and Advice

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. LAPFF currently has 73 members (shown at Appendix A) with combined assets of around £200 billion and is consequently able to exert significant influence over companies in which funds are invested.

3. LAPFF exists 'to promote the long-term investment interests of UK local authority pension funds, and in particular to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest'. It also:
   a. Provides a forum for information exchange and discussion about investment issues.
   b. Facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual members could achieve.
   c. Provides a forum for consultation on shareholder initiatives.
   d. Provides a forum to consider issues of common interest to all pension fund administrators and councillors.

4. The business meetings were attended on behalf of Nottinghamshire Pension Fund by an officer representative.

5. At both meetings an update on LAPFF's engagement work was delivered. The main issues remain executive pay, climate change, workplace practices and cyber-security. LAPFF continues to press companies on how they might change their business practices and transition to a low carbon economy. LAPFF's engagement reports for the quarters April - June and July - September are available as background papers to this report and with the meeting papers on the Council Diary:

   (http://www.nottinghamshire.gov.uk/dms/Meetings.aspx)

6. At the June meeting a short presentation was also made updating LAPFF members on the 'reliable accounts' issue. LAPFF continues its lobbying work

highlighting how company law is being subverted by accounting standards. One particular concern raised at the meeting is how companies themselves (and not their directors) are being fined whenever false accounting occurs. In effect, this penalises long-term shareholders such as local government pension funds. LAPFF intends to raise this issue with its All-Party Parliamentary Group.

7. At the October meeting Richard Murphy gave a presentation on the work of his organisation Fair Tax, which awards a fair tax mark to companies that provide transparent information about their tax liabilities. Legal & General, Prudential, SSE and Vodafone were all held up as current exemplars of tax transparency.

## 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 are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## RECOMMENDATION/S

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

**Report Author:**
**Ciaran Guilfoyle**
**Investments Officer**

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

**Constitutional Comments**

9. 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 23/10/17)**

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

**Background Papers**

- LAPFF constitution
- LAPFF Quarterly Engagement Report April 2017 – June 2017
- LAPFF Quarterly Engagement Report July 2017 – September 2017

## Membership of LAPFF as at October 2017

| | |
|---|---|
| 1 | Avon Pension Fund |
| 2 | Barking and Dagenham LB |
| 3 | Bedfordshire Pension Fund |
| 4 | Cambridgeshire Pension Fund |
| 5 | Camden LB |
| 6 | Cardiff and Vale of Glamorgan Pension Fund |
| 7 | Cheshire Pension Fund |
| 8 | City of London Corporation |
| 9 | Clwyd Pension Fund |
| 10 | Croydon LB |
| 11 | Cumbria Pension Scheme |
| 12 | Derbyshire CC |
| 13 | Devon CC |
| 14 | Dorset County Pension Fund |
| 15 | Dyfed Pension Fund |
| 16 | Ealing LB |
| 17 | East Riding of Yorkshire Council |
| 18 | East Sussex Pension Fund |
| 19 | Enfield LB |
| 20 | Falkirk Council |
| 21 | Gloucestershire Pension Fund |
| 22 | Greater Gwent Fund |
| 23 | Greater Manchester Pension Fund |
| 24 | Greenwich Pension Fund RB |
| 25 | Gwynedd Pension Fund |
| 26 | Hackney LB |
| 27 | Haringey LB |
| 28 | Harrow LB |
| 29 | Havering LB |
| 30 | Hertfordshire County Council Pension Fund |
| 31 | Hounslow LB |
| 32 | Islington LB |
| 33 | Lambeth LB |
| 34 | Lancashire County Pension Fund |
| 35 | Lewisham LB |
| 36 | Lincolnshire CC |
| 37 | London Pension Fund Authority |
| 38 | Lothian Pension Fund |
| 39 | Merseyside Pension Fund |
| 40 | Newham LB |
| 41 | Norfolk Pension Fund |
| 42 | North East Scotland Pension Fund |
| 43 | North Yorkshire CC Pension Fund |
| 43 | Northamptonshire CC |
| 45 | Northern Ireland Local Government Officers Superannuation Committee |
| 46 | Northumberland Pension Fund |
| 47 | Nottinghamshire CC |
| 48 | Powys County Council Pension Fund |
| 49 | Redbridge LB |
| 50 | Rhondda Cynon Taf |
| 51 | Sheffield City Region Combined Authority |

| | |
|---|---|
| 52 | Shropshire County Council |
| 53 | Somerset CC |
| 54 | South Yorkshire Pensions Authority |
| 55 | Southwark LB |
| 56 | Staffordshire Pension Fund |
| 57 | Strathclyde Pension Fund |
| 58 | Suffolk County Council Pension Fund |
| 59 | Surrey CC |
| 60 | Sutton LB |
| 61 | Teesside Pension Fund |
| 62 | The City and County of Swansea Pension Fund |
| 63 | The Environment Agency Pension Fund |
| 64 | Tower Hamlets LB |
| 65 | Tyne and Wear Pension Fund |
| 66 | Waltham Forest LB |
| 67 | Wandsworth LB |
| 68 | Warwickshire Pension Fund |
| 69 | West Midlands ITA Pension Fund |
| 70 | West Midlands Pension Fund |
| 71 | West Yorkshire Pension Fund |
| 72 | Wiltshire CC |
| 73 | Worcestershire CC |

Nottinghamshire County Council

**Report to Nottinghamshire Pensions Committee**

**16 November 2017**

**Agenda Item: 9**

**REPORT OF THE SERVICE DIRECTOR – CUSTOMERS AND HUMAN RESOURCES**

**LOCAL GOVERNMENT PENSION SCHEME – ANNUAL ALLOWANCE – EXTENSION OF SCHEME PAYS TO INCLUDE VOLUNTARY FUNCTION.**

## Purpose of the Report

**1.** To seek agreement from the Pensions Committee, in its role as Administering Authority of the Nottinghamshire Pension Fund, to extend "Scheme Pays' to include Voluntary function for members of the Local Government Pension Scheme who breach HMRC's annual allowance limit on pension savings growth in a financial year, and for agreement to the circumstances for accepting such applications.

## Information and Advice

### Background

**2.** The annual allowance is the annual limit on pension savings that can be made in each financial year which will receive tax relief. If the value of pension benefits grows by more than this allowance then the excess amount may become subject to a tax charge.

**3.** The 2016/17 standard annual allowance was set at £40,000, and remains at that rate for 2017/18.

**4.** However in the tax year 2016-2017, HMRC amended the annual allowance rules by introducing the tapered annual allowance for employees with taxable income in excess of £150,000 (including the value of the employer's pension contribution). For every £2 of income over £150,000 the standard annual allowance is reduced by £1. This means for some individuals their annual allowance is reduced to £10,000.

**5.** Nottinghamshire Pension Fund has a statutory duty to write to scheme members who breach the annual allowance by 6 October in the tax year following the year in which the allowance was breached.

**6.** 'Scheme Pays' is a mechanism by which an individual can request that their annual allowance tax charge is met by the Pension Fund, in return for the member accepting an equivalent reduction to their pension benefit. "Mandatory Scheme Pays" has been available for many years. "Voluntary Scheme Pays" has now been identified by Local

Government Pensions Committee following legal advice as potentially available to LGPS members and this advice confirmed that administering authorities that are local authorities have vires to agree to a Voluntary Scheme Pays request.

**7.** The two types of 'Scheme Pays' are known as 'Mandatory' and 'Voluntary'. The differences are explained below -

**8.** **Annual Allowance - 'Mandatory Scheme Pays'**. Scheme members are normally required to pay their tax charges directly to HMRC, however, where the annual allowance charge in a tax year exceeds £2,000, members are able to elect to meet some or all of the tax charge from their future pension benefits. This is known as the Mandatory Scheme Pays option. This option requires the Pension Fund to pay the tax charge on the member's behalf and then to reduce their future pension benefits accordingly.

**9.** **Annual Allowance – "Voluntary Scheme Pays'**. Where the scheme member's annual allowance tax charge is less than £2,000 the member may ask the Pension Fund to pay their annual allowance tax charge on a voluntary basis via the Voluntary Scheme Pays option with a corresponding reduction to their LGPS benefits. This would include those members adversely affected by HMRC's tapering rule. This, however, is subject to the Administering Authority's approval which is discretionary.

**10.** As it currently stands, Scheme members whose pension growth in a year breaches the Mandatory Scheme Pays limit have only the following options –

- Pay the tax charge directly to HMRC
- Opt for Mandatory Scheme Pays for breach over £40,000
- If agreed opt for Voluntary Scheme Pays for the amount below £40,000

**11.** Where the member's annual allowance has been reduced to £10,000, (s)he would have no option other than to pay a potentially significant tax charge directly to HMRC on the amount between £40,000 and their tapered annual allowance, i.e.£30,000.

**12.** The Voluntary Scheme Pays option could be utilised to the benefit of Nottinghamshire Pension Fund members in such circumstances by enabling the tax charge to be paid by the Pension Fund and recovered through the payment of reduced pension benefits to the member. This could potentially impact on a number of scheme members. The extension of this provision would also potentially benefit the Fund as it is more likely the member will remain in the scheme and continue contributing to the Fund. The alternative would be for the member to leave the scheme to avoid incurring the tax charge thus reducing available funds in the scheme. This could impact on Scheme members down to middle manager levels with long service and could impact on Scheme Employers ability to attract and retain employees in key roles.

**13.** For clarity, if a member exceeds the annual allowance by virtue of savings across multiple pension schemes, without exceeding the annual allowance in any one scheme and a tax charge were to arise, it would not be appropriate for the Nottinghamshire Pension Fund to offer the Voluntary Scheme Pays option.

**14.** The Secretary of State for Communities and Local Government in conjunction with consultation by Government Actuaries Department (GAD) has issued guidance on the calculation of the reduction in a members pension benefits following a Scheme Pays election. This ensures that the scheme pays offset is cost neutral to the scheme.

**15.** The understanding of the Nottinghamshire LGPS Administering Authority is that other East Midland LGPS Administering Authorities have adopted “Voluntary Scheme Pays”. This includes Leicestershire and Derbyshire Funds. The Greater Manchester Pension Fund, one of the largest, has also adopted the voluntary scheme. Nottinghamshire Fire and Rescue Service have adopted the scheme as has the Teachers’ Pension Scheme. Therefore, a decision to extend “Voluntary Scheme Pays” would align the Nottinghamshire LGPS Fund with other funds within local government and across the public sector.

**16.** Officers considering the application of Voluntary Scheme Pays would normally allow a member to use “Voluntary Scheme Pays” where the member has been subject to a tapered annual allowance and in exceptional circumstances allow this facility to be used where the member’s tax charge is below £2000.

**17.** The attached appendix is a factsheet produced by the LGPS regarding annual allowance which supports the extension of the Scheme Pays provision to include Voluntary.

## Statutory and Policy Implications

**18.** 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 heather 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 Implications

**19.** The data in this report and the appendix cannot be attributed to individual LGPS members. A number of Scheme members are potentially impacted across a number of Scheme Employers within the Nottinghamshire Pension Fund.

## Recommendation

**20.** That the Pensions Committee, in its role as the Administering Authority of the Nottinghamshire Pension Fund considers extending ‘Scheme Pays’ function to include Voluntary Scheme Pays as set out in paragraph 16.

**MARJORIE TOWARD**
**SERVICE DIRECTOR – CUSTOMERS AND HUMAN RESOURCES**

**For any enquiries about this report please contact:**
Jonathan Clewes, Pensions Manager on 0115 9773434 or Jon.Clewes@nottscc.gov.uk

**Constitutional Comments (SLB 6/11/17)**

Nottinghamshire Pensions Committee is the appropriate body to consider the content of this report.

**Financial Comments (NS 28/7/17)**

The report indicates that the incidence of the introduction of the voluntary scheme is likely to be low. The actuarial reduction to the pension benefit ensures this is only an issue of cash flow management and ensures the Pension Fund is no worse off as a consequence of introducing this scheme.

**Background Papers**

None

**Electoral Division(s) and Member(s) Affected**

All

LGPS factsheet

# Pensions Taxation - Annual Allowance

HM Revenue and Customs impose two controls on the amount of pension savings you can make without having to pay extra tax. These controls are known as the Annual Allowance and Lifetime Allowance. This is in addition to any income tax you pay on your pension once it is in payment.

This factsheet looks at the Annual Allowance which is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge.

For information on the lifetime allowance please refer to the lifetime allowance factsheet.

## What is the Annual Allowance?

The Annual Allowance (AA) is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge. This is in addition to any income tax you pay on your pension once it is in payment.

If the value of your pension savings in any one year (including pension savings outside of the LGPS) are in excess of the annual allowance, the excess will be taxed as income.

The Government reduced the AA from £255,000 to £50,000 from 6 April 2011 and then reduced it again to £40,000 from 6 April 2014. Further changes to the annual allowance have been made for higher earners from 6 April 2016, which resulted in special transitional rules for the 2015/16 tax year. These changes are covered in more detail later in this factsheet.

Annual Allowance limit:

| Pension Input Period | Annual Allowance |
|---|---|
| 1 April 2011 to 31 March 2012 | £50,000 |
| 1 April 2012 to 31 March 2013 | £50,000 |
| 1 April 2013 to 31 March 2014 | £50,000 |
| 1 April 2014 to 31 March 2015 | £40,000 |
| 1 April 2015 to 5 April 2016 | £80,000 (transitional rules apply) |
| 6 April 2016 to 5 April 2017 | £40,000 (unless tapering applies) |
| 6 April 2017 to 5 April 2018 | £40,000 (unless tapering applies) |

## Am I likely to be affected by the Annual Allowance?

Most people will not be affected by the AA tax charge because the value of their pension saving will not increase in a year by more than £40,000, or, if it does they are likely to have unused allowance from previous years that can be carried forward.

You are most likely to be affected if:

- you have a lot of scheme membership and you receive a significant pay increase, and/or;
- you pay a high level of additional contributions, and/or;
- you are a higher earner, and/or;
- you transfer pension rights into the LGPS from a previous public sector pension scheme[1] under the preferential club transfer rules and your salary (full time equivalent) upon joining the LGPS is somewhat higher than the salary you earned when you left the previous scheme, and/or;
- you combine a previous LGPS pension benefit that was built up in the final salary section of the LGPS with your current pension account and your salary (full time equivalent) has increased significantly since leaving and re-joining the scheme, and/or;
- you have accessed flexible benefits on or after 6 April 2015

Your pension fund will inform you if your LGPS pension savings exceed the standard AA in any year by no later than 6 October of the following year.

### The 50/50 section of the LGPS

If you wish to slow down your pension build up to avoid or mitigate an AA tax charge the 50/50 section of the LGPS allows you to pay half your normal contributions and build up half your normal pension, whilst still retaining full life and ill health cover. Visit the LGPS member website for more information on this option.

Before considering any action to reduce your tax liabilities you should always seek independent financial advice from an FCA registered adviser. For help in choosing an independent financial adviser visit the money advice website.

## How is the Annual Allowance calculated?

The increase in the value of your pension savings in the LGPS in a year is calculated by working out the value of your benefits immediately before the start of the ‘pension input period’, increasing the value by inflation and then comparing it with the value of your benefits at the end of the ‘pension input period’.

The ‘pension input period’ (PIP) is the period over which your pension growth is measured. From 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April. Prior to the 2016/17 the PIP for the LGPS was 1 April to 31 March, except for the year 2015/16 when special transitional rules apply.

In the LGPS the value of your pension benefits is calculated by multiplying the amount of your annual pension by 16 and adding any lump sum you are automatically entitled to from the pension scheme plus any AVCs you or your employer has paid during the year.

If the difference in the value of pension benefits at the end of the PIP less the value of your pension benefits immediately before the start of PIP (adjusted for inflation), is more than the AA then you may be liable to pay a tax charge.

[1] A public service pension scheme includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering local government workers, or teachers, or health service workers, or fire and rescue workers or members of the police forces; or membership of a new public body pension scheme.

It is important to note that the assessment for the AA covers any pension benefits you may have where you have been an active member during the year, not just benefits in the LGPS. For example, if the increase in the value of your LGPS benefits was calculated as £30,000 in 2014/15 when the AA was £40,000, but you also had an increase in the value of other pension benefits of £15,000 in the same year, that would mean you had a total increase in pension benefits of £45,000. If you did not have any carry forward (see below for more information), you would be liable for a tax charge for the amount you exceeded the AA by, even though at face value you did not breach the AA in either scheme.

## Carry forward

You would only be subject to an AA tax charge if the value of your total pension savings for a year increase by more than the AA for that year. However, a three year carry forward rule allows you to carry forward unused AA from the previous three years. This means that even if the value of your pension savings increase by more than the AA in a year you may not be liable to the AA tax charge.

For example, if the value of your pension savings in 2014/15 increased by £50,000 (i.e. by £10,000 more than the AA) but in the three previous years had increased by £25,000, £28,000 and £30,000, then the amount by which each of these previous years fell short of the AA for those three years would more than offset the £10,000 excess pension saving in the current year. There would be no AA tax charge to pay in this case.

To carry forward unused AA from an earlier year you must have been a member of a tax registered pension scheme in that year.

## Changes to Annual Allowance

The Finance (No 2) Act 2015 introduced two important changes to the AA with effect from 6 April 2016.

1. An annual allowance taper for high earners from 6 April 2016
2. To adjust the ‘pension input period’ during 2015/16 so that it becomes aligned with the tax year from 6 April 2016

### 1. Tapered Annual Allowance for higher earners

From the tax year 2016/17 the AA is tapered for members who have a ‘Threshold Income’ in excess of £110,000, and ‘Adjusted Income’ in excess of £150,000. For every £2 that your Adjusted Income exceeds £150,000, your AA is tapered down by £1 (to a minimum of £10,000).

| | **Definition** | **Limit** |
|---|---|---|
| **Threshold Income** | Broadly your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement) | £110,000 |
| **Adjusted Income** | Broadly your threshold income plus pensions savings built up over the tax year | £150,000 |

Threshold income includes all sources of income that are taxable e.g. property income, savings income, dividend income, pension income, social security income (where taxable), state pension income etc.

Please note, you are not allowed to deduct from taxable income any amount of employment income given up for pension provision as a result of any salary sacrifice made on or after 9 July 2015.

### How does the taper work?

From 6 April 2016, the taper reduces the AA by £1 for £2 of adjusted income received over £150,000, until a minimum AA of £10,000 is reached. This means that from 6 April 2016 the AA for high earners is as follows:

| Adjusted Income | Annual Allowance |
|---|---|
| £150,000 or below | £40,000 |
| £160,000 | £35,000 |
| £170,000 | £30,000 |
| £180,000 | £25,000 |
| £190,000 | £20,000 |
| £200,000 | £15,000 |
| £210,000 or above | £10,000 |

### Examples

| **Cerys** | | |
|---|---|---|
| Gross Salary 2016/17 | £120,000 | |
| Less employee pension contributions | £13,680 | 11.4% |
| **Threshold Income 2016/17** | £106,320 | Below £110,000 so the AA will not be tapered and remains at £40,000 |
| Pensions saving in the year | £19,500 | **Less than £40,000 so no tax charge** |
| **Sanjay** | | |
| Gross salary 2016/17 | £130,000 | |
| Less employee pension contributions | £14,820 | 11.4% |
| Plus taxable income from property | £30,000 | |
| **Threshold Income 2016/17** | £145,180 | |
| Plus pensions saving in the year | £30,000 | |
| **Adjusted Income 2016/17** | £175,180 | Greater than £150,000 so AA will be tapered |
| Tapered AA | £27,410* | |
| In excess of AA | £2,590 | Pension saving of £30,000 less tapered AA |
| **AA tax charge** at marginal rate (assumed to be 40%) | **£1,036** | £2,590 x 40% |

*Taper = £175,180 - £150,000 = £25,180 / 2 = £12,590. Standard AA £40,000 less £12,590 = £27,410

Please note, the examples above make no allowance for any carry forward.

### 2. Aligning the ‘Pension Input Period’ with the tax year

The ‘pension input period’ (PIP) is the period over which your pension growth is measured. Up until 2014/15 the PIP in the LGPS ran from 1 April to 31 March. From 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April. Special transitional arrangements apply for 2015/16 meaning that there are 2 PIPs in 2015/16, as set out below:

**Pre-alignment tax year:** 1 April 2015 to 8 July 2015 **-** the revised AA during this period is £80,000
**Post-alignment tax year:** 9 July 2015 to 5 April 2016 **-** the AA for this period is the amount of the £80,000 not used up from the pre-alignment tax year (subject to a maximum of £40,000) together with any carry forward available from the three previous years.

If you have flexibly accessed any benefits in a money purchase pension arrangement on or after 6 April 2015 (see below) you should contact your pension fund for information about how the pre and post alignment tax years will work as it will be different to the above.

## Annual Allowance 'Flexible Benefit' access

If you have any benefits in a money purchase (defined contribution) pension arrangement which you have flexibly accessed on or after 6 April 2015 then the Money Purchase Annual Allowance (MPAA) rules may apply. However, the MPAA will only apply if your total contributions to a money purchase arrangement in a Pension Input Period exceed the MPAA.

Generally, if you have flexibly accessed any benefits in a money purchase arrangement on or after 6 April 2015, any further contributions you make to a money purchase scheme in subsequent tax years will be tested against the MPAA. If your contributions exceed the MPAA your defined benefit pension (LGPS) savings will be tested against the alternative AA and you will pay a tax charge in respect of your money purchase saving in excess of the MPAA.

| Tax Year | MPAA | Alternative annual allowance if MPAA is exceeded |
|---|---|---|
| 2016/17 | £10,000 | £30,000 |
| 2017/18 | £4,000 | £36,000 |

Special transitional rules applied for the tax year 2015/16 – contact your pension fund for more information, if applicable.

If you access flexible benefits you will be provided with a flexible access statement; you should provide your LGPS pension fund with a copy of this statement.

Flexible access means taking a cash amount over the tax-free lump sum from a flexi-access drawdown account, taking an uncrystallised funds pension lump sum (UFPLS), purchasing a flexible annuity, taking a scheme pension from a defined contribution scheme with fewer than 12 pensioner members or taking a stand-alone lump sum if you have primary but not enhanced protection[2].

## How would I pay an Annual Allowance tax charge?

If you exceed the AA in any year you are responsible for reporting this to HMRC on your self-assessment tax return.

[2] A stand-alone lump sum is a lump sum relating to pre 6 April 2006 where the whole amount can be taken as a lump sum without a connected pension

Your pension fund is obliged to notify you if your LGPS benefits (plus the amount of any Additional Voluntary Contributions (AVCs) you may have paid) exceed the standard AA, or if they believe you have exceeded the MPAA, in a year. They must inform you by no later than 6 October of the following tax year. However, your pension fund is not obliged to inform you if you exceed the tapered annual allowance.

If you have an AA tax charge that is more than £2,000 and your pension savings in the LGPS alone have increased in the year by more than the standard AA you may be able to opt for the LGPS to pay some or all of the tax charge on your behalf. The tax charge would then be recovered from your pension benefits.

If you want the LGPS to pay some or all of an AA tax charge on your behalf, you must notify your pension fund no later than 31 July in the year following the end of the year to which the AA charge relates. However, if you are retiring (and draw all of your benefits from the LGPS) and you want the LGPS to pay some or all of the tax charge on your behalf from your benefits, you must tell your pension fund before you become entitled to those benefits.

Your pension fund, at their discretion, may also agree to pay some or all of an annual allowance charge on your behalf in other circumstances e.g. where your pension savings are not in excess of the standard AA but are in excess of the tapered or money purchase AA, or where part of the charge relates to pension savings outside of the LGPS. Contact your pension fund for more information.

## Am I affected?

If you think you are affected by the AA more information is available on the Government's website - https://www.gov.uk/tax-on-your-private-pension/annual-allowance. If you are unsure if you will be affected by the AA you can use the AA quick check tool on the LGPS member website.

This factsheet provides an overview of the AA rules at April 2017. It should not be treated as a complete and authoritative statement of the law. The rules governing AA can be complex and are subject to change; if you are unsure how to proceed you are advised to obtain independent financial advice. For help in choosing an independent financial advisor visit the money advice website.

Nottinghamshire County Council

**Report to Pension Fund Committee**

**16 November 2017**

**Agenda Item: 10**

## REPORT OF CORPORATE DIRECTOR, RESOURCES

## WORK PROGRAMME

## Purpose of the Report

1. To consider the Committee's work programme for 2017/18.

## Information and Advice

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 (AS AT 16 NOVEMBER 2017)**

| Report Title | Brief summary of agenda item | Lead Officer | Report Author |
|---|---|---|---|
| **11 January 2018** | | | |
| 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 AAM (exempt) | | Relevant fund managers |
| Conferences & Training | Conferences & Training plan for 18-19 | | Tamsin Rabbitts |
| National GMP Reconciliation Project | Report regarding the national requirement to reconcile HMRC data against pension data and provide details of the options to undertake this project | | Jon Clewes |
| Admission Body Status Update | Details of organisation who satisfy the criteria to be admitted to the LGPS (as required) | | Andy Durrant |
| Pension Administration Communication Plan | Plan detailing pension administration communication for the following 12 - 15 months | | Jon Clewes |
| **8 March 2018** | | | |
| 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 AAM (exempt) | | Relevant fund managers |
| Working Party Recommendations | Recommendations from the Working Party | | Keith Palframan |
| Proxy Voting | Summary of voting activity during quarter 4 of 2017 | | Ciaran Guilfoyle |
| GDPR readiness assessment and action plan | Nottinghamshire Administering Authority readiness for the introduction of GDPR | | Sarah Stevenson |
| Pension Administration – Annual data | Annual report regarding pension data and action | | Jon Clewes |

| | | | |
|---|---|---|---|
| review and action plan | plan - Requirement of the Pension Regulator | | |
| **19 April 2018** | | | |
| LAPFF Business Meeting | Report from LAPFF Business Meeting | | Ciaran Guilfoyle |
| LAPFF Conference 2017 | Report from the LAPFF conference in Bournemouth | | Tamsin Rabbitts |
| Review of Fund Policies | Review of fund policies | | Tamsin Rabbitts |
| *Update on LGPS Asset Pooling* | *(If required)* | | *Keith Palframan* |
| *LGPS Scheme Advisory Board Update* | *6 monthly report updating members on the work of the SAB if anything of note* | | *Jon Clewes/Ciaran Guilfoyle* |
| Admission Body Status Update | Details of organisation who satisfy the criteria to be admitted to the LGPS (as required) | | Andy Durrant |
| **7 June 2018** | | | |
| Fund Valuation & Performance – Qtr4 | 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 AAM (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 |
| **19 July 2018** | | | |
| Proxy Voting | Summary of voting activity during quarter 1 of 2016 | Information | Ciaran Guilfoyle |
| LAPFF Business Meeting | Report from LAPFF Business Meeting | Information | Ciaran Guilfoyle |
| *Update on LGPS Asset Pooling* | *(If required)* | *Information* | *Keith Palframan* |
| PLSA conference | Report from PLSA conference | Information | Nigel Stevenson |
| National GMP Reconciliation update | Update on progress with the national GMP reconciliation project | | Jon Clewes |