

REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT**WORKING PARTY****Purpose of the Report**

1. The Pension Fund Working Party meets twice a year and is open to all Pension Committee Members to attend. The purpose of the 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 26 January 2018 and makes recommendations as follows.
 - a. To continue to develop a Responsible Investment (RI) policy for the Fund
 - b. To confirm the asset allocation benchmarks
 - c. To amend and update the Investment Strategy Statement (ISS)
 - d. To consider the work being undertaken to set up LGPS Central Ltd.

Information

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

Responsible Investment

3. The Working Party received a presentation from Michael Marshall, currently Responsible Investment Officer for West Midlands Pension Fund. Michael has recently been appointed Director of Responsible Investment & Engagement for LGPS Central Ltd.
4. The presentation highlighted the good work undertaken by LGPS pension funds and put forward the view, shared by Nottinghamshire Pension Fund, that engagement with companies on issues is more appropriate than disinvestment.
5. The Working Party then considered a report prepared by the funds independent advisor, William Bourne, looking at the current Fund RI policies and making recommendations to ensure the fund continues to demonstrate compliance with regulations and best practice.
6. Following discussion the Working Party accepted the recommendations and confirmed that the Funds approach should be consistent with the policies of LGPS Central Ltd.

Asset Allocation Review

7. The Working Party considered a report setting out the asset allocation. Following discussion no changes were proposed. The funds equity levels currently exceed the benchmark due to the increase in share prices over the last year and the group considered a range of options for reinvesting proceeds from the sales of equity holdings.
8. The Investment Strategy Statement (ISS) should be reviewed on a regular basis and a number of the options discussed impact on the ISS. The group highlighted a number of areas where the ISS should be updated to reflect the current planned investments. Details of the proposed changes to the ISS are listed in Appendix B. Proposed deletions are shown with a line through the text, proposed additions are underlined.

Update on LGPS Central and asset transition timetable

9. The Working Party considered the latest update on progress with setting up LGPS Central Ltd. In particular details were provided about how the ongoing relationship between the Company and Funds will be managed via 3 key groups. These are:
 - **Practitioners Advisory Forum (PAF)** – The Officer Group who will support all the arrangements. This will have a mix of S151 and pension professionals.
 - **Shareholder Forum** – The member group who will make the ‘reserved’ decisions relating to the management of the company.
 - **Joint Committee** - The group of members who will hold the company to account for its investment performance.
10. Draft terms of reference have been drawn up for each of these groups and these were discussed.
11. William Bourne highlighted some of the issues raised recently in a report on progress of the London CIV. He emphasised the importance of the Fund holding LGPS Central Ltd to account and ensuring LGPS Central Ltd were delivering the investment opportunities the Fund required.

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. Confirms the intention of Nottinghamshire Pension Fund to work towards an RI policy that is consistent to that adopted by LGPS Central.
2. Confirms the asset allocation benchmarks.
3. Approves the proposed amendments to the ISS set out in Appendix B.
4. Considers whether any further information is required in respect of the set-up of LGPS Central Ltd.

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Constitutional Comments (SMG 27/02/18)

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

Financial Comments (KRP 27/02/18)

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.