



Nottinghamshire Pension Fund Committee

Thursday, 24 June 2021 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|---|---|---------|
| 1 | To note the appointment of the County Council on 27 May 2021 of Councillor Eric Kerry as Chairman of the Committee, and Councillor André Camilleri as Vice-Chairman | |
| 2 | Terms of Reference and Membership | 5 - 8 |
| 3 | Minutes of the last meeting held on 22 April 2021 | 9 - 12 |
| 4 | Apologies for Absence | |
| 5 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 6 | Local Government Pension Scheme - Pension Administration Performance Report | 13 - 26 |
| 7 | Work Programme | 27 - 30 |
| 8 | Independent Adviser's report | 31 - 32 |
| 9 | Fund Valuation and Performance - Quarter 4 | 33 - 42 |

10 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

11 Fund Valuation and Performance - Quarter 4 - Exempt Appendix

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

12 Fund Managers' Presentations

- (a) Aberdeen Standard Investments
- (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>

24 June 2021**Agenda Item: 2****REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND
EMPLOYEES****TERMS OF REFERENCE AND MEMBERSHIP****Purpose of the Report**

1. To set out the membership and terms of reference of the Nottinghamshire Pension Fund Committee.

Information

2. The following County Councillors have been appointed to the committee:

Chairman: Councillor Eric Kerry
Vice-Chairman: Councillor André Camilleri

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

3. The Committee membership also includes the following non-voting members:

Nottinghamshire County Council:	Councillor Graham Chapman Councillor Anne Peach Councillor Sam Webster
District/Borough Council Representatives	Councillor David Lloyd (Newark & Sherwood District Council) Councillor Gordon Moore (Rushcliffe Borough Council)
Trades Unions	Mr A Woodward Mr C King
Scheduled Bodies	Mrs Sue Reader
Pensioners' Representatives	2 vacancies

4. At its meeting on Thursday 27 May 2021, the Council agreed to update the terms of reference for the Nottinghamshire Pension Fund Committee, as set out below:

The exercise of the powers and functions set out below are delegated by the Full Council to the Committee in relation to pensions:

- a. Conduct its activities within the regulations which apply to the Local Government Pension Scheme including its fiduciary duties.
- b. All decisions within the control of the Council including but not limited to those listed in the Table below
- c. Policy development and approval in relation to pensions, subject to any necessary approval by the Policy Committee or the Full Council
- d. Review of performance in relation to the services provided on a regular basis
- e. Review of day to day operational decisions taken by officers
- f. Approval of consultation responses except for responses to day-to-day technical consultations which will be agreed with the Chairman and reported to the next available Committee following their submission.
- g. Approving all Councillor attendance at conferences, seminars and training events within the UK mainland for which a fee is payable including any expenditure incurred, within the remit of this Committee and to receive quarterly reports from Corporate Directors on departmental officer travel outside the UK within the remit of this Committee.

If any report comes within the remit of more than one committee, to avoid the report being discussed at several committees, the report will be presented and determined at the most appropriate committee. If this is not clear, then the report will be discussed and determined by the Policy Committee.

As part of the detailed work programme the Committee will receive reports on the exercise of powers delegated to officers.

The Committee will be responsible for its own projects and may establish steering groups to consider projects. Where it considers it appropriate, projects will be considered by a cross-committee project steering group that will report back to the most appropriate Committee.

Table
Administering the Nottinghamshire Pension Fund, including investments by and management of pension funds and the administration of the Pension Fund

NOTE: The County Council administers this Pension Fund on behalf of Nottinghamshire County Council, Nottingham City Council, the District and Borough Councils and other admitted bodies in Nottinghamshire.

Other Options Considered

5. None.

Reason/s for Recommendation/s

6. To inform the committee of its membership and terms of reference.

Statutory and Policy Implications

7. 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

That the Committee membership and terms of reference are noted.

Marjorie Toward

Service Director, Customers, Governance and Employees

For any enquiries about this report please contact:

Jo Toomey, Advanced Democratic Services Officer

Email: jo.toomey@nottscc.gov.uk

Tel: 0115 977 4506

Constitutional Comments (KK 27/05/2021)

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

Financial Comments (SES 26/05/2021)

9. 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.

- Report to full Council on 27 May 2021 (published)

Electoral Division(s) and Member(s) Affected

- All

minutes

Meeting NOTTINGHAMSHIRE PENSION FUND COMMITTEE
VIRTUAL MEETING

Date Thursday 22 April 2021 at 10.30 am

membership

Persons absent are marked with 'A'

COUNCILLORS

Eric Kerry (Chairman)
Stephen Garner (Vice Chairman)

Reg Adair
Chris Barnfather
Tom Hollis
A - Sheila Place

Mike Pringle
Francis Purdue-Horan
Parry Tsimbiridis

Non-voting members:

Nottingham City Council

Councillor Graham Chapman
Councillor Anne Peach
A - Councillor Sam Webster

District / Borough Council Representatives

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

Trades Unions

Mr A Woodward
Mr C King

Scheduled Bodies

A - Mrs Sue Reader

Pensioners' Representatives

Vacancy x 2

Independent Adviser

William Bourne

Officers in Attendance

Pete Barker	(Chief Executive's Department)
Ciaran Guilfoyle	(Chief Executive's Department)
Keith Palframan	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)

The Chairman informed Members that Terry Needham had recently passed away and on behalf of the Committee offered condolences to his family and friends.

1. MINUTES

The minutes of the last meeting held on 11 March 2021, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Moore, Councillor Place, Councillor Webster and Mrs Reader.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

There were no declarations of interest.

4. PROXY VOTING

Mr Guilfoyle introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2021/014

That no further actions are required as a direct result of the contents of the report.

5. LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

Mr Guilfoyle introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2021/015

That no further actions are required as a direct result of the contents of the report.

6. PENSION FUND TREASURY MANAGEMENT OUTTURN 2020-21

Mr Guilfoyle introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2021/016

That the outturn statement, as detailed in the report, be approved.

7. CLIMATE ACTION PLAN PROGRESS REPORT

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2021/017

That no further actions are required as a direct result of the contents of the report.

8. CLIMATE STEWARDSHIP PLAN REPORT

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2021/018

That no further actions are required as a direct result of the contents of the report.

9. WORK PROGRAMME

Mr Palframan introduced the report and on a motion by the Chairman, duly seconded it was:

RESOLVED 2021/019

That no further actions are required as a direct result of the contents of the report.

The Chair thanked Members and officers for their support over the last 4 years, especially Councillor Tsimbiridis who was not standing at the forthcoming election, and Members thanked Councillor Kerry for chairing the Committee, which at times had been challenging.

The meeting concluded at 11.36am

CHAIR

24 June 2021**Agenda Item: 6****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES****LOCAL GOVERNMENT PENSION SCHEME (LGPS) – PENSION
ADMINISTRATION PERFORMANCE REPORT****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Fund Committee of the work of Pension Administration Team for the period 1 April 2020 to year ending 31 March 2021,

Information and Advice**Background**

2. The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members benefits are determined strictly in accordance with the scheme regulations and are not affected by the value of Fund assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.
3. One of the of the main areas of focus across the Local Government Pension Scheme is always the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association continues to highlight this matter.

Pension Benefits Administration

4. The Pensions Office undertakes the administration of the pension benefits of the scheme members against the regulations of the Local Government Pension Scheme, and the administration broadly comprises of maintaining a data base of:
 - Active members (i.e.) contributors
 - Pensioners, including widows, widowers, and dependants
 - Those with deferral benefits that will become payable in the future
 - Providing Annual Benefit Statements to active and deferred scheme members

- Providing estimates of benefits
- The calculation and payment of retirement benefits
- The calculation and payment of transfer values to other schemes
- Processing transfer values from “club” and local government schemes
- Providing valuations, a splitting of pensions in divorce cases
- Communicating with employers and scheme members on scheme changes and pensions issues
- Onboarding new scheme employers
- Supporting employers to carry out their responsibilities under the LGPS Regulations
- Reconciling employers’ monthly and annual contribution rates
- Providing pension savings statements to scheme members as appropriate
- Providing data for triennial valuations and the annual FRS102 for all but large bodies who report in accordance with AIS19
- Replying to questions and issues raised by scheme members and employers
- In addition, the office also undertakes some of the employer related work of the LGPS on behalf of Nottinghamshire County Council

5. The Pension Team is currently separated into the following areas of work:

- Pensions Administration
- Employer Support and Compliance
- Technical/Communications
- Technical/Performance

At 31.03.2021	Established FTE	Actual in Post FTE
Pension Team	26.20	25.77
Pension System Team	3.0	2.0
GMP Project Manager (Temporary)	1.0	1.0
McCloud Project Manager (Temporary)	1.0	1.0

The Guaranteed Minimum Pension (GMP) Project Manager is seconded from the Pension System Teams. Guaranteed Minimum Pension Project is the reconciliation of pension records with Her Majesty’s Treasury. Over the last financial year, the Administration Team has been recruiting to the vacant posts. New members of staff were recruited in October to the general administration team, as well as one internal promotion to a Practitioner role. Two officers have resigned. A further appointment to the temporary McCloud Project Manager was confirmed in April.

The Pension Team are also supported by a number of other teams within the Business Service Centre (BSC) such as –

- Business Hub Team who undertake a range of clerical and administrative tasks on behalf of the Pension Administration Team.
- The Authority’s Payroll Service who process the monthly Pensioners Payroll on behalf of the Nottinghamshire Pension Fund.
- BSC Security and Authorisation Team who are undertaking a number of activities to support the Employer Portal rollout.

6. The total cost of administration expressed as a cost per member for the past five years is shown in the table below –

£ per member	2015	2016	2017	2018	2019	2020
The Fund cost per member	£15.93	£11.18	£14.23	£13.59	£14.37	£14.08
Average cost per member in the benchmarking club	£18.73	£18.69	£20.14	£21.85	£21.34	£20.02

*At time of writing the 20/21 figures are not available

Data Quality

7. The Pensions Regulator has continued to raise concerns across the LGPS Funds relating to data quality and the need for improvement. The 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.
8. Data is important to the Administering Authority for several reasons, the main reasons being:
- Members are paid the pensions they are entitled to
 - Employers' costs are reliable/correct
 - Investment and administration costs are reliable/correct
 - Fund valuations reflect true costs/ liabilities of the fund
 - Cost effective administration – less queries
 - Reduce Internal Dispute Resolution Procedure cases
 - Avoid the Pensions Regulator
 - Maintains the scheme's reputation
9. Members will be aware that the pension fund has an Administration Strategy which provides a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data in a timely manner. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority.
10. The Administration Team is continually updating records, chasing employers, and reminding members of the scheme to update the Fund of changes of personal circumstances, e.g. changes of address.
11. To meet the requirements set out by the Regulator the Fund reported the following:

	2019 Accuracy	2020 Accuracy
Common Data	59%	76%

Conditional/Scheme Specific Data	60%	43%
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- Common data – Common data is the basic information which every scheme should hold for each member, such as name, address, and date of birth. It is the information that identifies their benefits and allows the scheme to keep in contact with them.
- Conditional/Scheme specific data – This is the data used for calculating pension benefits.

12. A Data Audit and Improvement workstream was approved by Pension Committee in September 2019 as part of the scope of the Nottinghamshire Pension Fund “transforming pension administration through digital development and new ways of working programme”. This work is progressing and now enables us to measure our data more accurately. Therefore, this has highlighted changes in our data scores with an increase in common data accuracy and a decrease in conditional/ scheme specific data. The Data Improvement Project is moving into the data rectification phase. As part of this phase, we will be working with Civica to implement bulk data resolutions, as well as with individual Scheme Employers to update both common and scheme specific data at individual member level. A detailed transformation update report will be presented to Committee in September.

Pension Fund Membership Statistics

13. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the fund under certain categories. These figures are used to populate the fund’s annual report, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report
14. The following table details the membership of the Fund against each category and sets a context to the size of the fund.

Type of Member	2017-2018	2018-2019	2019-2020	2020-2021
Active Members	44,436	46,350	47,841	43,957
Deferred members	46,448	47,365	56,068	60,935
Pensioners	35,245	37,157	38,923	40,481
Total Membership	126,129	130,872	142,832	145,373

15. In addition, it is important to understand the context of the number of employers in the Fund as this increases the complexity of managing the collection of data from different employers. The following table gives a breakdown of the employers in the scheme. The headline figure in the table shows a net increase of 14 employer bodies which are mainly due to new admission bodies, but there has been a reduction in the number of active employers from 302 to 294. This reduction in numbers is due to the Fund continuing to consolidate academy trust schools into single employers. This trend will continue into the following year as a number of academies will be consolidating, along with requesting from the Secretary of State to bring other academies into the Nottinghamshire Fund. Consolidating academy trusts reduces complexity of

administration for the academies and the Fund, along with reducing costs due to economies of scale.

16. The table also shows the movement of employers in the Fund with employers withdrawing from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.

		2020	2021		
		as at 31/03/20	Number Joined	Number Leaving	as at 31/03/21
Scheduled					
Local Authorities		9	0	0	9
Academies		158	7	12	153
Others - active		56	3	5	54
Others - closed		97	17		114
Total Scheduled		320	27	17	330
Admitted					
Admission		57	4	7	54
Others - active		22	0	0	22
Others - defunct		95	7	0	102
Total Admitted		174	11	7	178
Total		494	38	24	508

The following is a list of new scheme employers 2020-2021.

Scheme employer	Type of employer
East Midlands Education Trust	Schedule 1 - Academies
Laneham Parish Council	Schedule 2 - town & parish councils
Wells Academy	Schedule 1 - Academies
Florence Nightingale Academy	Schedule 1 - Academies
Cater Link Limited (Diverse)	Admitted - Admission
Rosecliffe Spencer Academy	Schedule 1 - Academies
Winthorpe Primary School	Schedule 1 - Academies
Beckingham cum Saundby Parish Council	Schedule 2 - town & parish councils
Hucknall National C of E Primary School	Schedule 1 - Academies
John Hunt Primary School	Schedule 1 - Academies
MINT Commercial Services LLP	Admitted - Admission
Worksop Charter Trustees	Schedule 2 - town & parish councils
Aspens Services Limited (Rosslyn)	Admitted - Admission
Compass Contract Services (UK) Limited (ATT)	Admitted - Admission

Complaints and Internal Dispute Resolution Procedure Appeals

17. Set out below are three tables which outline the number of written complaints received by the Administering Authority in 2020-2021 along with the number of formal appeals at stage 1 and stage 2 of the Internal Dispute Resolution Procedure process along with the number of appeals that the Administering Authority is aware of that have been submitted to the Pension Ombudsman in respect of cases escalated following the two stage adjudication process.
18. The Pension Team have also been dealing with numerous complaints related to our in house Additional Voluntary Contributions (AVC) provider, Prudential. In November the Prudential changed its administration system. This has created difficulties for members either paying their contributions, along with being able to claim their benefits at retirement. The fund has been raising complaints on members behalf and trying to resolve the problems. The Fund has also been working with other LGPS funds in the East Midlands network to bring the Prudential to account. The Pension Regulator is aware of the issues being raised. The fund continues to raise complaints.

Recorded Written Complaints						
Date	Total	Closed	Outstanding	Justified	Partial Justified	Not Justified
2020/21	26	24	2	14	3	9
2019/20	25	23	2	4	6	13

Main Reasons

- Transfers in and out - timescales
- Deferred record future review dates
- AVC complaints related to the Prudential
- Benefit calculations

The Pension Fund also recorded 24 subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. We are currently reviewing our process to ensure that it is robust and in accordance with the regulations.

Independent Disputes Resolution Procedure (IDRP)

IDRP -Stage 1 Appeals against the Administering Authority and Employers 2020-2021

Total	Appeals upheld	Appeals dismissed	Progressed to stage 2	Awaiting Decision
13	2	7	5	4

IDRP - Stage 2 Appeals against the Administering Authority

Total	Appeals upheld	Appeals dismissed	Progressed Ombudsman	Awaiting Decision
5	0	4	0	1

Pensions Administration System

19. The Pension Administration system used by the Nottinghamshire Pension Fund is the Universal Pensions Management (UPM) system, provided by Civica UK. UPM was implemented in 2015 and is an 'on premise' system with the servers located at the County Hall Data Centre and the Node 4 site in Derby, for resilience. The infrastructure is managed by Nottinghamshire County Council ICT and regular co-ordination with the Pensions Systems team. Maintenance and upgrades are undertaken on a regular basis to ensure the system remains compliant. All new developments and upgrades from the software supplier are evaluated, tested, and deployed in line with the requirements of the Pension Office
20. The Employer portal is now live and has now begun to be rolled out to scheme employers. The County Council has been using the portal for about 6 months since it completed the pilot project. Gedling Borough Council went live with the portal at the beginning of June, Rushcliffe Borough and StreetWise are scheduled to go live over the Summer.

Employer Support and Compliance Team

21. The Pension Office Employer Support and Compliance team is responsible for liaison with scheme employers on a range of matters in relation to their responsibilities under the LGPs Regulations. This includes –
- Supporting employers in undertaking their responsibilities;
 - Communicating Regulation and process changes to LGPS employers;
 - Resolving problems in relation to the quality of information supplied by LGPS employers;
 - The development of improved communication methods between the Pensions Office and LGPS employers;
 - Work on Employer acceptance into the scheme, plus also employer closures.
 - The review and improvement of information and administrative systems.
22. The team also have the following contact with Nottinghamshire LGPS Scheme Employer representatives –
- Year-end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end;
 - Meetings with employer representatives to communicate changes to the LGPS Regulations and the impact on employer responsibilities;
 - Ad hoc individual or group support and training sessions with LGPS Employers
23. The Administration Strategy has now been in operation with scheme employers since May 2017 and has supported the work of the Pensions Team and Scheme Employers. The Strategy has helped in providing a framework to ensure that the Administering Authority, and scheme employers work together for the benefit of members to ensure statutory compliance and

efficiency in the administration of the scheme. There is a planned update on the strategy, and this will encompass a new charging process for scheme employers who cause additional work for the fund.

24. The Team has continued to work with employers to improve the submission of pension data to the Fund.

25. In addition, there are also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2019-2020, participating employers in the scheme were required to provide accurate year-end data by 14 May 2020. The annual benefit statements were issued to deferred members of the scheme by 3 July 2020 with all active benefit statements issued by the statutory date of 31 August 2020. There was a further issue of benefit statements, where data was either provided late to the Fund or that there were queries with the submitted data which had to be rectified before benefit statements could be issued. The current year end processing is on going with employers having to provide their year end data by 14 May 2021. Evaluation of this data is currently on going.

26. Where employers fail to meet the requirements set out in the Administration strategy the Pension Fund reserves the right to charge the employer for additional administration time where appropriate. The fund also reserves the right to report employers to the Pension Regulator where there is a breach of statutory regulations.

27. The following table provides information on employer submissions to year end data over the last six-year ends.

Year End	Number of submissions received by submission date	Accurate submissions received by submission date	Submission date	Number of Employer returns expected	Percentage of expected returns received by the deadline	Percentages of Accurate returns by the deadline
2014-2015	112	92	31 May 2015	260	43%	35%
2015-2016	162	157	30 April 2016	276	59%	57%
2016-2017	253	166	2 May 2017	310	82%	54%
2017-2018	314	183	14 May 2018	337	93%	54%
2018-2019	272	162	13 May 2019	341	80%	47.5%
2019-2020	304	206	15 May 2020	342	88.%	60%
2020-2021	261	138	140 May 2021	296	88%	46.6%

28. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. Without the correct data, the Administering Authority may not be able to issue annual benefit statements to individual members where the scheme

employer has failed to provide the required data. This type of situation would ultimately result in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non-compliant scheme employers

Performance Data

29. Performance statistics in the table below represent the 4th quarter of 2020/21 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. The Committee will see that performance against the legal requirement averages around 82% compliance this is down from last year's average of 85%. Overall the fund performance average against our KPI's is 68.2%, however this figure will have been impacted by reduced performance in April, May, June and July 2020 due to the Pensions Office moving to home based working due to COVID 19, and focusing mainly on the provision of retirement benefits as per the pension regulator requirement..

30. As part of the pandemic response, advice from the Pension Regulator was to focus on the maintenance of benefits for pensioners, the payment of benefits to retiring members, and those of dependants of pensioners who had died. A number of processes were put on hold and these included transfers of benefits. The pension regulator at the time raised concerns around pension scams and continues to raise concerns.

4 Quarters 2020-2021 1.04.2020 to 31.03.2021 Pension Administration KPI Compared against the Cipfa Benchmark Key Performance Indicators			
Process	No. cases completed Within the Year	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI
Deaths – Initial letter acknowledging death of member	432	2 Months	95%
Deaths – letter notifying amount of dependant's pension	517	2 months	88%
Retirements –letter notifying estimate of retirement benefits	102	2 months	90%
Retirements – process and pay pension benefits on time (next available payroll) –	2736	2 months	78%
Deferment Retirement Quote Letter	2245	2 Months	96%
Deferment – calculate and notify deferred benefits	2937	2 months	37%
Transfers in/out – letter detailing transfer quote	736	2 months	50%
Refund – Process and pay a refund following election	544	2 Months	97%
Divorce quote – letter detailing cash equivalent value and other benefits	320	2 Months	98%

Divorce Settlement – Letter detailing implementation of pension sharing order	11	2 Months	81%
Provision of Estimate of Benefits	1143	2 Months	97%

31. It can also be reported from the KPI information extracted from the administration system in Table 1, in the financial year 2018/2019, the Pension Administration Team completed 7617 processes across the year. For the year 2018/19 the Administration Team increased the number of processes to 10,688 which is an increase of 40%. This increased again by 13% over 2019/20. However there has been a decrease in number of cases completed for 2020/21 to 11,723 a 3% decrease this inevitably was due to the move to working from home in the first 3 months.

32. Table 2 gives a comparison of all activities reported in the Pension Administration System and again we see a slight decrease, for the same reason in that activity decreased with a move to home working, and getting use to new processes.

Table 1							
KPI Processes	2017/18	2018/19	% +/-	2019/20	% +/-	2020/21	% +/-
KPI Processes Completed	7617	10,688	+ 40%	12,138	+13%	11,723	-3%

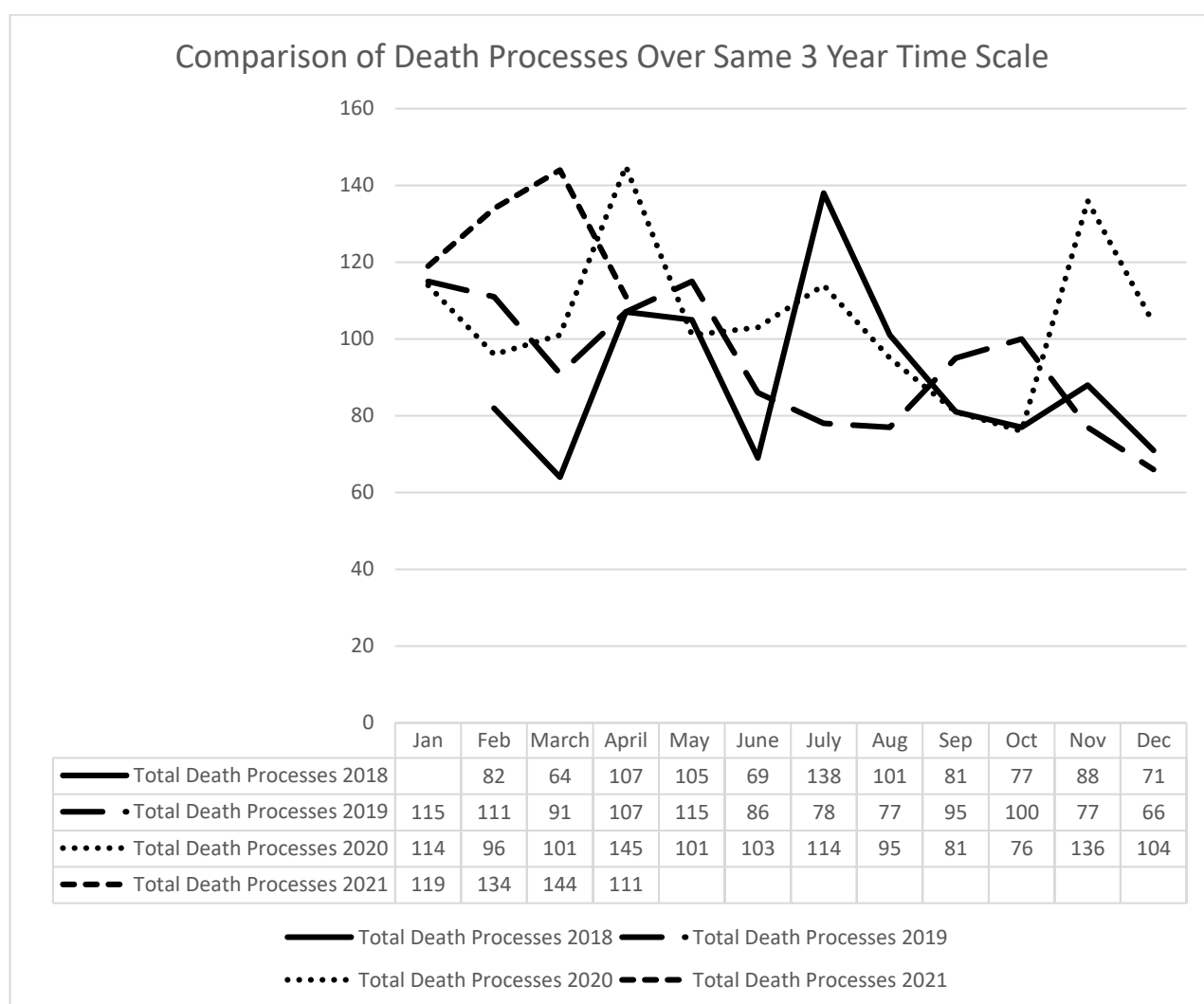
Table 2						
	2018/19		2019/20	% +/-	2020/21	% +/-
Total of all Processes Completed across the Fund	51,976		56,722	+9%	53,121	-6%

33. As part of the transformation programme the Pension Office will be working to introduce the functionality to enable the Pension Office to run bulk processes for tasks such as refunds and deferred benefits. Bulk processing is interdependent on the Data improvement workstream as processes are reliant on accurate data being available within the Pension Management system (UPM) to enable a bulk process to run. Once live, bulk processing will enable the Pension Office to begin to concentrate on more complex processes.

34. There continues to be a significant increase in requests from deferred pension members over 55 years of age to seek payment of their pension benefits. However, the table above shows that there has been a 6% decrease in the numbers of total processes across the fund being completed. The decrease can mostly be identified by the move to working from home over April, May and June 2020 at the start of the lockdown.

35. The member death process is the most difficult statistic to gather and measure, and the team is currently reviewing how this process is monitored. The difficulty is the date and timing of when the Pension Administration Team are informed of the death, against when the team receive the appropriate documentation. Where the relevant information is provided death in service grants are paid within 5 days to the next of kin.

36. The following graph shows that 2020/21 has seen an increase in the number of deaths processed. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.
37. From January 2020 to April 2021 the average monthly Deaths 110 per month, in a normal year the average is approximately 93 deaths. However, you can see from the statistics, from November 2020 to April 2021 (the second COVID wave) the average number of Deaths was 124, and this increase created a significant amount of work for the Pensions Team.
38. In addition, the Pension Fund have asked the Scheme Actuary to undertake some further analysis of the impact of the number of deaths within the Pension Fund, and a further report will be presented at a future committee meeting.



Other Options Considered

39. Work on developing the Service Level Agreement will continue, to ensure they provide a full range of benchmarking data for the coming financial year. This work will be done in conjunction with a national set of benchmarks across all LGPS schemes

Reason/s for Recommendation/s

40. This report has been compiled to inform the Nottinghamshire Pension Fund Committee of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

Statutory and Policy Implications

41. 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

42. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £2.69m which is .044% of the fund Total assets 2020-2021.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Pension Fund Committee consider the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.

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 (KK 11/06/2021)

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

Financial Comments (KP 11/06/2021)

44. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.69m at 2020-21 which is .044% of the total assets.

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'

**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@nottsc.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 16 June 2021)

Report Title	Brief summary of agenda item	Report Author
29 July 2021		
Fund Strategies	Review of Fund Strategies including considering changes suggested in the Climate Risk Report.	Tamsin Rabbitts Jon Clewes
Exit Policy	Considering updates required following a change of Regulations for employers exiting the Pension Fund	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 1 of 2020	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LGPS Central Presentation	Update on Pooling	Keith Palframan
McCloud Update and Resourcing Report	Consideration of additional temporary resource requirement to deliver the statutory requirements of the McCloud project	Sarah Stevenson
Pension Scams and the Pension Regulator Scam Pledge	To update Committee on the increase in pension scams and increased activity required by the Pensions Office to enable it to sign up to the Pension Regulator's scam pledge.	Sarah Stevenson
TO BE PLACED		
Monitoring of the Member Death Process	Update report	Jon Clewes
Review of Work of the Pension Fund Committee and Pension Board		Marje Toward
Annual review of Climate Risk metrics	Timing of next review to be informed by LGPS Central timetable.	Tamsin Rabbitts
Pension Administration Transformation Programme Update	Update report	Sarah Stevenson



Independent Adviser's Report for Nottinghamshire Pension Fund Committee

William Bourne

11th June 2021

Market commentary

1. When I last wrote in February, I suggested that the global economy would continue to recover on the back of pandemic monetary and fiscal easing, and that equity markets would broadly continue upwards. I commented that as recovery happened it was normal for equities to perform less well and bond markets to perform poorly.
2. Bond yields have indeed risen (from 0.6% to 0.8% redemption yield for the 10-year gilt, and from 1.3% to 1.6% for the equivalent US Treasury), and many equity markets are either at or close to new highs. **I stress that this is normal behaviour at this stage of the economic cycle.** Within equity markets, value stocks, which are more sensitive to economic cycles, have continued to outperform and have now recovered about half the relative underperformance of the last ten years.
3. Central bank and governments around the world are continuing to provide very substantial monetary and fiscal support to ensure economic recovery. In 2020 the total amount of monetary easing was the equivalent of \$30 trillion (£22 trillion), or roughly a third of global GDP. In 2021 there is likely to be a further \$15 trillion. The authorities have erred on the side of safety at the risk of higher inflation. The surge in industrial commodity prices, including oil, is a clear sign that this strategy is working in economic terms, as I have predicted it would for a year now.
4. New variants of COVID-19 are continuing to put pressure on the world's ability to move on. While the vaccination strategy which the US and the UK have followed seems to be relatively effective in preventing deaths, it appears less so in preventing a third wave. The main impact is on the leisure and travel industries, where there is little pick-up while the global picture is so mixed.
5. **Headline inflation numbers have gone up**, boosted by higher agricultural and industrial commodities prices, as well as house prices in the U.K. The May U.S. consumer inflation number rose to 5.0%, the highest for 13 years. I still believe this is more likely to be a 'bump' as consumers start spending again after the lockdowns and not the start of a more sustained rise. However, it needs careful watching.
6. U.S. 2021 1st quarter earnings have come in much stronger than expected. It is no surprise that the comparison with COVID-affected 2020 1st quarter looks good, nor that tech stocks have been particularly strong, but most corporates have handsomely beaten analysts' expectations (e.g. Amazon's diluted earnings were 40% ahead).
7. The UK local elections in May resulted in a resounding victory for incumbents. This will provide increased stability in terms of policy, though the question of Scottish independence may be more prominent. The fall-out from BREXIT remains very unclear, and may depend more on what happens in

the German (September 2021) and French (April 2022) elections than any action or inaction in the U.K.

8. The big question is what happens next. In a normal cycle we would see bond yields rise (i.e. prices fall) further as the economy recovers and money is switched away from safe assets and into the real economy. The prospect of higher inflation would add further fuel. Equities would perform less well too – earnings might rise but valuations fall.
9. However, this cycle is not normal. The inflation impetus has until very recently been focused on financial assets and housing rather than the high street. Bond yields, while they have risen, are still very low by historic standards. The Bank of England borrowed 14.5% of GDP (over £300bn) in the 2020/21 financial year, a deficit only ever exceeded during the two World Wars. A rate rise in the U.S. is possible in response to inflation, but central banks are constrained how far they can raise rates.
10. For the last 15 months I have emphasized the scale of monetary support and how it has benefited financial assets. End-May data is for the first time showing a clear slackening of the pace. Equity valuations are high, albeit reduced a little by the strong earnings growth in areas such as tech. Investors now have relatively high exposure to equities in Europe and the U.S and Emerging Markets, but less so in Japan and Europe. **The likelihood that this long bull market will finally come to an end within the next twelve months is growing.**
11. In the longer term it is hard to see a painless exit from where we are today. The authorities are committed to ambitious spending programmes in order to 'level up' inequalities. Some of the financing will come from an increased tax take, both as the economy recovers and as a result of some targeted tax increases. Borrowing will take the strain for some time, but not for ever, and at some point in the future, governments will either need to restrain spending or let inflation reduce the real value of their debt (for the U.K. now 100% of GDP, the highest for 55 years).
12. It is part of the normal ebbs and flows of markets that equity bull markets come to an end at some point. As equities form the major part of the Fund's growth allocation, a fall in markets has the potential to cause a reduction in the funding level. However, over the past five years there has been a gradually diversification into other assets such as infrastructure which will help to cushion the fall.

24 June 2021**Agenda Item: 9****REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT****FUND VALUATION AND PERFORMANCE****Purpose of the Report**

1. To consider a reduction in the allocation to the UK to 35% of listed equities.
2. To report on the total value and performance of the Pension Fund to 31 March 2021.

Information and Advice

3. The Independent Adviser recommended reducing the UK equity allocation to 35% of listed equity holdings at the Working Party in January. After the strategic asset allocation changes already agreed have taken place the Pension Fund will have 40.7% of its listed equities invested in the UK (based on March quarter end valuations).
4. This compares to a 4% UK weighting in the global Developed Markets index. The downside of holding such a large UK weighting is the risk, as has happened in recent years, of sustained underperformance compared to global equities. However it is also true that UK equities are a better match for the Fund's liabilities, reducing currency risk in particular. This relatively small adjustment to 35% would reduce the Fund's risk relative to the Global Market and increase diversification whilst still maintaining a large proportion of investments in the UK.
5. The impact of this adjustment would be relatively small and would be largely realised when making other investments to implement the Strategic Asset Allocation. It would initially result in the Schrodgers benchmark changing to 44% UK and the Core Index reducing to about 35% UK. Although the target allocation to the UK within Schrodgers (excluding Small Cap) and the Core Index portfolios is each 50% currently, market movements and the value of equity investments held through LGPS Central, Schrodgers Global Small Cap and in the Specialist portfolio mean the UK holdings are a smaller proportion of total equities in the Fund.
6. When first discussed it was felt that the timing was not ideal to make this change and the discussion was deferred to the committee meeting on 15th July. The UK market has somewhat recovered since January, and with the 15th July meeting cancelled, this decision is brought to today's meeting for consideration.
7. Additionally, 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.

8. The table below shows a summary of the total value of the investment assets of the Fund as at 31 March 2021 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 March 2021		Benchmark	31 December 2020		31 March 2020	
	£m	%		£m	%	£m	%
Growth	3,953	64.8%	60%	3,802	63.7%	2,891	57.7%
Income & inflation protection	954	15.6%	23%	957	16.0%	1,059	21.1%
Income only	588	9.6%	10%	596	10.0%	544	10.9%
Inflation only	295	4.8%	5%	233	3.9%	187	3.7%
Liquidity	313	5.1%	2%	381	6.4%	328	6.5%
	6,102	100.0%	100%	5,968	100%	5,009	100%

9. Within Income & inflation protection are investments in Infrastructure assets amounting to £330.1m or 5.4% of the fund. Including infrastructure commitments made but not drawn down gives a total amount of 6.0% of the fund. There is a long term target for investments in infrastructure to be 8% of the fund.

10. The table below shows the detailed breakdown by portfolio of the Fund as at 31 March 2021 together with the total value of each portfolio at the previous quarter end.

	Core Index		Schroders		LGPS Central		Kames S		Aberdeen		Specialist		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
UK Bonds														
Gilts					205.0	29%	0.0	0%					205.0	3%
Corporate Bonds							102.8	100%					102.8	2%
					205.0	29%	102.8	100%					307.8	5%
Overseas Bonds														
Corporate Bonds					315.5	44%	0.0	0%					315.5	5%
					315.5	44%	0.0	0%					315.5	5%
Inflation Linked											295.3	20%	295.3	5%
UK Equities	560.1	39%	902.8	49%	9.6	1%					30.4	2%	1,502.9	25%
Overseas Equities														
North America	333.3	23%	516.8	28%							0.8	0%	850.9	14%
Europe	210.8	15%	127.4	7%							152.7	10%	490.9	8%
Japan	124.2	9%	81.5	4%							114.1	8%	319.8	5%
Pacific	126.3	9%	57.0	3%									183.3	3%
Emerging Markets	85.9	6%	87.5	5%	116.1	16%					0.0	0%	289.5	5%
Global	0.0	0%	34.4	2%	37.7	5%					0.0	0%	72.1	1%
	880.5	61%	904.6	49%	153.8	22%					267.6	18%	2,206.5	36%
Private Equity					9.9	1%					233.4	15%	243.3	4%

Infrastructure											330.1	22%	330.1	5%
Credit						19.2	3%				48.2	3%	67.4	1%
Property														
UK Commercial									325.5	67%			325.5	5%
UK Commercial - Local									21.1	4%			21.1	0%
UK Strategic Land									3.9	1%			3.9	0%
Pooled - UK									29.0	6%	134.6	9%	163.6	3%
Pooled - Overseas									108.5	22%	0.9	0%	109.4	2%
									488.0		135.5	9%	623.5	10%
Cash/Currency	4.8	0%	33.1	2%	0.0	0%	0.0	0%	0.0		172.1	11%	210.0	3%
Total	1,445.4	24%	1,840.5	30%	713.0	12%	102.8	2%	488.0	8%	1,512.6	25%	6,102.3	
Previous Qtr	1,390.4	23%	1,725.7	29%	710.0	12%	117.3	2%	498.6	8%	1,525.8	26%	5,967.8	

11. The Fund investments have increased by £134.5 million (2.3%) since the previous quarter as the market has continued to recover. Fund investments have increased by £1,093.3 million (21.8%) over the last 12 months. Valuations at 31 March 2020 were seriously affected by the market impact of the Covid-19 pandemic.

12. The table below shows the unaudited Fund Account for 2020/21 with the full year figures for 2019/20.

Summary Fund Account	Full Year 2020/21 £000	Full Year 2019/20 £000
Employer contributions	(201,395)	(137,261)
Member contributions	(49,638)	(47,906)
Transfers in from other pension funds	(5,580)	(9,655)
Pensions	179,425	171,375
Commutation of pensions and lump sums	31,607	35,699
Lump sum death benefits	5,237	5,050
Payments to and on account of leavers	13,086	13,657
Net (additions)/withdrawals from dealings with members	(27,258)	30,959
Administration Expenses	2,692	2,176
Oversight & governance expenses	1,804	1,460
Investment Income	(84,822)	(130,410)
Profits & losses on disposals & changes in value	(988,631)	483,224
Taxes on income	172	247
Investment management expenses	4,370	4,995
Net Returns on Investments	(1,073,281)	358,056
Net (increase)/decrease in net assets	(1,091,672)	392,651

Sustainable investments and fossil fuels

13. 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.

14. 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 trend will be much less smooth.

	Latest Quarter		Previous Quarter		Previous Year	
	31 March 2021		31 December 2020		31 March 2020	
	£m	% of Fund	£m	%	£m	%
Schroders Fossil fuel	56.4	0.92%	46.8	0.79%	53.2	1.06%
Other Fossil fuel	78.6	1.29%	67.6	1.14%	50.0	1.00%
Total Fossil fuel	135.0	2.21%	114.4	1.94%	103.2	2.06%
Sustainable & Renewable	160.3	2.63%	158.7	2.69%	141.5	2.82%

15. In the most recent quarter the value of Fossil Fuel investments increased in absolute terms and as a proportion of the fund in both the Schroders portfolio and elsewhere in the fund. Schroders increased their sector holdings in the quarter and delivered a gain of £3.48m on these holdings.
16. 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, Neste has a strong line-up of low carbon energy products, including recycled biofuels. European countries are introducing tighter blending requirements for sustainable aviation fuel, of which Neste is the largest European producer.
17. 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 increased because of the increase in share prices of oil and gas companies in this quarter. There was no change to the amount invested in these holdings. 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.
18. Equally there will be some companies such as those in the mining sector which do not fall within this category but may produce e.g. coal which would not be included in these figures.
19. For this reason, this indicator does not provide the full picture of our exposure to fossil fuels, but forms only part of our risk monitoring. However as an indicator it should show a reducing trend in exposure over time.
20. A more thorough assessment of our equity investments is provided by LGPS Central's carbon risk analysis which assesses the carbon footprint and weight in fossil fuel and coal reserves. The metric for exposure to clean technology is less informative as most of our investment in this area is through infrastructure funds which are not covered by the analysis. This analysis confirmed that our carbon footprint and fossil fuel and coal reserves are lower than the benchmark and provided a starting point against which we can monitor progress. The projection is that as we implement our long term investment strategy that these figures will reduce reflecting a reduction of risk.

21. The 'sustainable and renewable energy' investment figure contains more estimates. The figure includes five specific investments – the Renewables Infrastructure Group, Impax Environmental, and three renewable energy infrastructure investments – Capital Dynamics Clean Energy Infrastructure VIII, Green Investment Bank's Offshore Wind Fund and Langar Lane Solar Farm.
22. An estimate of the renewable energy investments within the Fund's other infrastructure funds was added to these identified investments. Not all funds identified 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.
23. It can be seen that the Fund's investments in Sustainable Equities and Renewable Energy exceed those in Fossil Fuel investments. A gradual increase in the amount invested in this area has been demonstrated over the last year and this will increase as our Strategic Asset allocation is implemented.
24. 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

25. 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). The benchmark changed in the second quarter of 18/19 as part of a long term aim to bring our overseas developed market passive investments to be consistent with the regional allocation of the LGPS Central Overseas passive fund, as agreed at the June 2018 Pension Fund Committee. This will be a gradual change over time.

	31 March 2021			31 December 2020		
	Portfolio £000	%	B/Mark %	Portfolio £000	%	
UK Equities	560,099	38.8%	40.0%	532,241	38.3%	
Overseas Equities:	880,637	60.9%	59.5%	853,316	61.4%	
North America	333,348	23.0%	18.0%	317,277	22.8%	
Europe	210,820	14.6%	18.0%	205,820	14.8%	
Japan	124,182	8.6%	9.0%	122,762	8.8%	
Pacific Basin	126,345	8.7%	9.0%	122,840	8.8%	
Emerging Markets	85,942	6.0%	5.5%	84,617	6.1%	
Cash	4,817	0.3%	0.5%	4,815	0.3%	
Total	1,445,553			1,390,372		

26. The table below summarises transactions during the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	0	0	0
Overseas Equities			
North America	0	0	0
Europe	0	0	0
Japan			0
Pacific Basin			0

Emerging Markets	49,872	49,883	-11
Totals	49,872	49,883	-11

The purchases and sales in the Emerging Markets region represents a consolidation of our previous holdings. We previously invested in both LGIMs World Emerging Markets and Global Emerging Markets funds in the Emerging Markets allocation within our Core Index portfolio. During the last quarter the investment in the Global Emerging Markets fund was transitioned to the World Emerging Markets fund.

Schroder Investment Management Portfolio

27. 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 March 2021		B/Mark	31 December 2020	
	Portfolio £000	%		Portfolio £000	%
UK Equities	902,850	49.1%	49.1%	866,564	50.2%
Overseas Equities	904,563	49.1%	50.4%	840,427	48.7%
North America	516,819	28.1%	28.4%	489,608	28.4%
Europe	127,417	6.9%	8.1%	128,177	7.4%
Japan	81,501	4.4%	4.6%	80,957	4.7%
Pacific Basin	56,976	3.1%	2.9%	56,378	3.3%
Emerging Markets	87,457	4.8%	4.5%	85,307	4.9%
Global Small Cap	34,393	1.9%	1.9%		
Cash	33,084	1.8%	0.5%	18,726	1.1%
Total	1,840,497			1,725,717	

28. The benchmark change this quarter is due to the introduction of an allocation to Global Small Cap as agreed at the last committee meeting. The benchmark will change again following a second tranche of investment in this sector in the near future.

29. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
UK Equities	87,880	88,865	-985
Overseas Equities			
North America	61,143	58,869	2,274
Europe	31,994	33,315	-1,321
Japan	4,063	3,634	429
Pacific Basin	0	2,150	-2,150
Emerging Markets	0	0	0
Global Small Cap	34,965		34,965
Totals	220,045	186,833	33,212

LGPS Central

30. The table below summarises the valuation by asset class of investments managed by LGPS Central. The proportional holdings are also shown. However 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 March 2021		31 December 2020	
	Portfolio		Portfolio	
	£000	%	£000	%
UK Passive	9,576	1%	9,117	1%
Global equity	37,718	5%	35,970	5%
EM equity active	116,098	16%	104,888	15%
Corporate bonds	315,508	44%	328,730	46%
Gilts	205,032	29%	211,206	30%
Private Equity	9,885	1%	9,753	1%
Credit	19,205	3%	9,998	1%
Cash	46	0%	287	0%
Total	713,068		709,949	

31. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Bonds			
Gilts	23,716	12,814	10,902
Corporate Bonds	0		0
Equities			
UK	0	0	0
Emerging Markets	10,000		10,000
Global	0		0
Private Equity	132		132
Credit	10,000		10,000
Totals	43,848	12,814	31,034

Aberdeen Standard Investments (ASI)

32. 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
05/01/2021	Kings Stables Road, Edinburgh	Variation of lease
26/01/2021	Land at Dowding Way, Turnbridge Wells Kent	Rent review
28/01/2021	Land at Dowding Way, Turnbridge Wells Kent	Sale of property
		Deed of Variation of Contract
24/02/2021	Units 2A and 2B Bagshot Retail Park, Surrey	
24/02/2021	Unit C2 Castlewood Business Park, South Normanton	Licence for Alterations
05/03/2021	Ground Floor Office, Castle Link, North Bar, Banbury	Lease extension
17/03/2021	Unit 1 Brooke Park, Handforth	Deed of variation
		Retrospective Licence to Alter
18/03/2021	Christchurch Industrial Estate, Harrow	
22/03/2021	North Bar Street/Bolton Road, Banbury	Sale of property
		Supplemental Deed of Guarantee
22/03/2021	34-36 Bridlesmith Gate, Nottingham	
22/03/2021	Land at Carrington Farm, North Road, Tollesbury, Essex	Promotion Agreement

Specialist Portfolio

33. 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 March 2021		31 December 2020	
	£000	%	£000	%
Private Equity	233,400	17.4%	226,500	17.6%
Infrastructure	330,100	24.6%	323,500	25.2%
Credit	48,200	3.6%	45,600	3.5%
Property Funds	135,500	10.1%	134,400	10.4%
Aegon DGF	295,300	22.0%	232,600	18.1%
Equity Funds	298,000	22.2%	323,600	25.2%
Total	1,340,500		1,286,200	

34. The table below summarises transactions within the quarter.

Sector	Purchases £000	Sales £000	Net Purchases £000
Private Equity	-1,079	1,848	-2,927
Infrastructure	10,840		10,840
Credit			0
Property Funds	-309	0	-309
Aegon DGF	65,000		65,000
Equity Funds		29,031	-29,031
Totals	74,452	30,879	43,573

35. There were increased investments in listed infrastructure and the Aegon Diversified Growth Fund (DGF) to achieve the strategic asset allocation targets agreed in March. The equity fund sale related to a smaller companies fund which has been reinvested through Schroders into a Global Small Cap strategy.

Responsible Investment Activity

36. 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.

37. 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 Legal and General, Schroders and LGPS Central. 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>.

38. 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>.

39. LAPFF (Local Authority Pension Fund Forum) have engaged with a number of companies during the quarter (principally National Grid, BHP, HSBC, Centrica, Compass Group and Heidelberg Cement). More information can be found in their quarterly engagement report which can be accessed on the Fund's (or on LAPFF's) website. An officer attended the LAPFF business meeting on 27th January 2021. This was reported to committee in the April 2021 meeting.
40. Responsible investment considerations run through everything done by the Fund and there have been many specific actions taken during the quarter. Officers attended the PLSA (Pensions & Lifetime Savings Association) Investment conference which featured a number of sessions on responsible investment and climate risk. A number of officer meetings have been held to develop the LGPS Central Infrastructure Fund which will include some investment in renewable energy generation. Other meetings and a workshop discussed the development of a Sustainable Equities Fund. Officers attended the All-Party Parliamentary Group (APPG) Inquiry relating to Responsible Investment for a Just Transition. The Climate Strategy was approved by Committee in March. LGPS Central attended the Pension Fund Committee Working Party in January to provide some training on Climate Change Issues.

Statutory and Policy Implications

41. 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 Committee approve a reduction in the allocation to the UK to 35% of listed equities.
- 2) That members consider whether there are any actions they require in relation to the issues contained within the report.

Tamsin Rabbitts

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Constitutional Comments

42. 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 24/05/2021)

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

