

**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 6 June 2018 and makes recommendations as follows.
 - a. To support stock lending as part of the management of the external passive portfolio.
 - b. To confirm the current approach to local investments and that no changes are required to the Investment Strategy Statement in this respect.
 - c. To confirm the current approach to training and conferences.

Information

2. The Working Party considered a number of items and agreed appropriate actions and follow up. Details of the discussions and recommendations for each item are set out below.

Stock Lending Training

3. The Working Party received a presentation from Chris Lyons and Adam Willis from Legal & General Investment Managers (LGIM).
4. The presentation provided an overview of the work LGIM currently undertake for the Nottinghamshire Pension Fund as our external passive portfolio holder. The presentation then went on to cover the process of stock lending and its use as part of a passive portfolio to generate an additional return, albeit at a very slightly increased risk.
5. The Working Party questioned LGIM on their approach, their views on stock lending, both in the UK and abroad, and the controls they put in place to protect fund assets subject to stock lending.

Future Management of the in-house passive portfolio

6. The Working Party reviewed in detail the report going to Pension Fund Committee on 7 June 2018 and took the opportunity to ask questions around the proposals.

Local Investments

7. The Working Party considered a report providing details of the current local investments. The report highlighted that the top priority for investments is to drive investment returns.
8. The Working Party confirmed the Fund's position that return is essential and there should be no 'preferential treatment' for local investment. The Working Party supported the view that the fund should work with LGPS Central on impact investments which might include a local element.
9. The Working Party considered if any changes were required to the Investment Strategy Statement in respect of local investment and, after discussion, decided that the current ISS accurately reflected the funds views.

Pension Fund Committee Training Policy / Strategy

10. The Working Party considered the following
 - Additional (or mandatory?) training
 - Additional or changed conference attendance
 - Format of quarterly investment meetings, e.g. combining meetings with training, is the time allowed for individual managers sufficient?
 - Confirmation of annual visit to Investment Manager
 - Property visit / training
 - Any other training needs
 - Impact of the move of assets to LGPS Central Ltd
11. After discussion no changes were proposed to the current training policy and strategy of the fund.

Other Options Considered

12. The Working Party meets twice a year to review aspects of the work of the Committee and make recommendations. No other options were considered.

Reasons for Recommendations

13. The recommendations reflect the views of the Working Party and Committee are asked to approve these.

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.

RECOMMENDATIONS

It is recommended that Committee

1. Support stock lending as part of the management of the external passive portfolio
2. Confirm the current approach to local investment and that no changes are required to the ISS.
3. Confirm the current approach to training and conferences.

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Constitutional Comments (SLB 09/07/2018)

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

Financial Comments (KRP 09/07/2018)

16. There are no financial implications arising from the contents 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