Nottinghamshire
County Council

Nottinghamshire Pension Fund Committee

Thursday, 04 November 2021 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

13 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

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

Note

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

EXEMPT INFORMATION ITEMS

14 Climate risk analysis and task force on climate-related financial disclosures

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

Notes

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

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

Customer Services Centre 0300 500 80 80

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

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Jo Toomey (Tel. 0115 977 4506) or a colleague in Democratic Services prior to the meeting.

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

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

Nottinghamshire County Council **minutes**

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 9 September 2021 at 10.30 am

membership
Persons absent are marked with `A'

COUNCILLORS

Eric Kerry (Chairman)
André Camilleri (Vice Chairman)

Stephen Garner
Mike Introna
Sheila Place
Mike Pringle
Sam Smith
Lee Waters
Gordon Wheeler

NON-VOTING MEMBERS:

Nottingham City Council

Councillor Graham Chapman
Councillor Anne Peach
Councillor Sam Webster **– A**

District / Borough Council Representatives

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

Trades Unions

Mr A Woodward **– A**
Mr C King

Scheduled Bodies

Mrs Sue Reader **– A**

Pensioners' Representatives

Vacancy x 2

Independent Adviser

William Bourne

Officers in Attendance

Nigel Stevenson (Chief Executive's Department)

Keith Palframan	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department) (in remote attendance)
Jo Toomey	(Chief Executive's Department)

Investment Managers - Aberdeen

Jon Holguin (in remote attendance)
Craig Thomson (in remote attendance)
Caroline Casson (in remote attendance)

Investment Managers - Schroders

Paul Myles
Andy Simpson

1. MINUTES OF THE LAST MEETING HELD ON 29 JULY 2021

The minutes of the last meeting held on 29 July 2021 were confirmed and signed by the Chair.

2. APOLOGIES FOR ABSENCE

- Sue Reader
- Councillor Gordon Moore
- Councillor David Lloyd

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

No interests were disclosed.

4. WORKING PARTY REPORT

The report summarised the topics discussed and captured the recommendations of the Pension Fund Working Party, which met on 9 August 2021. The matters considered by the working group were:

- Options for investing the Fund's liquidity assets held with to provide cash to pay pensions, or on a short to medium-term awaiting investment in longer term assets in the private markets
- Benchmark indices and targets used to monitor the Fund's asset performance over time
- Responsible investment training, which was provided by LGPS Central

During discussion Members:

- Referred to questions raised during the workshop around performance indicators

RESOLVED 2021/035

That the strategic benchmark be changed to the following:

Outcome	Weight (%)	Strategic Benchmark
Growth	60%	65% FTSE World ex UK 35% FT Allshare
Inflation protection (income)	28%	CPI
Income	10%	FTSE UK All Stock
Liquidity	2%	SONIA

5. REVIEW OF FUND STRATEGIES

The report proposed revised versions of the Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents.

During discussion Members:

- Asked about whether certain types of investment were conflicts of interest as a result of the services that were provided. Committee was reassured that there were no conflicts of interest because of the independence provided by the investment managers
- Considered methods to monitor engagement with companies in which investments were held
- Asked about measures that could be taken where engagement with companies in which the fund held investments was not able to influence activity in line with the Investment Strategy

RESOLVED 2021/036

That the revised Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents be approved.

6. WORK PROGRAMME

During discussion:

- Members agreed that a specific item be added to the work programme to review the fund's investment in British and American tobacco, however it was confirmed later in the meeting that this complete holding had been sold
- It was confirmed that the issue of voting rights on the Committee would be brought to a future meeting
- Members were advised that carbon metrics would be included in the Climate Risk Report, which would be presented to Committee at its meeting on 4 November 2021. Training on Climate Risk Management would be provided by LGPS Central in advance of the meeting on 4 November 2021

RESOLVED 2021/037

That the work programme be agreed.

7. INDEPENDENT ADVISER'S REPORT

The Committee considered and noted the report of its Independent Adviser.

8. FUND VALUATION AND PERFORMANCE, QUARTER 1

The report informed members of the total value and performance of the Pension Fund to 30 June 2021 (to the end of quarter 1).

During discussion, Members:

- Asked about the timeline for disinvestment from certain types of stock and how this related to the Council's commitment to be carbon neutral by 2030
- Discussed passive investments and the categorisation of investments, for example some renewable investments were categorised with oil and gas as part of the energy sector

RESOLVED 2021/038

1) That no further actions are required in relation to the issues contained within the report.

9. EXCLUSION OF THE PUBLIC

RESOLVED 2021/39

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

11:31am to 11:40am – the meeting adjourned

10. FUND VALUATION AND PERFORMANCE – QUARTER 1 – EXEMPT APPENDIX

The committee noted the exempt appendix of the Fund Valuation and Performance, quarter 1 report.

11. FUND MANAGERS' PRESENTATIONS

11a. Aberdeen Standard Investments

The Committee noted the contents of the presentation delivered by Aberdeen Standard Investments.

12:02pm – Mr King left the meeting and did not return

11b. Schroders

The Committee noted the contents of the presentation delivered by Schroder.

The meeting concluded at 13.04pm

CHAIR

Nottinghamshire County Council

Report to Nottinghamshire Pension Fund Committee

4 November 2021

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

LOCAL GOVERNMENT PENSION SCHEME (LGPS) – BREACHES LOG REPORT

Purpose of the Report

1. The purpose of the report is to inform the Committee of the policy and processes being used by Nottinghamshire Pension Fund (the Fund) to identify, record and report statutory breaches of the LGPS and related regulations.

Information and Advice

Background

2. In compliance with the Pension Regulator's (TPR) Code of Practice 14 (CoP14), the Fund has prepared a formal policy and procedure for monitoring and reporting statutory breaches to TPR. (Appendix 1).

3. This policy sets out the responsibility of the Pension Committee, officers of Nottinghamshire County Council ("the Council"), and the Nottinghamshire Pension Fund local pension board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund

4. CoP14 also requires public sector schemes to have in place a system to record breaches, even if they are not reported to the TPR. The Nottinghamshire Pension Fund Breaches Log (the Log) Appendix 2 has been devised to cover all the aspects of managing statutory breaches. The Log has been devised to be a live, working document, in the manner of the Risk Register, in order to support continued transparency and consistency.

5. It is intended that the Log will also support internal reporting on statutory breaches, Any additions or updates to the Log will be reported to the Nottinghamshire Pension Board's quarterly meeting and in the Annual Pension Administration Performance report presented to the Pension Committee. This will ensure that all parties are fully informed of Statutory Breaches and how the Pension Fund mitigates any recurrence.

Financial Implications

6. There are no direct financial Implications in the adoption of the Breaches Policy.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Pension Fund Committee adopts the procedure outlined in the policy document to record and report statutory breaches of the LGPS regulations.

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

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

Constitutional Comments (KK20/10/2021)

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

Financial Comments (KP20/10/2021)

8. There are no financial implications in relation to this report.

Background Papers and Published Documents

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

- 'None'

Nottinghamshire County Council

Nottinghamshire Local Government Pension Fund

Policy for Reporting Breaches of the Law

Background

Nottinghamshire Pension Fund ("the Fund") has prepared this document in setting out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator's Code of Practice no 14: Governance and administration of public service pension schemes ("the Code of Practice").

This policy sets out the responsibility of the Pension Committee, officers of Nottinghamshire County Council ("the Council"), and the Nottinghamshire Pension Fund local pension board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund. This policy does not cover the responsibility of other "reporters" (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other "reporters".

This policy will be reviewed and approved by the Pension Committee at least annually. The Pension Committee and Pension Board will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The section 151 and the Monitoring Officer will be responsible for the management and execution of this breaches policy, and will ensure that training on breaches of the law and this policy is conducted for all relevant officers and Pension Committee members, as well as members of the local pension board at induction and on an ongoing basis.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a material breach is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund are expected, indeed required, to take a pro- active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Council, as the scheme manager for the Nottinghamshire Pension Fund, will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

Where a breach has occurred, it should be identified and logged as either an area of non-compliance under the LGPS Regulation, a breach under Pension Law as defined within section 13 of the 2004 Pension Act or the Pension Regulator's Code of Practice 14.

The Pension Committee, officers and the local pension board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council, officers or local pension board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."* In the context of the Local Government Pension Scheme ("LGPS") it can encompass many aspects of the management and administration of the scheme, including, for example, failure:

- to do anything required under the LGPS Regulations.
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice.
- to maintain accurate records.
- to act on any fraudulent act or omission that is identified.
- of an employer to pay over member and employer contributions on time.
- to pay member benefits either accurately or in a timely manner.
- to issue annual benefit statements on time.

What is non-compliance under the LGPS Regulations?

Non-compliance with the LGPS regulations can cover many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS Regulations
- to comply with policies and procedures (e.g. the Funds Statement of investment principles, funding strategy, discretionary policies, etc.);

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Pension Committee members and officers of the Council, as the Scheme Manager.
- Members of the local pension board.
- Scheme employers.
- Professional advisers (including the Fund actuary, benefit consultant, investment advisers, legal advisers); and

- Third party providers (where so employed).

This policy applies only to Pension Committee members and officers of the Council, and members of the local pension board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other "reporters".

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the

Pensions Regulator. The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law.
- and if so, is the breach likely to be of material significance to the Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behavior.

Where such failings or fraudulent behavior are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Regulator?

The Code of Practice requires that a breach should be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. In any event, where a breach is considered to be of material significance it must be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Regulator, marked as "urgent" in order to draw the Regulator's attention to it

Assessing "reasonable cause"

It is important that the Council and the local pension board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by officers and Pension Committee members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary, benefit consultant or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Pension Committee, officers and local pension board will in all cases consider the following:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law.
- effect – does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example, ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a "traffic light" system of categorizing an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator but should be recorded in the Council's breaches log.

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council must report all such breaches to the Regulator in all cases.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Council will use the Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Regulator immediately.

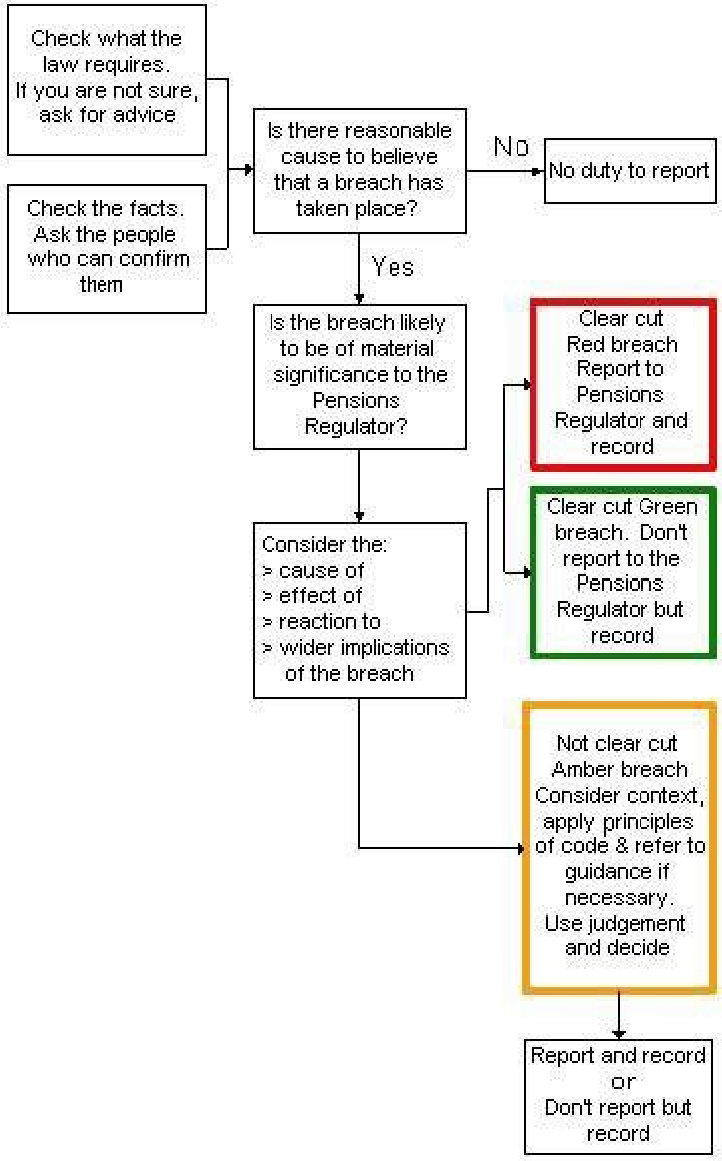
In order to determine whether failure to pay over employee contributions is materially significant or not the Council will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behavior or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager, in consultation with the section 151 and the Monitoring Officer must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



Process for reporting breaches

All relevant officers and Pension Committee members of the Council, as well as all members of the local pension board have a responsibility to:

- identify and assess the severity of any breach or likely breach.
- report all breaches or likely breaches to the section 151 officer and the Monitoring Officer.
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary.
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Committee, local pension board and where necessary the Regulator.

Responsibilities of the responsible officer

The Council's section 151 officer and the Monitoring Officer will be responsible for the management and execution of this breaches policy, and for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Council's breaches log.
- investigate the circumstances of all reported breaches and likely breaches.
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur.
- report to the Pension Committee and local pension board:

  - all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and

  - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The section 151 officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include the Head of Legal Services, the Pension Committee and local pension board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Regulator. Where uncertainty exists as to the materiality of any identified breach the Pension Committee, officers or local pension board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

The section 151 officer and the Monitoring Officer will advise the Chair of the Pension Committee of potential or retrospective breaches of policy. These will also be reported to the Pension Board.

How should a breach be reported to the Regulator?

All materially significant breaches must be reported to the Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

The Council will report all material breaches to the Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the section 151 officer as soon as they are identified. The section 151 officer and the Monitoring Officer will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified.
- name of the scheme.
- name of the employer (where appropriate);
- any relevant dates.
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance.
- whether the breach is considered to be red, amber, or green.
- a description of the actions taken to rectify the breach.
- a brief description of any longer-term implications and actions required to prevent similar types of breaches recurring in the future.

The section 151 officer and the Monitoring Officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator. Any documentation supporting the breach will also be retained.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblower on the part of an employee of the Council, Pension Committee members, officers or a member of the local pension board.
The duty to report does not override any other duties a "reporter" may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists, in exercising this breaches policy the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override 'legal privilege', so certain oral and written communications between the Council or local pension board and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.

Training

The section 151 officer and the Monitoring Officer will ensure that all relevant officers and elected members, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

Appendix A

Example scenarios

Failure to enter employee into the scheme Scenario

It is discovered that a scheme employer has not entered an eligible employee into the LGPS on joining

Steps that might be taken

On the face of it a breach will have occurred, as the scheme employer has failed to do something, they are required to do under the rule of the LGPS. Before deciding to report to the Pensions Regulator it is necessary to consider why this has happened and the steps that are being taken to either rectify the situation and/or ensure it is not repeated. This will include:

- Assessing whether failure relates to a specific employee or is it something more widespread
- Remedying this particular situation immediately
- Understanding if there have been personnel changes at the employer; has this resulted in teething problems during any hand-over?
- If necessary, the Fund could provide training to the employer on its responsibilities to ensure there is no repeated failure

Materiality

When considering if the delay/failure is likely to be of "material significance" you could consider.

- Has the member been denied access to the scheme completely?
- Has the employer failed to respond to the Fund's enquiries?
- Has the member not been given the opportunity to backdate entry to the scheme and pay arrears?
- Has the employer failed to put in place an immediate plan to remedy any further failures?
- Are more members affected, or is this a one-off?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Late payment over of contributions Scenario

You have a scheme employer that is late in paying over employee and employer contributions

Steps that might be taken

The reasons for the delayed payment could many, so while a breach has clearly occurred it is important to understand the reasons behind the delay. To do this:

- Contact the employer to assess the reason for the delay
- Investigate what went wrong
- Ensure steps are put in place so as to avoid a repeat in future months
- Record the outcome of your investigation
- Make sure processes are assessed to ensure they pick up any potential fraud

Materiality

While the reason for the delay in paying over contributions might be entirely innocent, it is also possible something more sinister is at play and could be “materially significant”. Consider.

- Is the employer unwilling or unable to pay? e.g. due to insolvency
- Is any dishonesty involved on the part of the employer? e.g. using non-payment to ease cash-flow
- Is the employer seeking to avoid paying contributions?
- Does the employer have inadequate processes in place to recover contributions?
- Have contributions been outstanding for over 90 days since being identified?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

Late Submission of year-end data Scenario

A scheme employer is late in submitting year-end pay and contribution return in respect of active scheme members

Steps that might be taken

On the face of it this is a breach, but the employer may not necessarily appreciate the significance. Things you might consider doing include:

- Contacting the employer to assess the reason for the non-submission
- Investigating with the employer what went wrong
- Putting in place steps to ensure no repeat
- Recording your investigations

Materiality

Is the delay/failure likely to be of “material significance”? Consider.

- Is the employer unwilling or unable to provide the required data? e.g. are its systems adequate
- Has the employer failed to respond to the Fund’s enquiries?

- Will the delay impact the issue of annual benefit statements?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Late issue of annual benefit statements Scenario

The Fund is late/fails to issue annual benefit statements to active and/or deferred scheme members within the statutory time limits.

Steps that might be taken

Failure to issue annual benefit statements or delaying their issue is a clear breach. Before reporting to the Pensions Regulator:

- Assess whether failure relates to a specific employer or wider issues
- If there have been system or scheme rule changes, determine whether teething problems have contributed to the delay/failure
- Put in place steps to ensure statements are issued within a reasonable timescale
- Put in place steps to ensure no repeat
- Record your investigations

Materiality

Is the delay/failure likely to be of "material significance"? Consider.

- Is the breach resulting from employer failure to provide year-end data?
- Has the employer failed to respond to the Fund's enquiries?
- Has there been a failure on the part of the Fund to have a proper plan in place for the ABS project?
- Has the Fund failed to put in place an immediate plan to remedy any delay/failure?
- Will the delay impact on the member's actual benefits?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Late notification of leaver/retirement details Scenario

A scheme employer fails to provide the Fund with the necessary leaver/retirement notifications

Steps that might be taken

On the face of it a breach will have occurred, as the scheme employer has failed to do something, they are required to do under the LGPS Regulations. Before deciding to report to the Pensions Regulator it is necessary to consider why this has happened and the steps that are being taken to either rectify the situation and/or ensure it is not repeated.

- Assess whether failure relates to a specific employee or is it something more widespread
- Remedy this particular situation immediately
- If there have been personnel changes at the employer, has this resulted in teething problems during any hand-over
- If necessary, the Fund could provide training to the employer on its responsibilities to ensure there is no repeated failure

Materiality

Is the delay/failure likely to be of "material significance"? Consider.

- Has the employer failed to respond to the Fund's enquiries?
- Has the failure delayed the assessment and notification/payment of retirement benefits?
- Has the scheme member been denied access to investment opportunities due to the failure?
- Has the failure led to financial hardship for the member?
- Has the Fund failed to put in place an immediate plan to remedy any delay/failure?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Failure to declare potential conflict Scenario

A Pension Committee or Pension Board member fails to declare a potential conflict of interest in relation to an issue for discussion or decision, which has later come to light

Steps that might be taken

It is a requirement to declare conflicts of interest, so a breach will have occurred. Before deciding whether to report to the Pensions Regulator:

- Determine why the conflict of interest was not reported at the outset
- Consider what impact it had on the eventual discussions or decision
- Draw attention of all Committee and Board members to the Council's conflicts of interest policy
- Consider revisiting the discussion or decision, excluding the individual concerned
- Remove the individual from the Pension Committee or Pension Board if considered their omission was of such significance as to lead to a loss of confidence in the public office

Materiality

Is the non-disclosure likely to be of "material significance"? Consider.

- Has the individual used the situation to their advantage?

- Has the individual had their judgement swayed by the apparent conflict of interest?
- Would the removal of the individual from the discussions/decision have altered the eventual outcome?
- Would the non-disclosure in this situation lead to a loss of confidence in the public office?

If the answer to any of the above is "yes" this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council's breaches log.

Nottinghamshire Pension Fund Breaches Log

Key – RAG Status 1

Red; Breach is Material

Amber; Breach could become material if actions being taken are not effective

Green; Breach is not material as per tPR guidance

Key – RAG Status 2

Amber; Resolution plan in place – monitoring continuing

Green; Resolved – continued monitoring to ensure early id of recurrence

Blue; Closed

Breach Number	Date of Breach	Failure Type	Nature of the Breach	A description of the breach it is, or is not, believed to be of material significance	Has the issue been reported to Pension Committee	Has the issue been reported to Pension Board	Actions taken to rectify the breach	RAG Status 1 (further to immediate action)	Report to tPR Recommendation of Pension Admin Manager	Recommendation approved by 151 Officer and the Monitoring Officer	Preventative actions to prevent reoccurrences	RAG Status 2 (current Status)

Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND EMPLOYEES.

LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION ADMINISTRATION UPDATE REPORT

Purpose of the Report

1. To update members on the data audit and improvement workstream within the "transforming pension administration through digital development and new ways of working programme".

2. To seek members approval for the final phases of the data audit and improvement work stream.

Information

Background

3. Committee is aware from previous reports that pension administration is changing nationally, and in the LGPS with changes to regulations, and with the requirements and scrutiny of the Pension Regulator. LGPS administration needs to reflect this change through the delivery of a range of digital services which include increased automation, significantly reduced manual inputting and amending of member data, ensuring that employers fulfil their responsibilities as a scheme employer within the Fund and for scheme members to be able to access their pension record 24/7.

4. The Pension Regulator has stipulated that it expects Pension Funds to enable scheme employers and members to interact with the Fund via digital platforms.

5. Pensions Committee have provided the Pension Administration Service with their support to transform the delivery of the administration service through digital platforms.

6. As work on the data audit and improvement workstream has progressed it has become increasingly clear that this is the critical workstream to the entire programme. The move to monthly returns and the deployment of the members portal will only be successfully delivered once the data held by the Fund is improved. The move to monthly returns and a self-service members portal will support the ongoing maintenance of the data held.

7. At this time efforts are being consolidated on the data audit and improvement workstream. This activity will ensure that the Fund has the key foundation in place to deliver the key aims of the programme which have been documented in previous reports.

Data Audit and Improvement

8. As previously reported to Pension Committee the Pension Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected and are taking appropriate steps to improve pension records.

9. The Fund is required by the Pension Regulator to hold and measure two types of data within the Civica Universal Pension Manager (UPM) System scheme records: **Common Data and Scheme Specific Data.**

10. **Common data** is used to identify scheme members and includes names, addresses, national insurance number and data of birth

11. **Scheme specific data** is essential to calculate benefit entitlement such as employee contributions, pensionable pay, service history. It also encompassed data relating to events that occur during an individual's membership, for example transfer, purchase of additional pension and pension sharing orders.

12. To date the data audit and improvement workstream has supported the Fund to achieve a significant improvement in its data scores, as detailed below

	September 2020	September 2021	Improvement %
Common Data	73%	84%	11%
Scheme Specific Data	41%	54%	13%

13. As reported to Pension Committee previously, the Fund is also required to respond to a range of other external factors which impact on the data that the Fund holds such as the GMP Reconciliation project and McCloud Court of Appeal judgement regarding age discrimination.

14. The data audit and improvement phase of the programme is split into four distinct phases. The updated figures as at September 2021 are shown in square brackets after the figures for September 2020

15. **Phase 1 – Data Audit – completed.** This phase took place between January and March 2020, prior to the 2019-2020-year end being processed and provided a holistic view of the data held by Nottinghamshire Pension Fund on Civica UPM. A comprehensive suite of 430 data validation checks (DVCs) were deployed. The DVCs were agreed between the Fund and Civica and cover both common and scheme specific data across 173,647 **[180,679]** pension folders which covers a total of 134,433 **[138,039]** individual members of the Nottinghamshire Pension Fund. This has provided the Fund with an accurate and informed data position as well as access to a dynamic data quality dashboard.

16. The initial Data Quality Dashboard presented to Pensions Committee is September 2020 provided the Administration Team with a baseline and breakdown detailing the number of members and the data validation checks not passed in volume range. Working with Civica

over the last year has enabled a significant number of DVCs to be addressed and the latest position is shown against the baseline figures in the following table -

As at Sept 2020 Nos of Members	As at Nov 2021 Nos of Members	DVC not passed	
24,035	66,036	Passed all DVCs	An increase of 42,001 members passing all checks
56,658	56,668	1-3 amendments required	An increase of 10 members
26,825	11,388	4-6 amendments required	A reduction of 15,437 members
13,507	2,608	7-9 amendments required	A reduction of 10,899 members
13,408	1,339	10+ amendments required	A reduction of 12,069 members
134,433	**138,039**		**An increase of 3,606 members being included in the Data Audi.**

17. The Data Quality Dashboard enables the Administration Team to look at Fund level, employer level and membership category (active, deferred, deceased etc). At Scheme Employer level the Fund is able to review the data position for each employer, compare employers and identify employers with good/bad attributes and therefore provide targeted support.

18. Phase 2 Forensic Analysis was undertaken in April 2020 based on the data cut taken in January 2020 and utilised the results from phase 1 to enable forensic analysis of the DVCs, including assessing the potential for bulk data resolution solutions for systemic data issues and trends that have been identified. As part of this phase potential bulk data resolution activity has been identified which could resolve 159,487 **(57,324)** DVCs, 28.5% **(31.4%)** of the total DVCs identified.

19. The baseline results of delivering phase 1 and 2 against the data cut taken in January 2020 **(September 2021)** is that 537,341 **(182,187)** data validation amendments have been identified.

20. However, it should be noted that since the baseline position was determined the Administration team has now processed all 2019-2020 Year End returns and have completed a suite of activities which have covered the creation of new starters, notification of leavers and updates of a range of changes to members records notified to the Fund via the Employers Year End Return. To date 145,019 out of 266,433 amendments have been implemented. Pension Increase has also been applied to deferred pensioner and dependent records. The Fund now requires to re run the DVCs on the year-end update data to provide an up dated data position.

21. Phase 3 has been the most extensive phase of the programme and was broken down into 5 stages. As stated in the report of September 2020 it was difficult to determine the full extent of Stages 3 and 4 and therefore Civica were only able to provide an estimate of the funding required for these stages.

22. After discussion between all parties, a number of bulk fixes have been agreed, all of them on data that has either been created by NPF or had been derived from data provided by employers, and therefore were data items that NPF had full control of.

23. Bulk cleansing has been identified for 13 data validation failures. It is anticipated that a further 49,421 data validation amendments will be resolved through the bulk cleaning. This stage of activity will also include the delivery and testing of the required Bulk Data Import (BDI) modules required to facilitate these amendments.

24. After the BDIs have been applied, the data quality will be measured again with a further data audit. It is anticipated that the BDIs will resolve a further 27% of the required amendments.

25. The remaining data validation amendments will require work to be undertaken with individual scheme employers.

26. Civica and the Pension Administration Service have worked with a pilot Scheme Employer to shape this work. The employer has provided feedback on the initial DVCs that the Fund highlighted as requiring employer input. Following this review a defined list of DVCs has been agreed as requiring employer cleanse.

27. It has also been determined that employers with less than 20 outstanding Data Validation Amendments will not be provided with bulk cleanse files. These DVC's will be cleansed through ongoing data BAU channels to ensure the bulk cleanse work remains cost effective. Taking these decisions into account it was been highlighted that a total of 27,303 DVCs are suitable for employer cleanse as of the latest audit run.

28. A process map has been designed that will be followed with employers to resolve individual member data resolution.

29. To complete the final stages of phase 3 of the data audit and improvement further funding is required at a cost of £264,300. Throughout this workstream the Fund has taken a blended approach working with Civica to determine which party is best placed to work to resolve the outstanding issues. Where a bulk resolution is identified this is to be deployed by Civica. The Fund will interact directly with Scheme Employers and members where individual data amendments require resolving. The Fund will work to minimise external spend where it can but also ensure the most cost effective approach is taken in using external input to work through the data validation results.

30. It is of paramount importance that once the data audit and improvement are completed that the Fund maintenance the quality of both the common and scheme specific data that it holds. The final phase, phase 4 will focus on data quality maintenance, as informed by periodic data quality dashboards, enabling ongoing identification of any emerging data quality trends. The annual cost for this activity is to be confirmed.

31. One of the other key areas to support the maintenance of the quality of the data will be to implement monthly returns and start to plan the deployment of the members self-service portal.

Scheme Employers Portal

32. The Scheme Employer Portal rollout continues to be rolled in parallel with the data audit and improvement workstream.

33. Following the success of the pilot with Nottinghamshire County Council who have been live on the portal since 1 July 2020. All District and Borough Council, including other Scheme Employers that they provide a payroll service too, are now signed up and go live between now and December 2021.

34. Engagements meeting will take place next with two large educational scheme employers.

35. Both the Pension Administration Office and Scheme Employers are reaping benefits of the move to the Scheme Employers portal, for example

    a. Access to a secure route to submit requests and documents from the Scheme Employer directly into to the Pension Administration System resulting in a reduction of email and hard copy documentation
    b. Provides Scheme Employers with greater access to their own employees' pension record
    c. Improvement in turnaround time for requests submitted via the portal.
    d. Supports ongoing data improvement.

36. The Project are currently reviewing what additional functionality will be made available to Scheme Employers through this secure route over the coming year.

Resources

37. Pension Administration Team continue to input into aspects of the scoping and delivery of the programme due to their knowledge and expertise of the regulations and existing processes.

38. Additional project management capacity will continue to be released from within the Business Services Centre to support the delivery of the digital transformation programme.

39. Pensions and Personnel Committee have recently approved the funding and establishment of additional resources to support the McCloud project. There will be crossover of work between the data audit and improvement workstream of the digital transformation programme and both the McCloud and GMP projects. .

Other Options Considered

40. Data audit and improvement is a regulatory requirement and the Fund is required to have a data plan and be able to demonstrate how data supplied to the Fund is improving. Therefore, there is a statutory obligation upon the Fund and its Scheme Employers to progress the data workstream.

41. The Pension Administration Service could continue to operate as it currently does utilising paper and pdf forms but this is not considered a viable option given both the increasing legislative demands and increasing number of scheme employers, members and their expectations in this digital age.

42. Without the development of digital platforms for Scheme Employers and members to interact with the Fund consideration may have to be given to increasing the number of pension administration staff.

Reason/s for Recommendation/s

43. For the Nottinghamshire Pension Fund to be able to meet ongoing statutory responsibilities, increased expectation of members and scheme employers to interact with the Fund online and via self-serve it is imperative that the Fund transforms its service offer ensuring that it is cost efficient and effective and meet its regulatory and statutory requirements.

44. Data improvement is a continuous process and not a one-off exercise. Good quality data is critical to the Pension Fund and a vital element in the success of digital transformation. Without the implementation of the proposed data improvements it will become increasing difficult and risky for the Nottinghamshire Pension Fund to fulfil its statutory obligations within the LGPS and will not enable the Fund to move its service online enabling members to self-serve.

Statutory and Policy Implications

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

Data Protection and Information Governance

46. A high-level Data Privacy Impact Assessment has been completed and signed off for the programme. This will be reviewed to ensure that the aspects of the programme detailed within this report are included.

Financial Implications

47. The financial implications for the next phases are covered within the body of this report at paragraph 29.

RECOMMENDATION/S

It is recommended that the Members:

1) Approve the recharge of the costs of £264,300 for the final stages of phase 3 of the data improvement workstream of the transformation programme to the Pension Fund.

2) Agree to receive ongoing update reports on the progress of the programme.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Sarah Stevenson, Group Manager Business Services Centre on 0115 9775740 or sarah.stevenson@nottscc.gov.uk

Constitutional Comments (KK 25/10/2021)

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

Financial Comments (KRP 26/10/2021)

49. The financial implications are set out in paragraph 29 of the report. The final cost of the stages within Phase 3 of data audit and improvement program is £264,300. These costs are a valid charge against the fund administration costs.

HR Comments (JP 26/10/2021)

50. The HR implications are set out in the body of 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

Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PENSION FUND TREASURY MANAGEMENT MID-YEAR REPORT 2021/22

Purpose of the Report

1. To provide a mid-year review of the Pension Fund's treasury management activities in 2021/22 for the 6 months to 30 September 2021.

Information

2. Treasury management is defined as the management of a council's cash deposits; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. In other words, it is concerned with managing day-to-day cashflow, and ensuring that bills can be paid as and when they fall due. With respect to the Pension Fund, treasury management should be distinguished from the separate process of making long-term investments with the aim of making a return such that should cover the liability to pay out future pensions.

3. The Council approves the Treasury Management Policy and Strategy - and also receives mid-year and full year outturn reports – on Council-held cash balances. Since April 2020 this role in relation to Pension Fund cash balances has been delegated to the Pension Fund Committee. In turn, this Committee delegates responsibility for the implementation, scrutiny and monitoring of its Pension Fund treasury management policies and practices to the Treasury Management Group, comprising the Service Director (Finance, Infrastructure & Improvement), the Group Manager (Financial Management), the Senior Accountant (Pensions & Treasury Management), the Senior Accountant (Financial Strategy & Compliance) and the Investments Officer.

4. The Pension Fund's treasury management strategy and associated policies and practices for 2021/22 were approved by Pension Fund Committee in March 2021.

5. The Fund manages its cash investments in-house and invests only with institutions on its approved lending list. The aim to achieve the optimum return on cash investments commensurate with appropriate levels of security and liquidity.

6. In the first half of 2021/22, cash investment activities have been in accordance with the approved limits as set out in the Pension Fund's Treasury Management Policy and Strategy. The main points to note are:

- All treasury management activities were undertaken by authorised officers within the limits agreed by the Council
- All deposits were made to counterparties on the Fund's approved lending list
- No changes made to the Fund's lending criteria during the first half of the year
- Over the 6 month period covered by this report the Fund earned 0.01% on its short-term lending

7. The table below shows that cash deposits as at the end of September totalled £150.6m, and also provides an analysis of the Fund's treasury management activity:

	Total B/f	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
BANK OF SCOTLAND	20,000	0	0	20,000
LLOYDS BANK	20,000	0	0	20,000
INSIGHT MMF	12,500	0	-12,500	0
LGIM MMF	11,000	93,050	-104,050	0
BLACK ROCK	40,000	74,000	-83,400	30,600
JP MORGAN	26,250	0	-26,250	0
ABERDEEN STANDARD	40,000	0	0	40,000
FEDERATED	40,000	0	0	40,000
	209,750	**167,050**	**-226,200**	**150,600**

8. This shows that active use has been made of the instant-access money market funds (MMFs) on the Pension Fund's counterparty list, but no use has been made of fixed-term deposits. This approach stems from needing to keep the Fund's cash liquid, available not only to pay pensions but also for the various external managers who may require cash for long-term investment at short notice.

9. The cash balance at any point in time is the snapshot sum of pension fund contributions (from both employees and employers) and investment income, less retirement lump sums, monthly pension payments, and future investment commitments. As at 30 September, the estimated Pension Fund commitments were as follows:

Investment Commitment	**Estimated £m**	**When required**
Schroders	35.2	Immediately
Aberdeen Standard Investments	50.4	As required for property purchases
Private Equity commitments	109.1	Unpredictable
Infrastructure commitments	92.6	Unpredictable
Total	**287.3**	

10. It should be noted that the rate of return on all cash deposits is extremely low at the moment, ranging from zero with some money market funds to 0.03% on the Lloyds Bank and Bank of Scotland 32-day notice accounts, reflecting the wider economic environment. As a consequence, the Fund earned 0.01% on its short-term lending over the first half of the year.

11. For comparison, the average 7 day London Inter-Bank Bid (LIBID) rate over the same period was minus 0.08%. However, as a financial metric, LIBID is expected to disappear after 31 December 2021, and be replaced with SONIA (Sterling Overnight Index Average), which tends to run higher than LIBID; over the 6 months to September, SONIA averaged 0.05%, some 13 basis points higher. In future reports to Pension Fund Committee, the average SONIA rate will be shown alongside the Fund's average rate of return on its cash deposits.

Reasons for Recommendation/s

12. It is considered good practice for Members to consider treasury management planned and actual performance at least three times per financial year, firstly in the Strategy Report before the start of the year, then in this Mid-Year Report, and also in the Outturn Report, after the close of the financial year.

Statutory and Policy Implications

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

Financial Implications

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

RECOMMENDATION/S

15. That Pension Fund Committee members endorse the actions taken by the Section 151 Officer to date as set out in the report.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 05/10/2021)

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

Financial Comments (TMR 05/10/2021)

17. 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.

- Pension Fund Treasury Management Mid-year Report 2020/21

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PROXY VOTING

Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the second quarter of 2021 (calendar year) as part of this ongoing commitment.

Information

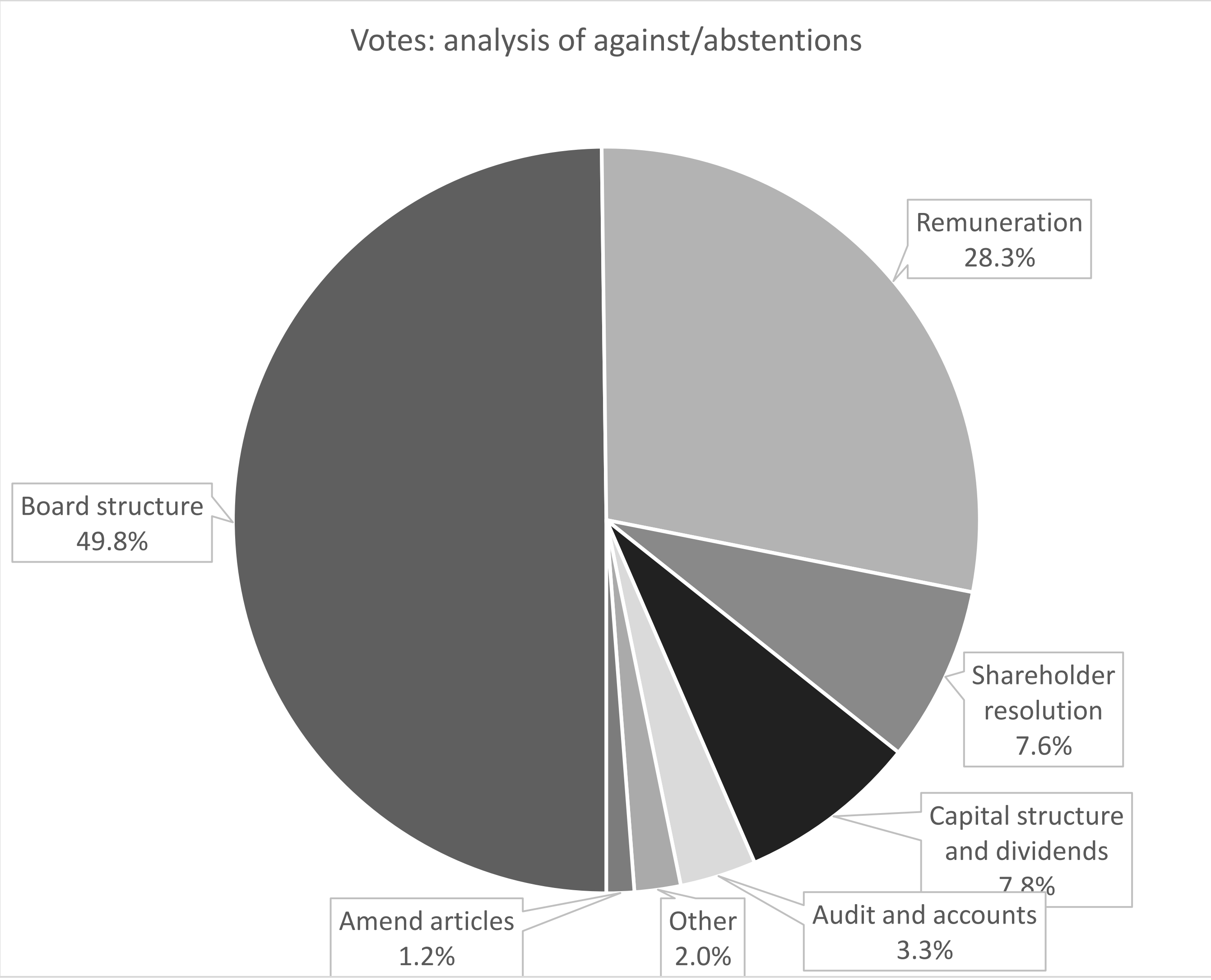
2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.

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

4. The Fund retains responsibility for voting any directly held shares (rather than delegating this to investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Since 1 January 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.

5. Over the quarter to June 2021 Hermes EOS voted Nottinghamshire Pension Fund shares at 1,786 meetings (a total of 25,127 resolutions). Hermes opposed one or more resolutions at 1,223 meetings, and voted with management by exception at 83 meetings and abstaining at 2 meetings. Hermes supported management on all resolutions at the remaining 478 meetings.

6. Hermes recommended voting against or abstaining on 3,656 resolutions over the last quarter. An analysis of the issues is shown below:



7. This analysis of votes, which is the best breakdown current available, is not actually very informative, as it does not explain the motivation for the vote. Most AGM votes relate to regular items so those relating to particular issues such as e.g. climate change will always be a small proportion of the votes by number, even where they are a substantial proportion of the engagement time and effort. Additionally some of the votes against board members may be because of their attitude to such issues as climate change.

8. We publish full details of our voting record and Members receive lengthy reports on Engagement on a quarterly basis from Central and all our main managers. We are working with Central to see whether a more accessible summary could be made available for incorporation into this report, but there is a huge amount of work which is undertaken by partners on the Pension Fund's behalf which is difficult to summarise into a paragraph or two.

9. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter 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

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

RECOMMENDATION/S

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

Report Author:
Ciaran Guilfoyle
Investments Officer

For any enquiries about this report please contact Ciaran Guilfoyle

Constitutional Comments (KK 05/10/2021)

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

Financial Comments (TMR 06/10/2021)

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

Background Papers and Published Documents

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

- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q2 2021
- LGPS Central – Voting Principles (March 2019)
- Financial Reporting Council, *The UK Stewardship Code*, January 2020

Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 9

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meetings held via Zoom on 14 July and 6 October 2021.

Information and Advice

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. In 2018 membership was also extended to cover pension fund pools. LAPFF membership currently stands at 84 funds and 7 pools (shown at Appendix A) with combined assets of over £300 billion. It is consequently able to exert significant influence over companies in which funds are invested.

3. LAPFF exists 'to assist Administering Authorities discharge their statutory responsibilities and promote the long-term investment interests of UK local authority pension funds'. In particular, it seeks to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they hold an interest, commensurate with statutory regulations'. It also:
   a. provides a forum for information exchange and discussion about investment issues.
   b. facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual Forum members could achieve.
   c. provides a forum for consultation on shareholder initiatives.
   d. provides a forum to consider issues of common interest to all pension fund boards, committees and their supporting administrative staff, as well as to other interested parties from national, local and regional governments.

4. The business meetings were attended on behalf of Nottinghamshire Pension Fund by both a member and officer representatives.

5. The agenda of the July meeting included, among other things, a discussion on LAPFF's policy regarding various zero-carbon initiatives such as the Net Zero Asset Owners' Alliance, the Paris Aligned Investment Initiative, and the Investor Agenda. As a collective, LAPFF liaises closely with such initiatives, as they all aim variously to help investors navigate the growing number of climate commitments, initiatives, and actions. In the discussion, in order to maximise the beneficial effects of company engagements the LAPFF leadership proposed that members participate in these initiatives alongside LAPFF as part of their own net-zero activities and commitments. Engagement still remains LAPFF's central strategy in relation to climate change.

6. An update on LAPFF's engagement work in the quarter to June 2021 was presented at the July meeting. The headline engagement story related to Shell's net-zero plans and the conclusion of a Dutch court that these were inadequate (confirming a view that LAPFF had maintained in the face of an opposing view from the Church of England), but the report also covered the continuing promotion of the 'Say on Climate' resolution being promoted at various AGMs, permitting shareholders to vote on the company's climate change-related targets and action plan.

7. The agenda of the October meeting also incorporated the AGM, in which the chair in his presentation chose to focus on climate change and mining/human rights. The business meeting proper also focussed on the issue of mining companies and human rights. Large multinationals like Anglo American, BHP, Glencore, Rio Tinto, and Vale still have a very poor record on human rights and little progress has been made in engaging them on this matter. Professor Robert McCorquodale (International Law, University of Nottingham) was present as a guest at this meeting and applauded LAPFF for the work it is doing in this area.

8. An update on LAPFF's engagement work in the quarter to September 2021 was presented at this meeting, which further extended the engagement work with mining companies as well as others. The headline engagement story covered the Chair's visit to a tailings dam, part of a tungsten mine's operations in Devon. It was also positively noted, in the discussion following all the meeting reports, that a number of companies are now taking their low-carbon transition plans to AGMs.

9. Copies of the available latest engagement reports are available as background, but all LAPFF engagement reports can be found on the LAPFF website: https://lapfforum.org/publications/category/quarterly-engagement-reports/

Statutory and Policy Implications

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

RECOMMENDATION/S

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

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 07/10/2021)

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

Financial Comments (TMR 06/10/2021)

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

Background Papers

- LAPFF constitution
- LAPFF Quarterly Engagement Report April to June 2021
- LAPFF Quarterly Engagement Report July to September 2021

Membership of LAPFF as at October 2021

Funds

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

46. Leicestershire Pension Fund
47. Lewisham Pension Fund
48. Lincolnshire Pension Fund
49. London Pension Fund Authority
50. Lothian Pension Fund
51. Merseyside Pension Fund
52. Merton Pension Fund
53. Newham Pension Fund
54. Norfolk Pension Fund
55. North East Scotland Pension Fund
56. North Yorkshire Pension Fund
57. Northamptonshire Pension Fund
58. Nottinghamshire Pension Fund
59. Oxfordshire Pension Fund
60. Powys Pension Fund
61. Redbridge Pension Fund
62. Rhondda Cynon Taf Pension Fund
63. Shropshire Pension Fund
64. Somerset Pension Fund
65. South Yorkshire Pension Authority
66. Southwark Pension Fund
67. Staffordshire Pension Fund
68. Strathclyde Pension Fund
69. Suffolk Pension Fund
70. Surrey Pension Fund
71. Sutton Pension Fund
72. Swansea Pension Fund
73. Teesside Pension Fund
74. Tower Hamlets Pension Fund
75. Tyne and Wear Pension Fund
76. Waltham Forest Pension Fund
77. Wandsworth Borough Council Pension Fund
78. Warwickshire Pension Fund
79. West Midlands ITA Pension Fund
80. West Midlands Pension Fund
81. West Yorkshire Pension Fund
82. Westminster Pension Fund
83. Wiltshire Pension Fund
84. Worcestershire Pension Fund

Pools

1. Border to Coast Pension Partnership
2. Brunel Pension Partnership
3. LGPS Central
4. Local Pensions Partnership
5. London CIV
6. Northern LGPS
7. Wales Pensions Partnership

Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 10

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE ACTION PLAN REPORT

Purpose of the Report

1. To review progress against the Climate Action Plan and consider additional items.

Information

2. The Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October 2020, with a number of recommendations which have become the Fund's Climate Action Plan. The Committee reviewed progress in April 2021.

3. In addition to the actions within this report a Climate Risk Workshop took place in September 2021. This was a full day event to enable Members to review the rationale for the Pension Fund's current policy of engagement and ESG integration and consider possible additional options. During the day there were presentations to clarify the responsibilities of all the parties involved in looking after the Pension Fund and to provide an appreciation of the legal and regulatory risks and requirements. With the support of Patrick O'Hara from LGPS Central, who presented on a range of approaches, Members discussed various strategies for managing climate risk.

4. The following table shows the progress which has been made against the Climate Action Plan, whether it is in accordance with the original plan, and whether the action is closed or ongoing.

5. A new Climate Action Plan will be proposed resulting from the Climate Risk Report including the ongoing items on the Action Plan and some additional actions suggested by this year's Climate Risk analysis.

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Governance						
1	Governance	Publish a TCFD (Taskforce for Climate-related Financial Disclosure) Report. This will incorporate the key elements of the Carbon Risk Report.	December 20	LGPS Central to provide support	Published at the December 20 PFC (Pension Fund Committee) meeting	Yes	Ongoing annually
2	Policies	Develop a Climate Strategy. This should be consistent with the TCFD recommendations and include a Climate Stewardship Plan, monitored regularly by the Nottinghamshire Pension Fund Committee	March 21	LGPS Central to provide support	Published at the March 21 PFC meeting	Yes	Review annually
3	Governance	Schedule agenda time at Nottinghamshire Pension Fund committee meetings at least annually for discussion of progress on climate strategy *Additionally report 6 monthly on progress for the first two years of the Action Plan.*	An annual review will take place to coincide with the annual update of metrics		Climate related issues have been discussed at every meeting. Progress on the action plan was reviewed after 6 months. This is the annual review.	Yes	Ongoing
4	Governance	Schedule one training session on general Responsible Investment matters and one climate-specific training per year	6 months	LGPS Central to provide training *Suggest a training at Jan WP (working party) and one at the summer WP*	LGPS Central provided a training on climate and climate science at the January Working Party and on Responsible Investment at the Working Party in August.	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Governance						
5	Policies	Update policies to reflect climate risk e.g. consider:- • communications on climate risk into communications strategy • make clear the roles of key governance committees, especially the Pension Fund Committee, in approving and monitoring the Fund's approach to responsible investment and climate change in the Investment Strategy Statement (ISS). • Update the Governance Policy Statement to explain how climate risks are governed • Review as part of the Funding Strategy Statement (FSS) the extent to which climate risks could affect other risks noted in the FSS • Update the Fund's "Approach to Responsible Investment" in the ISS to include the six responsible investment beliefs. • Consider incorporating the Fund's "Approach to Environmental Risk within this disclosure"	July 21	At the next regular review	All strategies were reviewed over the summer and updated to reflect climate risk. The strategies were approved by Pension Fund Committee in September.	Yes	Strategies will continue to be subject to annual review, but as they now reflect climate risk this action is closed.
6	Reporting	In the Annual Report include a summary of this Climate Risk Report in a manner consistent with the TCFD Recommendations and a summary of the Fund's annual voting activities.	Oct 21	LGPS Central to provide support with this	The summary has been drafted and will be included in the Annual report	Yes	Ongoing annually

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Strategy						
7	Asset Allocation	Notwithstanding other factors in the Fund's asset allocation process, seek to move towards the Long Term Target Strategic Asset Allocation weightings	Ongoing	*Review progress at Asset allocation WP*	The strategic asset allocation was discussed at the January WP meeting. A decision to adopt the SAA (Strategic Asset Allocation) as the target for 21/22 was taken at the March 21 PFC meeting. Further progress will be made over the next twelve months.	Yes	Ongoing
8	Asset Allocation	The Fund should attempt to take a view on the likelihood of different climate scenarios, drawing on its suppliers and advisers.	Ongoing	With the support of LGPS Central *Take into account as review of asset allocation*	Agreed as a standard agenda item for the January WP meetings	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Strategy						
9	Asset Allocation	Monitor fund managers, discussing with equity managers the influence of climate factors on their sector positioning and with real assets managers their physical risk resilience & GRESB participation. Use IIGCC (The Institutional Investors Group on Climate Change)'s "Addressing climate risks and opportunities in the investment process"	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	The annual stewardship plan was discussed at the April 21 PFC and implemented over 21/22. LGPS Central are reporting on the Stewardship Plan as part of the Climate Risk reporting.	Yes	Ongoing
10	Asset Allocation	Explore the potential for additional allocations to Global Sustainable Equities and Infrastructure if evidence suggests there could be asymmetrical return profiles (i.e. with expected relative upside in a 2°C scenario and no meaningful relative downside)	Will be reviewed as part of the annual review of asset allocation	Initial and current allocations to be explored first.	A 5% allocation to sustainable equities was agreed at the March 21 PFC. LGPS Central are developing a fund for this purpose. March 21 PFC also agreed the 21/22 target for infrastructure would be the full 8% in the SAA.	Yes	Ongoing
11	Asset Allocation	Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.	Ongoing	Longer term consideration *Take into account as review of asset allocation*	Currently the work on developing a sustainable equities fund with LGPS Central is taking priority	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Strategy						
12	Policy Engagement	Continued public support for the Paris Agreement and join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies via LGPS Central	Ongoing	With the support of LGPS Central *Part of stewardship plan*	The Fund's Climate Strategy explicitly gives "strong support" to the Paris Agreement. The Climate Stewardship Plan will draw on the CA100+ benchmark, which is a collective effort to monitor company progress on implementing Paris-aligned climate policies. LGPS Central have continued to join collaborations for lobbying purposes.	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Risk Management						
13	Company Stewardship	Create an annual stewardship plan	April 21	With the support of LGPS Central	Completed at the April 21 PFC	Yes	Ongoing annually

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Risk Management						
14	Company Stewardship	Through LGPS Central, engage corporate bond managers on their approach to assessing climate risk within their portfolio in the absence of reported greenhouse gases emissions data	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing
15	Company Stewardship	Prioritise the most material/ strategic real assets investment manager exposure for dialogue on climate risk. Consider using the recent IIGCC guide for this endeavour.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing
16	Company Stewardship	Continue to engage the companies highlighted in the Climate Stewardship Plan through selected stewardship partners	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing
17	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	July 22	With the support of LGPS Central	Progress is being reported to the November PFC	Yes	Ongoing
17a	Company Stewardship	Ensure that the Fund's voting behaviour supports and enhances engagements highlighted in the Climate Stewardship Plan.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central and Hermes EOS	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Metrics and Targets						
18	Metrics	Repeat Carbon Risk Metrics analysis annually	Timescale dependent on LGPS Central availability	Timescale dependent on LGPS Central availability	The 2021 Climate Risk Report is being presented to the November PFC.	Yes	Ongoing
19	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Summer 22-23		Not yet due	Yes	Ongoing
20	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 21	Timescale dependent on LGPS Central availability	The 2021 Climate Risk Report is being presented to the November PFC.	Yes	Ongoing

Other work

6. The items on the Climate Action Plan are just part of the work the Pension Fund is doing to mitigate the financial risk of climate change. While this work is ongoing the Pension Fund will continue to implement its long term Strategic Asset allocation. This includes an increasing allocation to infrastructure investments, a significant proportion of which are in clean energy, and a gradual reduction in equity investments. Within our equity investments we are looking at a number of low carbon and sustainable funds. Over time our exposure to fossil fuels is likely to reduce as a result of these asset allocation and diversification decisions.

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

Other Options Considered

8. None. This progress report was requested by the Nottinghamshire County Council Pension Fund Committee.

Reason/s for Recommendation/s

10. The Climate Action Plan is part of the Fund's approach to addressing the risks and opportunities related to climate change.

Statutory and Policy Implications

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

Financial Implications

12. There are no direct financial implications arising as a result of publishing this report.

RECOMMENDATION/S

1) That members recognise the progress on the Nottinghamshire County Council Pension Fund Climate Action Plan.

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

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 07/10/2021)

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

Financial Comments (TMR 05/10/2021)

14. The financial implications are set out in paragraph 12.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 11

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE RISK ANALYSIS AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Purpose of the Report

1. To present the Climate Risk Analysis from LGPS Central Ltd to Members, and present this year's Task Force on Climate-related Financial Disclosures (TCFD) report.

Information

2. In 2020, in order to enable the Pension Fund to identify its exposure and understand its financial risk arising from climate change, the Fund commissioned LGPS Central to produce some climate risk analysis and scenario modelling, and a TCFD report which contains the key elements of the Climate Risk report. The scenario modelling will only be performed every few years, but the climate risk analysis has been repeated based on data at 31 March 2020 and 31 March 2021.

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

4. Appendix A presents the TCFD report which shares the key results of the analysis.

5. There are restrictions on what can be publicly reported from the climate risk analysis due to commercial confidentiality of supplier intellectual property, so the Climate Risk report is attached as exempt Appendix B.

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

7. Despite this caveat, the analysis is supportive of the Fund's current investment strategy.

- It shows that the year end equity holdings continue to be below the market cap benchmark in terms of carbon footprint and weight of fossil fuel reserves, which indicates that the fund has been considering and managing climate risks.

- And it shows a small improvement since the first analysis. It is anticipated that as the Fund progresses towards the long term strategic asset allocation these positions will further improve.

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

Report recommendations and considerations

9. The report provides a number of new recommendations for incorporation into the Climate Action Plan for the Committee's consideration. These are as follows:-

Category	Action	Timing	Notes
Strategy	Explore the potential options to monitor and manage climate risk in alternative asset classes	2022	With the support of LGPS Central
Metrics	• Continue to monitor manager engagement progress with key carbon intensive and fossil fuel holdings • Continue to monitor manager approaches to managing climate risk within the portfolios • Continue to monitor manager performance on carbon risk metrics relative to the benchmark	Ongoing	With the support of LGPS Central

10. Progress on existing actions in the Climate Action Plan is reported in a separate report.

Ongoing work

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

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

Other Options Considered

13. The Pension Fund is not required to undertake climate risk analysis or to publish a TCFD report. However undertaking climate risk analysis and publishing a TCFD report are regarded as best practice and are consistent with the Pension Fund's commitment to transparency.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

Financial Implications

15. There are no direct financial implications arising as a result of publishing this report.

RECOMMENDATION/S

1) That members include the new actions in the Climate Action report and consider whether there are any other actions they require in relation to the issues contained within the report.

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

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 07/10/2021)

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

Financial Comments (TMR 06/10/2021)

17. The financial implications are set out in paragraph 15.

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

CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2021 - DRAFT

1. Introduction to the TCFD

The Taskforce on Climate-related Financial Disclosures (TFCD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over $11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice.

The recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see Figure 1 below) are designed so as to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. Examples of pension funds that have been early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and Environment Agency Pension Fund.

Figure 1

The Nottinghamshire Pension Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policy makers are able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

2. About this report

This report is Nottinghamshire Pension Fund's (NPF or 'the Fund') second climate-related disclosures report. It describes the way in which climate-related risks are currently managed within the Fund.

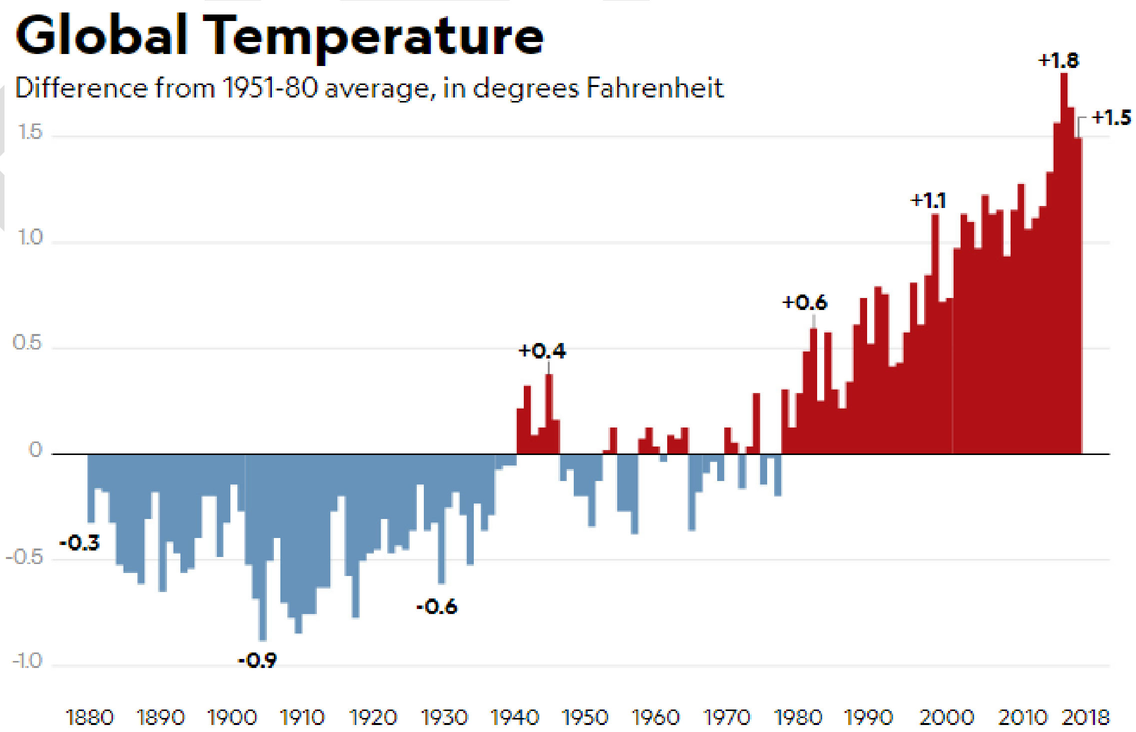
The report follows the release of NPF's Climate Strategy and Climate Stewardship Plan in 2021. Both documents were developed based on the findings of the Fund's first Climate Risk Report; an in-depth review of the Fund's climate risks under different climate change scenarios from the Fund's pooling company, LGPS Central Ltd. The Fund has since received its second Climate Risk Report from LGPS Central Ltd.

This climate-related disclosure report aims to provide an up-to-date overview of the Fund's approach to managing climate risk, encompassing both the recent changes to the Fund's climate strategy and the findings of the 2021 Climate Risk Report. In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, this report also discloses the Fund's most recent Carbon Risk Metrics analysis.

3. Climate-related risks

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the five warmest years on record taking place since 2010. Between the years 2006-2015, the observed global mean surface temperature was 0.87°C higher than the average over the 1850-1990 period. The overwhelming scientific consensus is that the observed climactic changes are the result primarily of human activities including electricity and heat production, agriculture and land use change, industry, and transport.

Figure 2 Graph showing Global Temperature Difference from 1951-80 average. Source: NASA



In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, the majority of climate scientists anticipate that given the current level of climate action, by 2100 the world will be between 2°C and 4°C warmer, with significant regional variations. This is substantially higher than the Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

Figure 3: Selected extracts from the Paris Agreement on climate change. Source:

Paris Agreement Article 2(1)a

Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

Paris Agreement Article 2(1)c

Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Paris Agreement Article 4(1)

In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

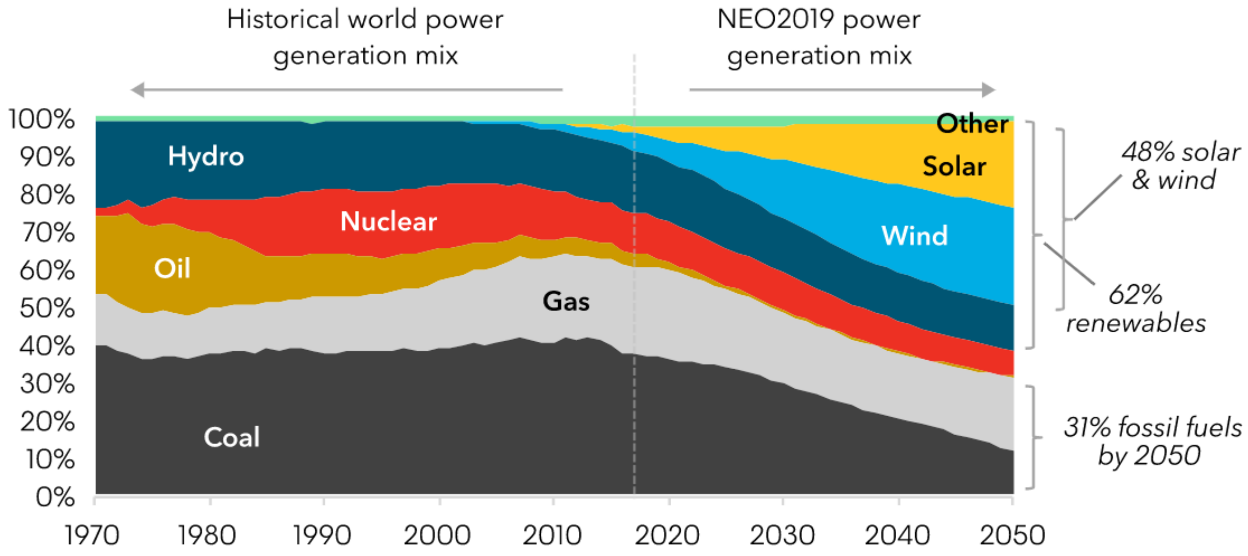
UNFCCC.

Given its contribution to global GHG emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. Figure 4 suggests that in one climate scenario the proportion of coal, oil, and gas in the global power generation mix will shrink to 31% of total by 2050. It is important to recognise however that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a crucial role too. In addition, the behaviour of private and state-owned energy companies (not commonly invested in by UK pension funds) is as important as their publicly traded counterparts.

The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to downstream sectors. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors. Research suggests that the oil & gas sector is not homogeneous with regards to climate risk: were climate policies to affect the oil price, those companies with assets lower down the cost curve are less likely to be financially compromised by those companies with higher cost assets. Investors that assume each fossil fuel company bears an equal magnitude of climate-related risk could be led towards sub-optimal decision-making.

The Fund recognises that climate-related risks can be financially material and that the due consideration of climate risk falls within the scope of the Fund's fiduciary duty. Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

Figure 4: The Bloomberg New Energy Outlook global power generation mix. Source: BloombergNEF.



4. Disclosure Pillars

The TCFD Recommendations set out four disclosure pillars; Governance, Strategy, Risk Management and Metrics and Targets. This TCFD Report is structured in line with Asset Owner TCFD Recommendations by each pillar as follows.

Governance

TCFD Recommended Disclosure
a) Describe the board's oversight of climate-related risks and opportunities

Roles and responsibilities at the Fund are set out clearly in the Fund's Governance Compliance Statement. Overall responsibility for managing the Fund lies with the Nottinghamshire County Council which has delegated the management and administration of the Fund to the Nottinghamshire Pension Fund Committee.

The Nottinghamshire Pension Fund Committee is responsible for approving the Fund's Investment Strategy Statement (ISS) and Climate Change Strategy. The ISS includes the Fund's approach to responsible investment and recognises climate change as factor that could have a serious impact on financial markets. The Climate Change Strategy is premised on 10 foundational evidence-based beliefs about climate risk, considering climate science, the energy transition, and climate stewardship. The Climate Change Strategy is reviewed on an annual basis.The Nottinghamshire Pension Fund Committee meets eight times a year, and reports from an Independent Adviser (which include advice on the Fund's approach to responsible investment) are received regularly.

As per the *Climate Change Strategy,* the Fund is committed to providing decision-makers with appropriate training, including specialised training on climate change.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

TCFD Recommended Disclosure
b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Service Director for Finance, Infrastructure and Improvement, Group Manager Financial Services and Senior Accountant Pensions and Treasury Management have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed. Where appropriate, the Fund's pooling company, LGPS Central Ltd, assists in assessing and managing climate-related risks. As detailed in the Climate Change Strategy, the Fund leverages partnerships and initiatives – including the Institutional Investors Group on Climate Change (IIGCC) – to identify and manage climate risk. The Service Director for Finance, Infrastructure and Improvement, the Group Manager Financial Services, and the Senior Accountant Pensions and Treasury Management are accountable to the Pensions Committee for delivery of the Climate Change Strategy.

As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by the Nottinghamshire Pension Fund Committee.

Ref	Category	Action	Timing	Notes
	Governance			
1	Governance	Publish a TCFD Disclosure. This will incorporate the key elements of the Carbon Risk Report.	December 20	LGPS Central to provide support
2	Policies	Develop a Climate Strategy. This should be consistent with the TCFD recommendations and include a Climate Stewardship Plan, monitored	March 21	LGPS Central to provide support

Ref	Category	Action	Timing	Notes
		regularly by the Nottinghamshire Pension Fund Committee		
3	Governance	Schedule agenda time at Nottinghamshire Pension Fund Committee meetings at least annually for discussion of progress on climate strategy Additionally report 6 monthly on progress for the first two years of the Action Plan.	An annual review will take place to coincide with the annual update of metrics	LGPS Central to advise on timing of metric updates
4	Governance	Schedule one training session on general RI matters and one climate-specific training per year	6 months	LGPS Central to provide training
5	Policies	Update policies to reflect climate risk e.g. consider:- • communications on climate risk into communications strategy • make clear the roles of key governance committees, especially the Pension Fund Committee, in approving and monitoring the Fund's approach to responsible investment and climate change in the ISS • Update the Governance Policy Statement to explain how climate risks are governed • Review as part of the FSS the extent to which climate risks could affect other risks noted in the FSS • Update the Fund's "Approach to Responsible Investment" in the ISS to include the six responsible investment beliefs. • Consider incorporating the Fund's "Approach to Environmental Risk within this disclosure"	July 21	

Ref	Category	Action	Timing	Notes
6	Reporting	In the Annual Report include a summary of this Climate Risk Report in a manner consistent with the TCFD Recommendations and a summary of the Fund's annual voting activities.	Oct 21	LGPS Central to provide support with this
	Strategy			
7	Asset Allocation	Notwithstanding other factors in the Fund's asset allocation process, seek to move towards the Long Term Target Strategic Asset Allocation weightings	Ongoing	
8	Asset Allocation	The Fund should attempt to take a view on the likelihood of different climate scenarios, drawing on its suppliers and advisers.	Ongoing	With the support of LGPS Central
9	Asset Allocation	Monitor fund managers, discussing with equity managers the influence of climate factors on their sector positioning and with real assets managers their physical risk resilience & GRESB participation. Use IIGCC's "Addressing climate risks and opportunities in the investment process"	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
10	Asset Allocation	Explore the potential for additional allocations to Global Sustainable Equities and Infrastructure if evidence suggests there could be asymmetrical return profiles (i.e. with expected relative upside in a 2°C scenario and no meaningful relative downside)	Will be reviewed as part of the annual review of asset allocation	Initial and current allocations to be explored first…
11	Asset Allocation	Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.	Ongoing	Longer term considerati on
12	Policy Engagement	Continued public support for the Paris Agreement and join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies via LGPS Central	Ongoing	With the support of LGPS Central
	Risk Management			

Ref	Category	Action	Timing	Notes
13	Company Stewardship	Create an annual stewardship plan	April 21	With the support of LGPS Central
14	Company Stewardship	Through LGPS Central, engage corporate bond managers on their approach to assessing climate risk within their portfolio in the absence of reported GHG emissions data	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
15	Company Stewardship	Prioritise the most material/ strategic real assets investment manager exposure for dialogue on climate risk. Consider using the recent IIGCC guide for this endeavour.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
16	Company Stewardship	Continue to engage the companies highlighted in the Climate Stewardship Plan through selected stewardship partners	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central
17	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	July 22	With the support of LGPS Central
17a	*Company Stewardship*	*Ensure the Fund's voting behaviour … (have asked Central to draft 8/10/20)*	*Ongoing – will form part of the annual stewardship plan*	*With the support of LGPS Central and Hermes EOS*
	Metrics and Targets			
18	Metrics	Repeat Carbon Risk Metrics analysis annually	Timescale dependent on LGPS Central availability	Timescale dependent on LGPS Central availability

Ref	Category	Action	Timing	Notes
19	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Summer 22-23	
20	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 21	Timescale dependent on LGPS Central availability

Strategy

TCFD Recommended Disclosure
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

Table 1: Example Short, Medium & Long-Term Risks

	Short & Medium Term	**Long Term**
Risks	Carbon prices Technological change Policy tightening Consumer preferences	Resource scarcity Extreme weather events Sea level rise
Asset class	Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issuers	Infrastructure Property Agriculture Commodities Insurance

Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increase sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

TCFD Recommended Disclosure
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Although the Fund is diversified across asset classes, regions, and sectors, it is recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone.

The Fund's Climate Change Strategy sets out the Fund's approach to managing the impact of climate-related risks. The main management techniques within investment strategy are: measurement and observation; policy review; asset allocation; selection and due diligence; purposeful stewardship; and transparency and disclosure.

The Fund is exploring options to further embed climate-related risks and opportunities into its investment strategy, including reviewing potential investments in sustainable asset classes where this supports the Fund's investment and funding objectives.

TCFD Recommended Disclosure
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

In 2020 the Fund engaged the expertise of an external contractor, Mercer LLC[1] , to understand the extent to which the Fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset-class level). All asset classes are included in this analysis. The climate scenarios considered are 2°C, 3°C and 4°C. This analysis is carried out every 2 to 3 years and the results of the 2020 analysis is provided below.

Table 2: Annualised climate change impact on portfolio returns – to 2030 and 2050[2].

Scenario	Timeline	Estimated climate impact on returns
2°C	2030	0.13%
	2050	0.01%
3°C	2030	-0.02%
	2050	-0.07%

[1] Via LGPS Central Limited

[2] Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 03 July 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Nottinghamshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

4°C	2030	-0.06%
	2050	-0.11%

The Climate Scenario Analysis suggests that the lowest outcome is, according to the model used, the best climate scenario from a returns perspective (adding 0.13% in annual returns to the Asset Allocation on a timeline to 2030) while a 4°C outcome is the worst of the three considered (detractring by 0.06% annually over the same period). The Fund is using the analysis to shape a climate strategy which will be agreed in due course.

Translating Climate Scenario Analysis into an investment strategy is a challenge because there is a wide range of plausible climate scenarios; the probability of any given scenario is hard to determine, and; the best performing sectors and asset classes in a 2°C scenario tend to be the worst performers in a 4°C and vice versa. Despite the challenges, the Fund believes in seeking out the best available climate-related research in order to make its portfolio as robust as possible.

Risk Management

TCFD Recommended Disclosure
a) Describe the organisation's process for identifying and assessing climate-related risks.

The Fund seeks to identify and assess climate-related risks at the total Fund level and at the individual asset level. The Fund's 2020 and 2021 Climate Risk Reports include a combination of both top-down and bottom-up analyses[3]. The Fund recognises that the tools and techniques for assessing climate-related risks in investment portfolios are an imperfect but evolving discipline. The Fund aims to use the best available information to assess climate-related threats to investment performance.

As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors.

As a primarily externally-managed pension fund, the identification and assessment of climate-related risks is also the responsibility of individual fund managers appointed by the Fund. Existing fund managers are monitored on a regular basis.

Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central, EOS at Federated Hermes, and LAPFF (see below). The Fund has devised a Climate Stewardship Plan (based on the Climate Risk Report) in order to focus engagement resources on the investments most relevant to the Fund.

[3] Climate Scenario Analysis only included in the 2020 Climate Risk Report.

TCFD Recommended Disclosure
b) Describe the organisation's process for managing climate-related risks.

The Fund manages climate risk in different ways according to the nature, duration, magnitude and time horizon of the risk itself. As set out in the Fund's Climate Strategy, the main management techniques are: measurement and observation; policy review; asset allocation; selection and due diligence; purposeful stewardship; and transparency and disclosure.

Engagement and shareholder voting are an important aspect of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and the Fund believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors.

The Fund supports the engagement objectives of the Climate Action 100+ initiative, i.e. companies adopt the appropriate governance structures to effectively manage climate risk, decarbonise in line with the Paris Agreement, and disclose effectively using the TCFD recommendations. In September 2020, CA100+ introduced a Benchmark Framework which identifies ten key indicators of success for business alignment with a net zero emissions future and goals of the Paris Agreement.

Either through its own membership or through LGPS Central's membership, the Fund has several engagement partners that engage investee companies on climate risk which are described in the following table.

Table 3: The Fund's Stewardship Partners

Organisation	Remit
LGPS Central Limited	The Fund is a 1/8th owner of LGPS Central. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPS Central engages companies on the Fund's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies. In 2020, EOS conducted engagements on 258 climate change issues across its company universe.
Local Authority Pension Fund Forum	The Fund is a long-standing member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds.

The instruction of shareholder voting opportunities is an important part of climate stewardship. The Fund's votes are executed by its asset pool (LGPS Central) according to a set of Voting Principles, to which the Fund contributes during the annual review process. LGPS Central's Voting Principles incorporate climate change, for example by voting against companies that do not meet certain thresholds in the Transition Pathway Initiative (TPI) scoring system. LGPS Central has co-filed shareholder resolutions that relate to climate change. LGPS Central recently co-filed climate-related shareholder resolutions at the meetings of BP Plc, Barclays Plc, and Citigroup.

The Fund reports quarterly on its voting activities. These reports are publicly available on the Pension Fund website. In addition LGPS Central reports quarterly on its voting and engagement activities. These reports are publicly available via the LGPS Central website.

Based on its first Climate Risk Report, the Fund has developed a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by LGPS Central, investment managers, EOS at Federated Hermes, and LAPFF, includes targeted engagement with eight investee companies of particular significance to the Fund's portfolio. Wherever feasible, the engagement objectives are designed to be SMART (Specific, Measurable, Actionable, Relevant and Time-bound) to enable the Fund to adequately assess a company's progress. The Fund believes that all companies should align their business activities with the Paris Agreement on climate change.

Table 4: Companies included in the Climate Stewardship Plan

Company	Sector
BHP	Materials
BP	Energy
CRH	Materials
ExxonMobil	Energy
Glencore	Materials
Rio Tinto	Diversified Mining
Royal Dutch Shell	Energy
TotalEnergies	Energy

TCFD Recommended Disclosure
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Nottinghamshire County Council

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Both 'mainstream' risks and climate-related risks are discussed by the Pension Fund Committee. While specific macro-economic risks are not usually included in isolation, the Fund has deemded climate risk to be sufficiently significant and therefore included it on the Fund's Risk Register.

Climate risk is further managed through the Fund's Climate Stewardship Plan.

Metrics & Targets

TCFD Recommended Disclosure
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Fund has recently received a report from LGPS Central Limited on carbon risk metrics for its listed equities portfolios. An attempt was made to assess corporate fixed income portfolios, but the coverage of fixed income portfolios - i.e. the proportion of securities in the portfolios which report their GHG emissions data, or for which a reasonable estimation can be made – is low (ranging between 30.5% to 62.3%). The poor availability of data in asset classes other than listed equities prevents a more complete analysis at this time.

The carbon risk metrics analysis include:

- portfolio carbon footprints[4],
- weight of portfolios invested in companies with fossil fuel reserves
- weight of portfolios invested in companies with thermal coal reserves
- weight of portfolios invested in companies whose products and services include clean technology
- metrics assessing the management of climate risk by portfolio companies

Carbon risk metrics aid the Fund in assessing the potential climate-related risks to which the Fund is exposed, and identifying areas for further risk management, including company engagement and fund manager monitoring. The Fund additionally monitors stewardship data (see above).

TCFD Recommended Disclosure
b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. TCFD Guidance: *Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy.*

In line with the TCFD guidance and following receipt of a report from LGPS Central Limited we provide below the carbon footprints of our equity portfolio[5]:

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[4] Following TCFD guidance we use weighted average portfolio carbon footprints.

[5] Analysis undertaken on the listed equities portfolios within holdings data as of 31 March 2021. The information in Table 5 was provided to the Fund in a report authored by LGPS Central Limited. In LGPS Central Limited's Reports the Total Equities portfolio comprises the Core Index, Schroders, Specialist and LGPS Central portfolios weighted according

Table 4: Carbon risk metrics for the equity portfolios[6]

		Carbon Footprint (tCO2e/$M revenue)			Weight in Fossil Fuel Reserves %			Weight in Thermal Coal Reserves %			Weight in Clean Technology %		
Portfolio Name	Benchmark	PF	BM	% Diff	PF	BM	% Diff	PF	BM	% Diff	PF	BM	% Diff
Total Quoted Equities	Total Quoted Equity Blended Benchmark	124.0	151.5	-18.11%	7.86%	9.19%	-1.32%	3.73%	3.69%	0.04%	30.9%	33.2%	-2.24%
Core Index portfolio	N/A	151.3	N/A	-	9.07%	N/A	-	3.65%	N/A	-	33.5%	N/A	-
Schroders portfolio	Schroders Blended Benchmark	108.2	144.4	-25.04%	8.09%	9.53%	-1.44%	4.57%	3.72%	0.85%	29.9%	30.9%	-1.09%
Specialist portfolio equities	Specialist Blended Benchmark	34.2	118.2	-71.09%	0.00%	7.29%	-7.29%	0.00%	3.99%	-3.99%	20.1%	43.1%	-23.06%
LGPS Cental portfolio equities	LGPS Central Blended Benchmark	159.0	275.6	-42.30%	7.60%	8.96%	-1.36%	1.30%	3.11%	-1.81%	37.9%	39.4%	-1.48%

The Fund's Total Quoted Equities portfolio is around 18% more carbon efficient than the benchmark. This means that, on average, for every $m of economic output companies produce, the Fund's investee companies emit 18% fewer greenhouse gas emissions than the companies in the index. The report received from LGPS Central Limited shows that the equities in the Schroders portfolio, the Specialist portfolio and the LGPS Central portfolio are all more carbon efficient than their respective blended benchmarks. The exposure of the Total Quoted Equity portfolio to fossil fuel producers is 1.32% lower than the benchmark.

Whilst the Fund's carbon risk metrics results show the Fund already 'outperforms' its benchmarks, the Fund is proactively exploring ways to further embed climate risk management in its investment decision making. The Fund expects to update its carbon risk metrics data on an annual basis.

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to their size in GBP. The Core Index portfolio contains 7 underlying passive portfolios managed for the Fund by LGIM. As the core Index is passively managed the carbon risk metrics of the portfolios are almost identical to those of the respective index. For this reason no benchmark comparison is provided. The Schroders portfolio contains 9 underlying active portfolios managed by Schroders, and the results are presented next to a blended benchmark (a pro-rata composition of the regional benchmarks). The Specialist portfolio contains two active portfolios managed by RWC, and the results are presented next to a blended benchmark. The rest of the Specialist portfolios were excluded from the analysis due to (i) low market value of the portfolios (ii) limited data availability. The LGPS Central portfolio contains two active managed multi manager funds and two passively managed funds and the results are presented next to a blended benchmark.

[6] Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission.

TCFD Recommended Disclosure
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the paucity in credible methodologies and data currently available. Like most investors, the Fund is supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. The Fund wishes to explore options to further manage climate-related risks and work is underway to assess options within the limitations of currently available data.

As per the Climate Change Strategy the Fund has articulated a number of Strategic Actions within the following areas: (1) Measurement & Observation (2) Policy Review (3) Asset Allocation (4) Selection, Due Diligence and Monitoring (5) Purposeful Stewardship (6) Transparency and Disclosure.

Appendix 1

TCFD Recommendations for Asset Owners (source: TCFD)

Governance

Recommended Disclosure (a) Describe the board's oversight of climate-related risks and opportunities.

Recommended Disclosure (b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

Recommended Disclosure (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Recommended Disclosure (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Recommended Disclosure (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Recommended Disclosure (a) Describe the organisation's processes for identifying and assessing climate-related risks.

Recommended Disclosure (b) Describe the organisation's processes for managing climate-related risks.

Recommended Disclosure (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Metrics and Targets

Recommended Disclosure (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Recommended Disclosure (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Recommended Disclosure (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Appendix 2: Important Information

Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 03 July 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Nottinghamshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

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Nottinghamshire County Council

Report to Pension Fund Committee

4 November 2021

Agenda Item: 12

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme.

Information

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

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

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

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users,

sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

RECOMMENDATION/S

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

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact:
Jo Toomey, Advanced Democratic Services Officer
E-mail: jo.toomey@nottscc.gov.uk
Tel: 0115 977 4506

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 (updated 26 October 2021)

Report Title	Brief summary of agenda item	Report Author
9 December 2021		
Pension Fund TCFD report	Taskforce for Climate-related Financial Disclosure reporting	Tamsin Rabbitts
Review of Investment Strategy	To include consideration of investment criteria and priorities	Tamsin Rabbitts
Presentation of the Pension Fund Annual Report	Formal presentation of the Pension Fund Annual Report to Committee before the AGM	Tamsin Rabbitts
Fund Valuation & Performance – Qtr 2	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM
27 January 2022		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
Treasury Management Strategy 22/23	Strategy for forthcoming financial year	Ciaran Guilfoyle
Conferences and training report	Planned training and conferences for 22/23	Tamsin Rabbitts
Report on the LAPFF conference	Report on the presentations attended at the LAPFF conference in December	Keith Palframan
Mortality and the impact of COVID-19 on the pension fund		Jon Clewes
10 March 2022		
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts

Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	Schroder & Aberdeen
Strategic Asset Allocation Working party report	Report on the discussions and any decisions arising from the January working party meeting on our Strategic Asset Allocation and Investment Strategy and any other issues discussed	Tamsin Rabbitts
28 April 2022		
Review of progress on the Climate Risk Action plan	6 monthly report	Tamsin Rabbitts
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
9 June 2022		
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and guest manager
14 July 2022		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle

LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
Treasury Management outturn 21/22	Summary of TM activity for year ended 31 March 2022	Ciaran Guilfoyle
Update on LGPS Central Ltd	Presentation from LGPS Central Ltd on developments in pooling and in the company	Keith Palframan
To be placed		
Monitoring of the Member Death Process	Update report	Jon Clewes
Review of Work of the Pension Fund Committee and Pension Board		Marjorie Toward
Good governance project		Jon Clewes / Keith Palframan

Nottinghamshire Pension Fund Annual General Meeting

A date for the Nottinghamshire Pension Fund Annual General Meeting will be set once the accounts have been signed off. Please note, this is the AGM for the Fund and not a meeting of the Nottinghamshire Pension Fund Committee.