

Nottinghamshire Pension Fund Committee

Thursday, 13 June 2024 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- 1 Appointment of Chairman and Vice-Chairman
To note the appointment by full Council on 16 May 2024 of Councillor Eric Kerry as Chairman and Councillor Sue Saddington as Vice-Chairman of the Nottinghamshire Pension Fund Committee for the 2024/25 municipal year

- 2 To note the membership of the Nottinghamshire Pension Fund Committee for the 2024/25 municipal year

Nottinghamshire County Council

- Councillor Eric Kerry
- Councillor Sue Saddington
- Councillor Richard Butler
- Councillor John Clarke MBE
- Councillor Bethan Eddy
- Councillor Stephen Garner
- Councillor Roger Jackson
- Councillor Sheila Place
- Councillor Francis Purdue-Horan
- Councillor Tom Smith
- Councillor Lee Waters

Non-voting members

Nottingham City Council:

- Councillor Graham Chapman
- Councillor Zafran Khan
- Councillor A J Matsiko

Nottinghamshire Local Authorities

- Councillor Davinder Viridi, Rushcliffe Borough Council
- Councillor Dan Henderson, Bassetlaw District Council

Trades Union

- Yvonne Davidson
- Everton Lewis-Gordon

Scheduled Bodies

- Vacancy (selection process underway)

Pension representatives

- Vacancy x 2 (recruitment underway)

- | | | |
|---|----------------------------------------------------------------------|---------|
| 3 | Minutes of the last meeting held on 18 April 2024 | 5 - 8 |
| 4 | Apologies for Absence | |
| 5 | Declarations of Interests by Members and Officers:- (see note below) | |
| 6 | Pension Fund Treasury Management Outturn 2023-24 | 9 - 12 |
| 7 | LGPS Pooling Symposium conference | 13 - 18 |

8	Independent Adviser's report	19 - 22
9	Work Programme	23 - 28
10	Fund valuation and performance	29 - 38

11 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

- | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12 | Fund valuation and performance - exempt appendix |
| | <ul style="list-style-type: none"> Information relating to the financial or business affairs of any particular person (including the authority holding that information); |
| 13 | Fund managers presentations |
| | a) Aegon |
| | b) LGPS Central |

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>

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 18 April 2024 at 10.30am

membership**COUNCILLORS**

Eric Kerry (Chair)
Mrs Sue Saddington (Vice-Chair)

Richard Butler
John Clarke MBE
Bethan Eddy
Stephen Garner
Roger Jackson

Sheila Place - **Apologies**
Francis Purdue-Horan
Tom Smith
Lee Waters

SUBSTITUTE MEMBERS

Councillor Jim Creamer for Councillor Sheila Place

NON-VOTING MEMBERS:**Nottingham City Council**

Councillor Graham Chapman - **Absent**
Councillor Zafran Khan - **Apologies**
Councillor AJ Matsiko - **Apologies**

District / Borough Council Representatives

Councillor Davinder Viridi, Rushcliffe Borough Council - **Absent**
Councillor Dan Henderson, Bassetlaw District Council - **Absent**

Trades Union

Yvonne Davidson - **Apologies**
Vacancy

Scheduled Bodies

Sue Reader - **Apologies**

Pensioners' Representatives

Vacancy x 2

Independent Adviser

William Bourne

Officers in Attendance

Jon Clewes	(Chief Executive's Department)
Ciaran Guilfoyle	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Nigel Stevenson	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)
Jo Toomey	(Chief Executive's Department)

1. MINUTES OF THE LAST MEETING HELD ON 7 MARCH 2024

The Committee confirmed the minutes of the last meeting held on 7 March 2024 as a correct record.

2. APOLOGIES FOR ABSENCE

- Councillor Sheila Place (other reasons) substituted by Councillor Jim Creamer
- Councillor Zafran Khan (Nottingham City Council)
- Councillor AJ Matsiko (Nottingham City Council)
- Yvonne Davidson (Trade Union representative)
- Sue Reader (Scheduled bodies representative)

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

No interests were disclosed.

4. REVIEW OF PROGRESS ON CLIMATE ACTION PLAN

The Senior Accountant (Pensions and Treasury Management) presented the report which reviewed the Fund's progress against the Climate Action Plan.

During discussions Members:

- Sought assurance about how Nottinghamshire Pension Fund compared with other schemes
- Clarified the timing of the next triennial valuation and how it would be aligned with the next Climate Scenario Analysis

RESOLVED 2024/012

1. That the work undertaken in respect of the Climate Action Plan be endorsed and that progress made against the Climate Action Plan be noted.
2. That no other actions were required in relation to the progress on the Nottinghamshire County Council Pension Fund Climate Action Plan.

5. CLIMATE STEWARDSHIP PLAN

The Senior Accountant (Pensions and Treasury Management) presented the report on the updated Climate Stewardship Plan for 2024/25 and reported on engagement undertaken as part of the 2022/23 Climate Stewardship Plan.

10:38am – Councillor Clarke entered the meeting

During discussions:

- A question was raised about the different period covered by the Anglo-American update in Appendix B
- One member made comments in dissent of the Fund's strategy of engagement, expressing concerns about dilution through stock lending and indicating their preference for disinvestment

RESOLVED 2024/013

That the Climate Stewardship Plan 2024/25 and the engagement undertaken as part of the Climate Stewardship Plan be noted.

6. REPORT ON THE LOCAL GOVERNMENT PENSION SCHEME CONFERENCE

The Pensions Manager presented the report on the Local Government Pension Scheme Conference 2024. This outlined the key themes of the conference and summarised the presentations.

RESOLVED 2024/014

That the contents of the report be noted.

7. PROXY VOTING

The Investments Officer presented the report. It updated members of the voting of equity holdings in the second half of the 2023 calendar year as part of the Fund's commitment to supporting best practice in corporate governance.

RESOLVED 2024/015

That the contents of the report be noted.

8. LOCAL AUTHORITY PENSION FUND FORUM

The Investments Officer presented the report which updated members on the Local Authority Pension Fund Forum business meetings held in October 2023 and January 2024.

RESOLVED 2024/016

That the contents of the report be noted.

9. PENSIONS REGULATOR GENERAL CODE OF PRACTICE

The Pensions Manager introduced the report on the Pensions Regulator General Code of Practice. It informed the Committee about the new Code and what action the Fund would need to take to implement it.

During discussions the committee:

- Asked when the action plan would be started and the work programming of any items that required amendment
- Noted that the Fund would need a formal policy setting out training requirements for committee members and substitutes and that training attendance would be reported on as part of the Annual Report

RESOLVED 2024/017

1. That a gap analysis between the new Pensions Regulator General Code of Practice and the Fund's existing policies and procedures be conducted.
2. That a plan be created for ensuring compliance with the new Pensions Regulator General Code of Practice.

10. WORK PROGRAMME

Three additional items were suggested for inclusion on the Committee's work programme:

- An update report on the impact of the abolition of the lifetime allowance and its replacement with the lump sum allowance and the lump sum and death benefit allowance
- A review of the Fund's stock lending and its coordination with stewardship activity
- Agreeing a letter in support of a Private Members' Bill introduced by Baroness Altmann which was seeking to amend the Alternative Investment Fund Managers Regulations 2013

RESOLVED 2024/018

That the work programme be agreed with consideration being given to how best to accommodate the additional items that had been requested.

Before closing the meeting, the Chair placed on record the thanks of the Committee to the Pensions Manager, who was attending his final meeting before retirement. He thanked Mr Clewes on behalf of the Committee for his local government service and in particular the work he had undertaken in support of the Committee and the Fund more generally.

The meeting concluded at 11:14am.

CHAIR

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**PENSION FUND TREASURY MANAGEMENT OUTTURN 2023/24****Purpose of the Report**

1. To provide a review of the Pension Fund's treasury management activities for the year to 31 March 2024.

Background

2. Treasury management is defined as 'the management of the council's investments and cashflows; 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'.
3. Responsibility for the treasury management of the Pension Fund was delegated to the Pension Fund Committee at Full Council in February 2020. The purpose of this was to improve the clarity of the governance of the Pension Fund Committee, and to recognise the role of cash investments as part of the Fund's wider investment strategy. This report summarises pension fund cash investment activity for the year 2023/24.
4. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:
 - the Service Director (Finance, Infrastructure & Improvement)
 - the Group Manager (Financial Services)
 - the Senior Accountant (Pensions & Treasury Management)
 - the Senior Accountant (Financial Strategy & Accounting)
 - the Investments Officer.
5. During 2023/24, cash investment activities were in accordance with the approved limits as set out in the Fund's Treasury Management Policy and Strategy. The main points from this report are:
 - All treasury management activities were carried out by authorised officers within the limits agreed by the Pension Fund Committee.
 - All investments were made to counterparties on the Fund's approved lending list.

- At 31 March long-term cash deposits were zero - within the limit agreed as a Fund Prudential Indicator.
- Averaged over the year the Fund earned 5.06% on its cash investments, compared to the adjusted average Sterling Overnight Index Average (SONIA) rate for 2023/24 which was 4.84%.

Outturn Treasury Position

- The Fund's Treasury Management strategy and associated policies and practices for 2023/24 were approved in March 2023 by Pension Fund Committee. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.
- The Fund manages its cash flows through lending activities on the wholesale money markets. The Fund has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.
- The Fund's average cash balance over 2023/24 was £176.7m (compared with £153.4m in 2022/23), and the table below shows a summary of the deposit/recall activity underlying this:

	Total B/f £000	Total Raised £000	Total Repaid £000	Outstanding £000
INSIGHT MMF	0	45,250	-5,250	40,000
LGIM MMF	16,950	75,150	-52,100	40,000
BLACK ROCK	35,600	72,600	-99,600	8,600
JP MORGAN	600	96,300	-96,900	0
ABERDEEN STANDARD	40,000	112,650	-118,250	34,400
FEDERATED	13,600	56,950	-30,550	40,000
	106,750	458,900	-402,650	163,000

- The table below shows some of the larger investment commitments that the Fund's cash balance is required to cover, over and above the required monthly pension payments. Although the total commitment at 31 March exceeds the £163m cash balance, the anticipated drawdowns for Private Equity and Infrastructure commitments will be made over a number of years. Furthermore, any planned property purchases (by abrdn) have a long enough lead-in for the liquidity to be comfortably arranged.

Commitment estimates as at 31 March 2024	£m	When required
Schroders cash balance	42.6	Immediately
Private Equity commitments	111.7	Unpredictable
Infrastructure/Credit commitments	140.7	Unpredictable
Property commitments	38.0	Unpredictable
Total	333.0	

10. The Fund made use of Money Market Funds as part of its strategy of keeping cash balances available for investment in its main portfolios. The return achieved on Pension Fund cash balances over the course of the year was 5.06%, higher than the adjusted average Sterling Overnight Index Average (SONIA) rate over the same period, which was 4.84%.
11. For comparison purposes, average returns on cash for 2023/24 for Nottinghamshire and some of our partners in LGPS Central are shown in the table below. These have been anonymised as not all have published their returns to date:

A General Fund	5.08%
Nottinghamshire Pension Fund	5.06%
Nottinghamshire General Fund	5.01%
B Pension Fund	c. 5%
C General Fund	4.98%
D Pension Fund	4.84%
E General Fund	4.79%
F General Fund	4.78%
G Pension Fund	4.56%
H Pension Fund	4.23%

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.

RECOMMENDATION/S

13. That Pension Fund Committee members approve the Outturn Statement as set out in the report.

Nigel Stevenson

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

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 22/05/2024)

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

Financial Comments (TMR 20/05/2024)

15. 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.

- CIPFA Code, Treasury management in the public services, 2021

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**LGPS POOLING SYMPOSIUM 2024****Purpose of the Report**

1. To report on the LGPS Pooling Symposium 2024.

Information

2. The LGPS Pooling Symposium 2024 was held on 23rd to 24th April 2024 in Sutton Coldfield. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills; the conference was attended by Mrs Tamsin Rabbitts (Senior Accountant – Pensions and Treasury Management) and Ciaran Guilfoyle (Investments Officer).
3. This was the first time Nottinghamshire have attended this conference. It provided an opportunity to discuss pooling issues and share experience with colleagues from other Funds and Pools.

4. ***John Harrison, Adviser, Border to Coast***

The conference began with John welcoming everyone to the event.

Interview: AustralianSuper Carl Astorri, Head of Investments, Europe, AustralianSuper

Pooling of LGPS assets was only started recently, but other countries began their journeys many years ago. This was an interesting session discussing how pooling has developed in Australia, and how, although a DC scheme, rather than DB, and despite the greater maturity, some challenges are still common.

5. ***Panel: Government's policy proposal Nick Dixon, Avon Pension Fund, Roger Phillips, Scheme Advisory Board, Chris Rule LPPI, Phil Triggs, Westminster City Council***

All observed that the LGPS has been given a clear direction of travel, but we don't have the guidance. Many of the Government's objectives are not LGPS objectives and there was concern that this could lead to sub-optimal solutions. Generally the opinion was that Pools should not be competing but need to cooperate to leverage better outcomes. Reducing the number of Pools would be a step in this direction. It was observed that there is currently no provision for funds to merge, only for one to take over another. Funds joining together could become a route to change Pools.

6. **Panel: Strategy Perspective (Global Equities) Keith Guthrie, Cordano, Eric Lambert, Independent Adviser, George Sakoulis, GMO Horizons**

It was observed that 80% of pension payments arise from investment returns, not contributions. The Panel commented in geopolitical tensions and systemic risk such as climate. All expect more volatility.

7. **Panel: Strategy Perspective (Fixed Income) Matt Lawton, Tim Mpofu, Katrina Uzun**

The panel emphasised the importance of fixed income to deliver income to maturing schemes. Katrina Uzun provided a list of five reasons to invest in EMD:-

1. Scale – EMD makes up 16% of Global Fixed Interest and is growing
2. Credit rating – an average of BBB.
3. Yield – 8% implying a 10% return for the next 5 years
4. Diversification from other Fixed Income
5. Consistency – delivers positive returns 96% of the time (historically)

8. **Panel: Global Macro Investment Forecast William Bourne, Independent Adviser, Jamie Dannhauser, Ruffer, Guillermo Felices, PGIM Fixed Income**

The panel explored a number of factors likely to influence global economics as the world faces elections in many countries, central bank monetary policy and continuing global conflicts. Interest costs are making up an increasing proportion of government costs in many countries, and inflation continues to be a risk. Yields on Fixed Income are expected to stay high. Social factors (such as AI, or war) could have a major impact. Recommendations in this climate are UK mid cap, Japan, UK large cap.

9. **Panel: Implementing Government Policy for Pooling Assets – a Pool Perspective Aoifin Devitt, London CIV, Kevin McDonald, ACCESS, Joe McDonnell, Border to Coast, Euan Miller West Yorkshire Pension Fund, Anthony Parnell, Carmarthenshire County Council**

This was an interesting discussion featuring so many different Pool perspectives. There was broad agreement that Pools would not be able to add value to passive holdings. There was a welcome comment that Pools are there to produce what Partner Funds want, which might not always be what Government wants. Progress was compared in high level terms, but most Pools do not anticipate getting to 100%. The importance of value for money was emphasised - for some investments there is no advantage to bringing them into the Pool.

10. **Panel: Investing in Property Justin Faiz, Pluto Finance, Mike Hardwick, LGPS Central, Alistair Smith, Border to Coast, Giles Smith, Principal Asset Management**

Some interesting observations on the challenges of pooling property, especially the tax implications. Positive comments made about the value of exchanging ideas with other pools. Related investments such as property debt and residential were discussed together with ESG related issues for the asset class.

11. **Panel: Strategy Perspective (Private Markets) Pierre Abadie, Tikehau Capital, Jeff Dong, City and County of Swansea, David Hedalen, Aviva Investors**

The advantages of private assets were outlined – illiquidity premium, inflation linkage, yield, but also the social benefits and contribution to net zero – there is a significant requirement for investment in the transition and as a country we are importing a significant proportion of our energy. It was observed that there was a need to overcommit in order to achieve the desired allocation.

12. Panel: Net Zero *Baiju Devani, Bluefield Partners, Becky LeAnstey, Environment Agency, Shiventa Sivanesan, West Midlands Pension Fund, Rosalind Smith-Maxwell, Quinbrook Infrastructure Partners*

There were a wide range of perspectives aired in this session, both investment and environmental. It was accepted that there are both risks and opportunities arising from climate change, but as pension funds it is not our role to solve all the issues. The importance of real world decarbonisation and not just portfolio statistics was emphasised. The next ten years will be important – this is not just about power generation but aviation, shipping and heating. The early wind farms are on the best sites and will need to be re-powered with new efficient turbines. Grid reinforcement is required to enable further renewables to generate.

13. Panel: Building local impact solutions across the private asset classes *Jamie Broderick, Impact Investing Institute, Debbie Fielder, Clwyd Pension Fund, Lee Moscovitch, Schroders Greencoat, James Murray, AlphaReal*

This was defined as a social impact accompanied by a financial return. 'Local' can be defined as your county, region or country.

Some of the challenges in this area were outlined. For it to be worthwhile locally an investment needs to have local supply lines and be in line with local priorities and support local people, not be an external company coming in with external staff and then leaving. Some pension funds have struggled to identify investment opportunities in the local area and it can take time to deploy capital. There were mixed feelings as to whether pooling helps or hinders in this area as many mandates are too small for pools to consider.

14. Panel: Pension Funds' Toolkit for Advancing Corporate Governance and Sustainability in Their Investments *Martin Bailey, London Borough of Lambeth, Guillaume Buell, Labaton Keller Sucharow*

This session considered the philosophy and practicality of using or threatening legal action against companies. Broadly it was felt that the option strengthens investors toolkits and is better than divesting with some actions driving substantial changes. There are many steps before litigation, but it can be a useful 'stick' to encourage engagement. 200 cases per annum are taken in the US against companies where directors have committed fraud. The SEC feels class actions are important in controlling markets and over £1.5bn p.a. has resulted from class actions over each of the last ten years.

15. Panel: Private Debt *Brian Coleman, JP Morgan, Jill Davys, Redington, Christian Stracke, PIMCO*

Private Debt has grown to fill in the gaps created by banks withdrawing due to regulation changes. It can also result from banks selling on loans or to finance property and infrastructure projects. The wide spectrum of investments enables diversification. The focus now is more on income generation which can be a good match for maturing LGPS funds. The risk of defaults in a higher rate environment was discussed.

16. Interview: Railpen *Ted Jennings, Railpen*

This was a fascinating insight into a major pension fund which has both similarities and significant differences to the LGPS. The importance of building up trust over time was clear. The key points which can be applied to the LGPS are:-

- Generally a 90% solution is good enough.

- Keep the range of products minimal.
- Don't change things which are working.

17. *Panel: What Lies Ahead Jo Kempton, Lincolnshire County Council, Andrien Meyers, Royal Borough of Kingston / London Borough of Sutton, John Nestor, Capital Cranfield, Mike O'Donnell, formerly London CIV*

The Panel were asked to consider the potential direction of travel for pooling for the next five years. Nobody anticipated transitioning 100% of their assets given the challenges of property and legacy private assets. Pension Funds felt the next challenge was in recruiting and retaining Pension Administrators to properly resource their Funds.

Statutory and Policy Implications

18. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public 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.

RECOMMENDATION/S

- 1) That Nottinghamshire Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to investments.
- 2) That Members consider if there are any actions they require in relation to the issues contained within the report

Nigel Stevenson

Service Director - Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 22/05/24)

19. Nottinghamshire Pension Fund Committee is the appropriate body to consider this report.

Financial Comments (TMR 20/05/24)

20. There are no financial implications arising from this report

Background Papers and Published Documents

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

None

13 June 2024

Agenda Item: 8

REPORT OF THE ADVISOR TO THE NOTTINGHAMSHIRE PENSION FUND COMMITTEE

INDEPENDENT ADVISER'S REPORT

Purpose of the Report

1. To provide an opportunity for the Advisor to the Committee to update and brief the Committee on matters relevant to the Pension Fund (Appendix A).

Information

2. The Nottinghamshire Pensions Fund Committee receives regular updates from its advisor. The updates set out issues affecting the fund, including matters on a national and global level.
3. The last update was presented to the Committee at its meeting on 7 March 2024.

Statutory and Policy Implications

4. 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

5. There are no financial implications arising as a result of this report.

RECOMMENDATION/S

- 1) That the report of the Advisor to the Nottinghamshire Pension Fund Committee be noted.

William Bourne

Advisor to the Nottinghamshire Pension Fund Committee

For any enquiries about this report please contact:

Jo Toomey, Advanced Democratic Services Officer
Telephone: 0115 977 4506
Email: jo.toomey@nottsc.gov.uk

Constitutional Comments (KK)

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

Financial Comments (SES)

7. There are no specific 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.

- None

Electoral Division(s) and Member(s) Affected

- All



Independent Adviser's Report for Nottinghamshire Pension Fund Committee

William Bourne

20th May 2024

Market Commentary

1. Three months ago I reiterated my view that the main long-term risk to the fund remains inflation. In the short term the headline data has continued to fall, but if bond yields or inflation turn out higher than expected western governments will be under pressure from rising debt service costs.
2. The Chancellor produced a balanced Budget in March with forecasts of a small primary (i.e. excess of income over current expenditure) surplus by 2028-9. However, there will be little impact on the overall level of debt, and his forecasts are heavily reliant on forecasts, in my view optimistic, that inflation and bond yields will stay low over the next five years.
3. Inflation is falling from the 2022 peaks, but is still well above the 2% target in place for most central banks. Among developed economies consumer inflation ranges from 2.4% (E.U.) to 3.4% (U.S.). China is the major outlier, where inflation is only just above zero. Services inflation seems to be the major driver, perhaps caused by labour shortages in the U.S. and U.K.
4. United States economic growth grew by 3.4% in 2023 but slowed in the most recent quarter. The U.S. economy has historically been on a better path than other G7 countries, which may be one reason why its inflation data is higher. However, forward looking data (e.g. Purchasing Managers Indices) suggest that European economies may be improving in relative terms.
5. In contrast China, the world's other engine, has been struggling with deflation, despite relatively loose monetary conditions. 2023 economic growth was 5.2% after 3.0% in 2022. The last six months have seen a significant slowdown, but manufacturing activity data has ticked up in the last couple of months. Evergrande (second largest real estate company) finally went into administration.
6. The Japanese yen reached a 34 year low against the USD. The Bank of Japan's policy of keeping interest rates low has led to a significant differential with the U.S. and the yen has become a favoured currency to borrow in. With interest rate cuts in the U.S. looking less likely, there is little catalyst in the short term to change this dynamic. However, the yen is about 30% undervalued in purchasing

power parity terms (e.g. the relative prices of a McDonalds' burger).

7. A theme in my recent reports has been the growing levels of public debts as politicians struggle to keep expenditure and revenue in balance. The cost of servicing debt is an increasing part of expenditure, about 16% for the U.S. and 11% for the U.K. If either bond yields or inflation are higher than expected, these numbers will rise substantially and put pressure on government budgets.
8. Geo-politics remains a source of risk, but markets have so far not been greatly disrupted even when there has been a threat to oil supply security, as in the Red Sea. However, the cost of these more localised confrontations to the West will have an impact on both fiscal spending and also on inflation — governments are rarely price sensitive, especially when it comes to military expenditure.
9. Donald Trump's route to becoming the Republican Party candidate for the Presidential election is now looking clearer, though the current court case still means uncertainty. We do not (at the time of writing) know who will be the vice-presidential candidates. This is relevant, given the age of the two likely contenders.
10. The combination of moderate growth (led by the U.S.), low inflation, and loose fiscal and monetary policy remains benign for investors. The bond yield curve is still inverted, but much less so than at the beginning of 2024. After a year of rising markets, a correction may well be expected but I cannot see an immediate catalyst. Valuations are looking stretched in some areas such as tech. but remain reasonable in others (e.g. small cap., Europe, Japan, Emerging markets).
11. Further out the storm clouds are gathering. There will inevitably be uncertainty at the time of the U.S. election, which will be exacerbated if the result is disputed. The new administration will have to deal with a primary deficit which is out of control and rapidly increasing debt levels. Higher growth will help, but bond markets are in my view likely to pick up on the risks here.
12. I therefore expect U.S. ten year bond yields to test 5% (at the time of writing 4.42%) at some point over the next eighteen months and perhaps go significantly higher. Theory says this should have a negative impact on valuations of other asset classes including equities. However, that may be muted by the sheer weight of money needing a home.
13. In the longer-term (much) higher inflation seems to me to be the inevitable consequence of fiscal incontinence and the growing reliance on short-term financing, especially in the U.S. We are effectively going to the Magic Money Tree. This will have a negative impact on the Fund's future service costs and consequently on liabilities. I therefore recommend that the long-term strategic focus should remain on building up allocations to assets which will help to mitigate this risk.

**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.

Other Options Considered

4. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

6. 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@nottsc.gov.uk

Tel: 0115 977 4506

Constitutional Comments (HD)

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

Financial Comments (NS)

8. 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 31 May 2024)

Report Title	Summary of agenda item	Report Author
11 July 2024		
Proxy voting	Summary of voting activity	Ciaran Guilfoyle
Local Authority Pension Fund Forum business meeting	Report from Local Authority Pension Fund Forum business meeting	Ciaran Guilfoyle
Pooling update	An update will be provided on pooling arrangements	LGPS Central
Abolition of lifetime allowances		Barnett Waddingham
Pensions and Lifetime Savings Association (PLSA) Local Authority Conference 2023	Key themes from the conference	Nigel Stevenson
12 September 2024		
Fund valuation and performance – quarter 1	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Working party report	Matters raised at the working party held on 11 July 2024	Tamsin Rabbitts
Implications of the abolition of the lifetime allowance on the Nottinghamshire Pension Fund		Sarah Stevenson
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser
Managers presentations	Presentations by Fund Managers (exempt)	Schroders and Abrdn
14 November 2024		
Climate risk metrics	Analysis from LGPS Central on the position as at 31 March 2024	Tamsin Rabbitts
Review of progress on the Climate Risk Action Plan	6-monthly report	Tamsin Rabbitts
Presentation of the Pension Fund accounts	Formal presentation of the Pension Fund accounts to Committee before the Annual General Meeting	Tamsin Rabbitts
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
Local Authority Pension Fund Forum business meeting	Report from the Local Authority pension Fund Forum business meeting	Ciaran Guilfoyle

Report Title	Summary of agenda item	Report Author
Local Authority Pension Fund Strategic Investment Forum Conference	Report on the presentations attended by representatives of the Fund at the Local Authority Pension Fund Strategic Investment Forum Conference held in July 2024	Tamsin Rabbitts
Review of the Pension Fund Risk Register		Sarah Stevenson
Review of Pension Fund Annual Report 23/24		Ciaran Guilfoyle
Annual administration performance report		Sarah Stevenson
Review of Pension Fund Strategies	Awaiting guidance from the Scheme Advisory Board on the implications of the Pension Regulator's General Code of Practice	Tamsin Rabbitts
Treasury Management mid-year report 2023/24	Summary of treasury management activity to 30 September 2023	Ciaran Guilfoyle
12 December 2024		
Fund valuation and performance – quarter 2	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser
Managers presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM
30 January 2025 (Annual General Meeting)		
Nottinghamshire Pension Fund Annual Report	Annual report of the Nottinghamshire Pension Fund	
Actuarial issues	Barnett Waddingham LLP presentations	
Management and Financial Performance	Financial management presentation	
Investment Performance	Pensions and treasury management presentation	
Pensions administration	Presentation from the Pensions Administration Team	
Questions	Responses to questions submitted in writing no less 10 working days before the meeting	
13 March 2025		
Strategic asset allocation working party report	Report on the discussions and recommendations arising from the January working party meeting on the Fund's Strategic Asset Allocation and Investment Strategy and any other issues discussed	Tamsin Rabbitts

Report Title	Summary of agenda item	Report Author
Treasury Management Strategy 2024/25	Strategy for the forthcoming financial year	Ciaran Guilfoyle
Conferences and training report	Planned training and conferences for 2024/25	Tamsin Rabbitts
Fund valuation and performance – quarter 3	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt Appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser
Managers presentations	Presentations by Fund Managers (exempt)	Abrdn and Schroders
Report on the Local Authority Pension Fund Forum conference	Report on the presentations attended by representatives of the Fund at the Local Authority Pension Fund Forum Conference held in December 2024	
24 April 2025		
Review of progress on the Climate Risk Action plan	6-monthly report	Tamsin Rabbitts
Climate Stewardship report	Progress on the Fund's climate stewardship strategy	Tamsin Rabbitts
Review of the Pension Fund Risk Register		Sarah Stevenson
Proxy voting	Summary of voting activity	Ciaran Guilfoyle
Local Authority Pension Fund Forum business meeting	Report from Local Authority Pension Fund Forum business meetings	Ciaran Guilfoyle
Report on the Local Government Pension Scheme Governance Conference	Report of the presentations attended by representatives of the Fund at the Local Government Pension Scheme Governance Conference held in January 2025	
26 June 2025		
Fund valuation and performance – quarter 4	Summary of quarterly performance	Tamsin Rabbitts
Fund valuation and performance – exempt appendix	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's report	Independent Adviser's review of performance	Independent Adviser

Report Title	Summary of agenda item	Report Author
Managers presentations	Presentations by Fund Managers (exempt)	LGPS Central and Aegon
25 July 2025		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
Annual administration performance report		Sarah Stevenson
Pooling update	An update will be provided on pooling arrangements	LGPS Central
Treasury management outturn 2023/24	Summary of Treasury management activity for the year ended 31 March 2023	Ciaran Guilfoyle
To be placed		
Pensions Administration – Tracing Service		Sarah Stevenson
Pension Fund Review of Cyber Security – Pension Regulator Requirement		Sarah Stevenson

13 June 2024
Agenda Item: 10

REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

FUND VALUATION AND PERFORMANCE

Purpose of the Report

1. To report on the total value and performance of the Pension Fund to 31 March 2024.

Information and Advice

2. This report is to inform the Nottinghamshire Pension Fund Committee of the value of the Pension Fund at the end of the latest quarter and give information on the performance of the Fund. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendices.
3. The table below shows a summary of the total value of the investment assets of the Fund as at 31 March 2024 in comparison with the benchmark, together with the comparative position 3 and 12 months previously. The benchmark is a long-term target which the fund will move towards over the next year.

	Latest Quarter		Long term	Previous Quarter		Previous Year	
	31 Mar 2024		Benchmark	31 Dec 2023		31 Mar 2023	
	£m	%		£m	%	£m	%
Growth	4,469	63.8%	57%	4,228	62.9%	4,008	62.3%
Inflation Protection	1,645	23.5%	28%	1,612	24.0%	1,601	24.9%
Income	699	10.0%	11%	680	10.1%	633	9.8%
Liquidity	191	2.7%	4%	207	3.1%	194	3.0%
	7,003	100.0%	100%	6,726	100.0%	6,436	100.0%

4. Liquidity includes the Fund's short bond portfolio which is designed to return cash to the Fund over the next year or so as commitments to less liquid investments are called.
5. Within Inflation Protection are investments in Infrastructure assets amounting to £507.4m or 7.3% of the fund. If funds committed but not yet drawn down are included, the allocation to

infrastructure would total 8.6% of the fund. Following the decisions made by Pension Fund Committee in March 24 there was a long-term target for investments in infrastructure to be 9.3% of the fund.

6. The table below shows the detailed breakdown by portfolio of the Fund as at 31 March 2024 together with the total value of each portfolio at the previous quarter end.

	Core Index		Schroders		LGPS Central		Aegon S		Abrdn		Specialist		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Growth														
UK Equities	486.9	33%	714.3	35%	0.0	0%					0.0	0%	1,201.2	17%
Overseas Equities														
North America	320.8	22%	793.5	39%							0.0	0%	1,114.3	16%
Europe	289.0	20%	169.6	8%							167.7	11%	626.3	9%
Japan	151.2	10%	71.1	3%							71.5	5%	293.8	4%
Pacific	129.9	9%	52.7	3%									182.6	3%
Emerging Markets	84.3	6%	113.3	6%	132.6	10%					0.0	0%	330.2	5%
Global	0.0	0%	80.6	4%	413.5	30%					0.0	0%	494.1	7%
	975.2	67%	1,280.8	63%	546.1	39%					239.2	15%	3,041.3	43%
Private Equity					59.8	4%					167.0	11%	226.8	3%
Inflation protection														
Property														
UK Commercial									363.7	69%			363.7	5%
UK Commercial - Local									29.6	6%			29.6	0%
UK Strategic Land									3.0	1%			3.0	0%
Pooled - UK					8.2	1%			35.7	7%	156.6	10%	200.5	3%
Pooled - Overseas									91.6	17%	57.8	4%	149.4	2%
									523.6		214.4	14%	746.2	11%
Infrastructure					124.6	9%					382.8	24%	507.4	7%
Inflation Linked					33.9	2%					357.0	23%	390.9	6%
Income														
UK Bonds														
Gilts					134.1	10%							134.1	2%
Corporate Bonds					134.1	10%							134.1	2%
Overseas Bonds														
Corporate Bonds					321.4	23%							321.4	5%
					321.4	23%							321.4	5%
Credit					155.6	11%					87.4	6%	243.0	3%
Liquidity														
Cash/Currency	0.0	0%	42.6	2%	0.2	0%	0.0	0%	0.0		121.2	8%	164.0	2%
Short bonds							26.8	100%					26.8	0%
Total	1,462.1	21%	2,037.7	29%	1,383.9	20%	26.8	0%	523.6	7%	1,569.0	22%	7,003.1	
Previous Qtr Totals	1,379.9	21%	1,915.5	28%	1,328.9	20%	41.4	1%	525.7	8%	1,535.0	23%	6,726.4	

7. The value of the Fund's investments has increased by £276.7 million (4.1%) since the previous quarter. Over the last 12 months the value has increased by £567.1 million (8.8%).

8. The table below shows the unaudited Fund Account for 2023/24 with the audited full year figures for 2022/23.

Summary Fund Account	Full Year 2023/24 £000	Full Year 2022/23 £000
Employer contributions	(208,435)	(175,315)
Member contributions	(61,577)	(54,643)
Transfers in from other pension funds	(16,005)	(18,937)
Pensions	221,114	197,937
Commutation of pensions and lump sums	38,722	36,224
Lump sum death benefits	6,933	6,202
Payments to and on account of leavers	7,945	17,991
Net (additions)/withdrawals from dealings with members	-11,303	9,459
Administration Expenses	3,164	2,687
Oversight & governance expenses	1,875	1,701
Investment management expenses	21,470	21,838
Investment Income	(92,709)	(90,118)
Profits & losses on disposals & changes in value	(483,520)	204,164
Taxes on income	335	404
Net Returns on Investments	(334,373)	114,450
 Net (increase)/decrease in net assets	 (575,894)	 150,135

Sustainable investments and fossil fuels

9. The Pension Fund has been asked to publish figures showing the Fund's direct and indirect holdings of fossil fuel companies together with the Fund's investments in Sustainable equities and renewable energy.
10. This data is published together with detailed caveats below. It is anticipated that these figures will show a gradual increase in investment in Sustainable equities and renewable energy. It is further anticipated that investments in fossil fuels will decrease as a proportion of the Fund over time. However fossil fuel holdings will vary from quarter to quarter in Schroders (direct) portfolio as investments are made based on Schroders assessments of market opportunities. Valuations will also change from quarter to quarter in both categories due to changes in share prices which are highly correlated to the oil price. Consequently this downward trend is unlikely to be smooth.

	Latest Quarter		Previous Quarter		Previous Year	
	31 Dec 2023		31 Dec 2023		31 Mar 2023	
	£m	% of Fund	£m	%	£m	%
Schroders Fossil fuel	114.8	1.64%	112.7	1.67%	103.8	1.61%
Other Fossil fuel	97.2	1.39%	91.6	1.36%	90.8	1.41%
Total Fossil fuel	212.0	3.03%	204.3	3.02%	194.5	3.02%
Sustainable & Renewable	888.3	12.68%	835.5	12.37%	823.4	12.79%

11. Despite further investments in the Aegon Sustainable Diversified Growth Fund the proportion of the Fund invested in both Fossil Fuel and Sustainable investments has remained stable over the last year.
12. Schroders hold a number of Oil and Gas companies within the Active Equity portfolio. Sustainability forms part of their criteria in assessing companies for investment. For example one of their holdings, Equinor, develops not only oil but gas, wind and solar energy. Schroders gained £4.0m on their Oil and Gas holdings during the quarter.
13. The 'Other Fossil fuel' category is almost entirely the Energy sector in our passive portfolio and will reflect the share of the index relating to Energy. It should be noted that the Energy sector includes any renewable energy companies within the index, and that some oil and gas producers are also involved in the production of biofuels, hydrogen, wind power and solar energy, so have a renewables element. As a result of these two factors the figure for fossil fuels is likely to be overstated, and the figure for renewables understated.
14. Equally there will be some companies such as those in the mining sector which do not fall within this category but may produce for example coal which would not be included in these figures.
15. For this reason, while the data provided should show the Fund's exposure to fossil fuels reducing over time, it can only be an indicative part of our risk monitoring and does not provide the full picture.
16. A more thorough assessment of the Fund's equity investments is provided by LGPS Central's 2023 carbon risk analysis which assesses the carbon footprint and weight in fossil fuel and coal reserves which was presented to Committee at the December 2023 meeting.
17. The 'sustainable and renewable energy' investment figure contains more estimates. The figure includes eleven specific investments – the Renewables Infrastructure Group, Impax Environmental, Aegon Sustainable Diversified Growth Fund, the three LGPS Central Global Sustainable Equity funds, and three renewable energy infrastructure investments – Capital Dynamics Clean Energy Infrastructure VIII, Green Investment Bank's Offshore Wind Fund and the Langar Lane Solar Farm. First Solar and Siemens Energy, held within the Schroders portfolio are also included.
18. An estimate of the renewable energy investments within the Fund's other infrastructure funds was added to these identified investments. Not all funds identify this as a sector in their reporting so this data is incomplete. Furthermore because of the longer reporting cycle for unlisted investments the estimate was based on both valuations and percentages from earlier in the year, so this figure can only be considered indicative, but is likely to be an underestimate.
19. It can be seen that the Fund's investments in Sustainable Equities and Renewable Energy is now several times higher than those in Fossil Fuel investments.
20. Because of the way they are calculated, these numbers will only ever be indicative, but are helpful for the pension fund in identifying risk and progress.

Core Index Portfolio

21. Below are detailed reports showing the valuation of the Core Index portfolio at the quarter end and the transactions during the quarter. The table below summarises the valuation and compares it to the portfolio benchmark (and a comparison with the previous quarter).

	31 Mar 2024			31 Dec 2023		
	Portfolio	B/Mark		Portfolio		
	£000	%	%	£000	%	
UK Equities	486,877	33.3%	35%	469,862	34.0%	
Overseas Equities:	975,194	66.7%	65%	910,068	66.0%	
North America	320,767	21.9%	20%	291,414	21.1%	
Europe	289,045	19.8%	20%	271,946	19.7%	
Japan	151,232	10.3%	10%	135,536	9.8%	
Pacific Basin	129,898	8.9%	10%	129,612	9.4%	
Emerging Markets	84,252	5.8%	5%	81,560	5.9%	
Cash	0	0.0%	0%	0	0.0%	
Total	1,462,071			1,379,930		

22. The table below summarises transactions during the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities			0
Overseas Equities			
North America		2,513	2,513
Europe		0	0
Japan			0
Pacific Basin			0
Emerging Markets	0	0	0
Totals	0	2,513	2,513

These sales related to the disposal of some legacy holdings.

Schroder Investment Management Portfolio

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

	31 Mar 2024			31 Dec 2023		
	Portfolio	B/Mark		Portfolio		
	£000	%	%	£000	%	
UK Equities	714,279	35.1%	40.0%	693,495	36.2%	
Overseas Equities	1,280,870	62.9%	59.5%	1,180,262	61.6%	
North America	793,453	38.9%	35.7%	718,104	37.5%	
Europe	169,637	8.3%	7.6%	158,901	8.3%	
Japan	71,104	3.5%	3.6%	68,525	3.6%	
Pacific Basin	52,701	2.6%	2.8%	49,483	2.6%	
Emerging Markets	113,342	5.6%	5.8%	108,946	5.7%	
Global Small Cap	80,633	4.0%	4.0%	76,303	4.0%	
Cash	42,620	2.1%	0.5%	41,748	2.2%	
Total	2,037,769			1,915,505		

24. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	13,758	4,178	9,580
Overseas Equities			
North America	63,365	80,405	-17,040
Europe	22,336	19,935	2,401
Japan	6,663	6,776	-113
Pacific Basin	4,000	0	4,000
Emerging Markets	0	0	0
Global Small Cap	0	0	0
Totals	110,122	111,294	-1,172

LGPS Central

25. The table below summarises the valuation by asset class of investments managed by LGPS Central. The proportional holdings are also shown. However the allocation to each LGPS Central fund is at the discretion of the Pension Fund in line with the overall Pension Fund approved asset allocation and as such there is no benchmark for this portfolio.

	31 Mar 2024		31 Dec 2023	
	Portfolio		Portfolio	
	£000	£000	£000	%
Global equity	413,513	30%	382,976	29%
EM equity active	132,615	10%	129,659	10%
Corporate bonds	321,386	23%	318,431	24%
Gilts	134,148	10%	136,243	10%
Index linked gilts	33,922	2%	35,271	3%
Private Equity	59,777	4%	54,578	4%
Infrastructure	124,617	9%	113,348	9%
Credit	155,634	11%	153,312	12%
Property	8,184	1%	4,883	0%
Cash	195	0%	191	0%
Total	1,383,991		1,328,892	

26. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Bonds			
Gilts	666	0	666
Corporate Bonds	0		0
Equities			
UK	0		0
Global	0		0
Emerging Markets	0		0
Index Linked Gilts	0		0
Private Equity	5,301	-6	5,307
Infrastructure	12,769		12,769
Property	3,574		3,574
Credit			0
Totals	22,310	-6	22,316

Abrdn (previously Aberdeen Standard Investments)

27. The Committee is asked to note that approval was given in the last quarter to the following, after consultation with Members where appropriate, as operational matters falling under the responsibility of the Service Director, Finance, Infrastructure & Improvement exercised by the Senior Accountant (Pensions & Treasury Management):

Date	Property	Transaction
25/01/2024	Units 6 and 7 Concorde Park, Concorde Way, Fareham	Deed of Surrender
08/02/2024	Unit 2A Bagshot Retail Park, Bagshot, Surrey	Lease and License for Alterations
08/02/2024	Unit 4 Crosspoint Business Park, Coventry	Renewal Lease
21/02/2024	Unit 10 Concorde Park, Fareham	License
07/03/2024	Unit MK180, Chippenham Drive, Milton Keynes	Rent Review Memorandum
21/03/2024	Land East Of Rosemead, Horebreech Lane, Horam, East Sussex	s106 agreement

28. Members of the Committee attended a Property Inspection in May, visiting properties in Barking, Bagshot and Bristol. Abrdn also provided a training on the Alternative Sector which is a growing area of investment,

Specialist Portfolio

29. Below are tables showing the composition and the valuation of the Specialist portfolio at the quarter end and the transactions during the quarter. The table below summarises the valuation at quarter end. The position at the end of the previous quarter is also shown.

	31 Mar 2024		31 Dec 2023	
	£000	£000	£000	%
Private Equity	167,000	11.5%	168,100	11.9%
Infrastructure	382,800	26.4%	395,400	28.0%
Credit	87,400	6.0%	72,100	5.1%
Property Funds	214,400	14.8%	216,200	15.3%
Aegon DGF	357,000	24.7%	321,100	22.7%
Equity Funds	239,200	16.5%	238,800	16.9%
Total	1,447,800		1,411,700	

30. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Private Equity	-5,191	2,697	-7,888
Infrastructure	10,315	838	9,477
Credit	-12,920		-12,920
Property Funds	-6,614	722	-7,336
Aegon DGF	30,000		30,000
Equity Funds			0
Totals	15,590	4,257	11,333

The negative purchases relate to returns of capital from various funds.

Responsible Investment Activity

31. The Pension Fund believes that Responsible Investment is supportive of risk-adjusted returns over the long term. As a long-term investor, the Fund seeks to invest in assets with sustainable business models across all asset classes.
32. During the quarter the Fund's investment managers have continued with their usual stewardship activities through considered voting of shares and engaging with investee company management as part of the investment process. Quarterly reports on Responsible Investment issues have been received from LGIM and Schroders and a number of smaller investment managers in addition to the LAPFF Quarterly Engagement report and LGPS Central's Annual Stewardship Report and Quarterly Stewardship Update Report. Full reports and other responsible investment information can be found on the Pension Fund website here <https://www.nottspf.org.uk/about-the-fund/responsible-investment>.
33. Hermes EOS has exercised the Fund's voting responsibilities as our Proxy voting service. A quarterly report on voting activity can be found on our website here <https://www.nottspf.org.uk/about-the-fund/investments>.
34. LAPFF (Local Authority Pension Fund Forum) have engaged with a number of companies during the quarter. More information can be found in their quarterly engagement report which can be accessed on the Fund's (or on LAPFF's) website. The January LAPFF business meeting was attended and was reported to Committee at the April Committee meeting.
35. The 2023 Climate Stewardship report was written during the quarter for presentation at the April 2024 Pension Fund Committee meeting. LGPS Central attended the working party in January and delivered Climate risk training. The topic of this year's training was "Investing During the Time of Climate Change". The presentation considered how to monitor climate risk and opportunities and the impact Pension Funds can have through capital allocation, stewardship and manager engagement activities.
36. Responsible investment considerations run through everything done by the Fund and there have been many specific actions taken during the quarter in addition to those already mentioned. The LGPS Central pool Responsible Investment Working Group was attended in January and considered such issues as stewardship, antimicrobial resistance and an update on Central's new ESG system.
37. Regular investment monitoring meetings included a review of responsible investment by the funds being scrutinised.

Statutory and Policy Implications

38. 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

- 1) It is recommended that Members consider whether there are any actions they require in relation to the issues contained within the report.

Name of Report Author: Tamsin Rabbitts

Title of Report Author: Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments

39. This is an updating information report and the 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 31/5/2024)

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

