



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

**WORKING PARTY**

**Purpose of the Report**

1. The Pension Fund Working Party meets twice a year and is open to all Pension Committee Members to attend. The purpose of the Working Party is to discuss key issues in more detail and to make recommendations to Pension Fund Committee. This report sets out details of the items discussed at the most recent meeting on 27 November 2018 and makes recommendations as follows:
  - a. To approve the grouping of asset classes into broader ‘outcome’ groupings to make it easier to monitor the overall characteristics of the asset allocation
  - b. To approve the revised long term asset allocation benchmark
  - c. To approve the amendment of future quarterly reports to use the asset classes and sub-classes in the paper in order to provide more visibility of the Fund’s exposure.

**Information and Advice**

2. The Working Party met on 27 November 2018. The agenda and attendees are listed in Appendix A, and details of the discussions and recommendations for each item are set out below.

**Investment Strategy and Asset Allocation**

3. The Working Party considered a report from William Bourne, independent adviser to the fund.
4. The report summarised the current strategic benchmarks and the current portfolio and reviewed the market environment and what the fund requires from each asset class (growth, inflation protection, income etc.).
5. The report recommended a gradual move to a new strategic benchmark over the next 5 years as set out in the table below.

<b>Asset Class</b>	<b>Asset Subclass</b>	<b>Current Benchmark</b>	<b>Proposed Benchmark</b>
<b>Equities</b>	Quoted	60	56
	PE (incl. Infrastructure)	5	12
<b>Property</b>		15	15
<b>Bonds</b>	Gilts	5	2
	Other bonds	12.5	13
<b>Cash</b>		2.5	2

6. The report also recommended amending the quarterly reports to use the asset classes and sub-classes set out below in order to provide more visibility of the Fund's exposure:

- Equities are broken out into Developed Markets, Emerging Markets, Developed Small Cap and Private.
- Bonds are broken out into Corporate, Gilt and Credit.
- Infrastructure is considered as a separate asset class and broken into listed and unlisted.
- Individual investments are re-categorised as in the table below

<b>Asset</b>	<b>Previous</b>	<b>Proposed</b>
Darwin Leisure Fund	Property	Private Equity
Darwin Development Fund	Property	Private Equity
Impax	Quoted Equity	Infrastructure
The Renewables Group	Quoted Equity	Infrastructure
HICL	Quoted Equity	Infrastructure

### **Investment Changes arising from Pooling**

7. The Working Party considered a report setting out a high level summary of the assets currently held by the fund.
8. The report then provided details of the planned investment offerings from LGPS Central Ltd and provided guidance on the timetable that these funds will become available and the match the proposed funds have to those currently held.
9. Details of any proposed transfers to LGPS Central Ltd will be brought to Committee at the appropriate time.

### **Responsible Investment (training)**

10. The Working Party received a presentation and training from the Fund's independent advisor on Responsible Investment (RI). The training covered engagement, the Stewardship Code, collaboration and investing for non-financial reasons (local investment, ethical investment and impact investing). In addition the training provided specific information on climate change and the Fund's approach to this.
11. The training also covered what the Fund currently does and how this compares to what other funds are doing and finished with a summary of the legal requirements to act as a responsible steward and to act sustainably; the fact that engagement is clearly the route

being encouraged; the fact that consideration of the impact of climate change is likely to become obligatory and the growing support for investment non-financial reasons, provided that it meets core investment requirements.

## **Statutory and Policy Implications**

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

## **RECOMMENDATIONS**

It is recommended that Committee

1. Approves the grouping of asset classes into broader ‘outcome’ groupings to make it easier to monitor the overall characteristics of the asset allocation.
2. Approves the revised long term asset allocation benchmarks.
3. Approves the amendment of future quarterly reports to use the asset classes and sub-classes set out in paragraph 6 in order to provide more visibility of the Fund’s exposure.

### **Report Author:**

**Keith Palframan – Group Manager Financial Services**

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

### **Constitutional Comments (KK 20/12/18)**

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

### **Financial Comments (KRP 19/12/18)**

The financial implications are noted in the report.

### **Background Papers and Published Documents**

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

- None