

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

**WORKING PARTY**

**Purpose of the Report**

1. The Pension Fund Working Party meets twice a year or additionally where circumstances require 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 22 July 2022 and makes recommendations as follows:-
  - 1) Take a report to Pension Fund Committee proposing the use of derivatives in the Schroders Active Equity portfolio, and the LGPS Central Gilts segregated mandate.

**Information and Advice**

2. The Working Party met on 22 July 2022. The agenda and attendees are listed in Appendices A and B, and details of the discussions and recommendations for each item are set out below.

**Proposal on Derivatives use in the Schroders segregated mandate**

3. Olivia Docker and Paul Duncombe presented a proposal for the use of derivatives in the Schroders segregated mandate to improve the effectiveness and efficiency of the regional overlay applied by the multi asset team.
4. Members were able to question Schroders on the advantages and associated risks of using derivatives on this mandate.

**Proposal on Derivatives us in the LGPS Central gilts segregated mandate.**

5. Gordon Ross and Vania Clayton presented a proposal for the use of gilt futures in the gilts mandate for the purposes of efficient portfolio management.
6. Members were able to question LGPS Central on the advantages and associated risks of using derivatives on this mandate.

## **Voting principles and strategy training**

7. Training was provided by LGPS Central on the topic of voting. LGPS Central provide Responsible Investment training to the committee at least twice a year as committed in our Climate Risk Action Plan. This training was part of our general responsible investment training and was requested by committee members to help them understand how voting principles are set, and how Central can use voting to achieve objectives as engaged shareholders. This was an interesting and interactive session.

## **Statutory and Policy Implications**

8. 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) Take a report to Pension Fund Committee proposing the use of derivatives in the Schroders Active Equity portfolio, and the LGPS Central Gilts segregated mandate.

**Nigel Stevenson**

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

**For any enquiries about this report please contact: Tamsin Rabbitts**

### **Constitutional Comments (KK 19/08/2022)**

9. The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

### **Financial Comments (TMR 15/08/2022)**

10. 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