

## **Nottinghamshire Pension Fund Committee**

**Thursday, 20 July 2017 at 10:30**

**County Hall, County Hall, West Bridgford, Nottingham, NG2 7QP**

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### **AGENDA**

- |   |  |         |
|---|--|---------|
| 1 | Minutes of the last meeting held on 22 June 2017   | 3 - 6   |
| 2 | Apologies for Absence  |         |
| 3 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 4 | LGPS Central Asset Pool update   | 7 - 10  |
| 5 | LAPFF Meeting  | 11 - 20 |
| 6 | Pensions and Lifetime Savings Association LA Conference 2017   | 21 - 26 |
| 7 | Conferences & Training update  | 27 - 30 |

### **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:-

- (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 David Forster (Tel. 0115 977 3552) 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>

## minutes

Meeting NOTTINGHAMSHIRE PENSIONS FUND COMMITTEE

Date Thursday 22 June 2017 at 10.30 am

### **membership**

Persons absent are marked with 'A'

### **COUNCILLORS**

Eric Kerry (Chairman)

Stephen Garner (Vice Chairman)

	Reg Adair		Mike Pringle
A	Chris Barnfather	A	Francis Purdue-Horan
	Sheila Place		Helen-Ann Smith
		A	Parry Tsimbirdis

### **Nottingham City Council**

Councillor Alan Clark

Councillor Graham Chapman

Councillor Anne Peach

### **Nottinghamshire Local Authorities' Association**

Councillor Richard Jackson – Broxtowe Borough Council

A Kate Allsop – Executive Mayor Mansfield District Council

### **Trades Unions**

Mr A Woodward

Mr C King

### **Scheduled Bodies**

Mrs Sue Reader

### **Pensioners**

Vacancy

Mr T Needham

### **Officers in Attendance**

David Forster	(Resources)
Peter Baker	(Resources)
Nigel Stevenson	(Resources)
Tamsin Rabbitts	(Resources)
Sara Stevenson	(Resources)
Jon Clewes	(Resources)
Keith Palframan	(Resources)

### **APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN**

#### **Resolved 2017/001**

That the appointment of Councillor Eric Kerry as Chairman and Councillor Stephen Garner as Vice-Chairman of the Nottinghamshire Pensions Fund Committee be noted.

### **COMMITTEE MEMBERSHIP AND TERMS OF REFERENCE**

#### **Resolved 2017/002**

That the membership of the Committee and Terms of Reference be noted

### **MINUTES**

The minutes of the meetings of the

Pension Investment Sub-Committee held on 2 March 2017  
Pensions Fund Committee held on 14 March 2017  
Pensions Sub-Committee 27 April 2017

were confirmed by those members who had been members of the Committee's on the previous administration and were signed by the Chairman

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from

Councillor Parry Tsimbiridis  
Chris Barnfather

Sue Reader  
Terry Needham

### **DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS**

None.

## **FUND VALUATION AND PERFORMANCE**

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

### **RESOLVED 2017/003**

That the fund Valuation and Performance be noted

## **EXCLUSION OF THE PUBLIC**

### **RESOLVED: 2017/004**

That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve the disclosure of exempt information as described in paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

And that Mr William Bourne, the independent Advisor be permitted to stay in the meeting during the exempt items

## **EXEMPT INFORMATION ITEMS**

## **FUND VALUATION AND PERFORMANCE**

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

### **RESOLVED: 2017/005**

That the exempt Fund Valuation and Performance report be noted

## **REPORT OF THE INDEPENDENT ADVISOR**

The Independent Advisor gave an update report on issues that affect the Pensions Investments of Nottinghamshire

### **RESOLVED: 2017/006**

That the independent Advisors report be noted

## **EXEMPT MINUTES OF THE PENSIONS INVESTMENT SUB COMMITTEE HELD ON 2 MARCH 2017**

### **RESOLVED: 2017/007**

That the exempt minute of the Pensions Investment report were noted and were confirmed by those members who had been members of the Committee's on the previous administration and were signed by the Chairman

## **FUND MANAGERS REPORTS**

**RESOLVED: 2017/008**

**That the fund managers reports received from Schroders Investment Management, Aberdeen Property Investors and Kames Capital be noted.**

The meeting concluded at 12.30 pm

**CHAIRMAN**

**20 July 2017****Agenda Item:****REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT &  
IMPROVEMENT****LGPS CENTRAL ASSET POOL****Purpose of the Report**

1. To provide an update on progress regarding the creation of the LGPS Central Investment Pool.

**Information and Advice**

2. Previously Pensions Sub-Committee has received regular updates on progress with asset pooling within the Local Government Pension Scheme (LGPS) and on the creation of the LGPS Central investment pool. In addition, the Committee's Chair and Vice-Chair and the Council's S151 Officer have been involved throughout the process.
3. Over the last three months considerable progress has been made on the project. One of the key areas of progress was in the appointment of an 'asset servicer' who will provide depositary and custody facilities to LGPS Central and will be key in ensuring that LGPS Central complies with its regulatory responsibilities. Northern Trust were successful following the procurement process and are now working with LGPS Central. Given the requirement to include the name of the asset servicer in the application for authorisation by the Financial Conduct Authority (FCA), which is intended to be submitted in early July, this appointment was critical. The asset servicer is responsible for the safekeeping of the assets of the pool and also ensuring that the sub-funds managed by LGPS Central operate legally and fulfil all requirements of the FCA.
4. At the beginning of April 2017 interviews were held to appoint the Non-Executive Chair of LGPS Central. Joanne Segars, previously Chief Executive of the Pensions and Lifetime Savings Association (formerly known as the National Association of Pension Funds) was offered, and accepted the post. Joanne has huge experience in the pension and investment industry and is an internationally recognised expert. Her knowledge will be vital in guiding LGPS Central through its formative years and ensuring that it becomes an organisation that can surpass the expectations of the partner funds.
5. Following the appointment of Joanne as Chair, it was possible to quickly progress the appointment of a Chief Executive. Much of the work in respect of narrowing down the list of candidates had already been carried out by officers and a firm of head hunters and the interviews took place on 28 April. Andrew Warwick Thompson, currently Executive Director for Regulatory Policy at The Pensions Regulator, has accepted the post.
6. With a Chair and a Chief Executive appointed (although the Chief Executive will not be formally 'in post' for some months due to a notice period), the appointment process of the

remainder of the senior management team can now move ahead. Two other Non-Executive Directors (one with investment management experience and one with operational experience within an FCA authorised company), a Chief Operating Officer/Chief Financial Officer and a Chief Investment Officer will complete the senior management team. It is expected that all of these appointments will be completed within the next three months.

7. LGPS Central, and all of the other prospective pools, has been asked to provide an update on progress to Central Government. The recent General Election means that it is unlikely that there will be any ministerial comment on progress fed back to the pools until at least July 2017, but it has already been made clear that it is highly unlikely that there will be an extension to the deadline for launch. All work being carried out continues to be on the basis that LGPS Central will have received FCA authorisation in advance of 1 April 2018, and will be capable of commencing management of the assets of the partner funds on this date.
8. The current focus is on preparing all necessary documents for the LGPS Central FCA submission in July. A number of these documents were reported to the Shadow Shareholders Forum meeting in Worcester on 19 June 2017, attended by the Chair of Pensions Fund Committee, Councillor Eric Kerry and Keith Palframan, Group Manager Financial Strategy & Compliance.
9. All work streams within the project continue to run to their timetables, although with a project as large as this and with so many interrelationships between the different objectives that need to be achieved there are always risks. At present these risks appear to be manageable and an active risk register is in place and is updated regularly.

## **Statutory and Policy Implications**

10. 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**

- 1) That the report be noted.

**Report Author: Keith Palframan**  
**Group Manager – Financial Strategy & Compliance**

**For any enquiries about this report please contact: Keith Palframan**

## **Constitutional Comments**

11. Because this report is for noting only Constitutional Comments are not required.



## **Financial Comments (KRP 04/07/2017)**

12. There are no direct financial implications arising from 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'





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

**LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING**

**Purpose of the Report**

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meeting held in London on 11 April 2017.

**Information and Advice**

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. LAPFF currently has 73 members (shown in the attached engagement report) with combined assets of well over £100 billion and is consequently able to exert significant influence over companies in which funds are invested.
3. LAPFF exists 'to promote the long-term investment interests of UK local authority pension funds, and in particular to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest'. It also:
  - a. Provides a forum for information exchange and discussion about investment issues.
  - b. Facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual members could achieve.
  - c. Provides a forum for consultation on shareholder initiatives.
  - d. Provides a forum to consider issues of common interest to all pension fund administrators and councillors.
4. The business meeting was attended on behalf of Nottinghamshire Pension Fund by an officer representative.
5. Tim Bush from PIRC updated the meeting on the situation regarding errors made by the Financial Reporting Council in its interpretation of the Companies Act regarding 'distributable profits'. These errors may have led to the production of unreliable company accounts and unlawful distributions of dividends. LAPFF has undertaken further legal research into the Companies Act and the next step is to write to all auditors of FTSE listed companies.

6. The usual quarterly update on LAPFF's engagement work was also provided and a copy is attached to this report. Sports Direct remains reluctant to meet with LAPFF and is yet to issue an apology for failing to attend a meeting that had been arranged by LAPFF. It was also noted that at the Sports Direct EGM in January company chairman Keith Hellawell had been re-appointed 'despite overwhelming opposition from independent shareholders'. LAPFF's engagement work in this area is therefore ongoing.
7. A short presentation on cybersecurity was made by Olivia Mooney from PRI (Principles for Responsible Investment).

## **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.

## **RECOMMENDATION/S**

- 1) That the report be noted.

**Report Author:**  
**Ciaran Guilfoyle**  
**Investments Officer**

**For any enquiries about this report please contact: Ciaran Guilfoyle**

## **Constitutional Comments**

9. Because this report is for noting only Constitutional Comments are not required.

## **Financial Comments (TMR 26/06/17)**

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

## **Background Papers**

- LAPFF constitution

# QUARTERLY ENGAGEMENT REPORT

JANUARY TO MARCH 2017



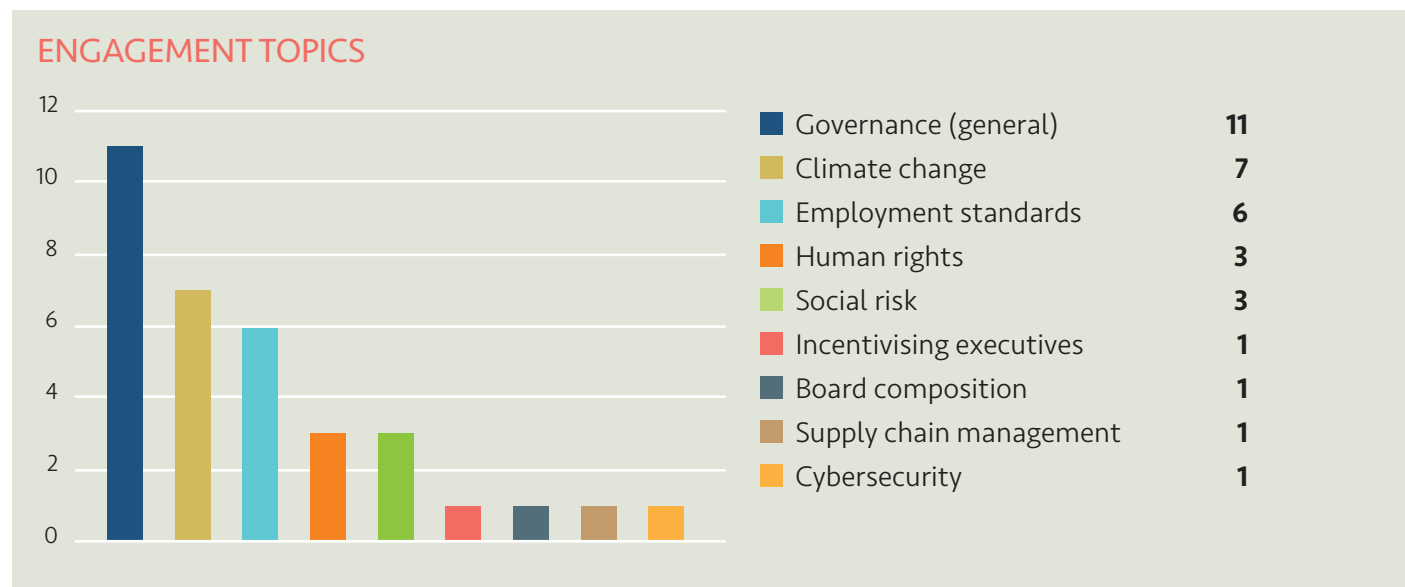
New year ushers in  
new Executive  
Committee and  
updated constitution

LAPFF responds to  
government green  
paper on corporate  
governance

Rio Tinto issues  
climate change  
report following  
engagement

LAPFF continues to  
engage Sports Direct  
on employment  
standards

# Company Engagement



## GOVERNANCE RISK

### EXECUTIVE PAY AND RELIABLE ACCOUNTS

#### LAPFF response to government green paper on corporate governance

[LAPFF responded](#) to The Department for Business, Energy & Industrial Strategy's Green Paper on Corporate Governance Reform. The response focused on ensuring that executive pay is properly aligned to long-term performance and giving greater voice to employees and consumers in the boardroom.

Although the Forum is concerned that the current executive remuneration system is fundamentally broken and needs to be overhauled, for the purposes of the Green Paper, a number of suggestions were offered regarding the existing framework. Binding upper thresholds for total annual pay and mandatory disclosure of fund manager voting records were recommended, as were increased stakeholder engagement on executive remuneration, including employee representation on remuneration committees and incorporating employee views into pay policy. In respect of stakeholder engagement, LAPFF stated it would like to see more legal requirements to ensure that stakeholder voices of all types, not just those of employees and consumers, are considered in order to build business resilience to non-traditional financial factors.

The response re-iterated previously identified problems with the regulator of governance, accounts and financial reporting, the Financial Reporting Council (FRC). The submission noted the methods that the FRC had used to give the impression it had done nothing wrong and that it has denied any errors. The response questioned the governance of the FRC itself, including the way it is established, and called on Downing Street to "take an

active interest in the position of the FRC". In particular, LAPFF has suggested that serious consideration should be given to disbanding the FRC and establishing an independent Companies Commission.

LAPFF also wrote to the Chairman of the US Securities and Exchange Commission (**SEC**) to support the implementation of the Pay Ratio Rule. In the Forum's view, the primary value of the ratio is to indicate a company's approach to balancing internal and external competitiveness when setting CEO pay, and to ensure the wage gap within each company does not increase disproportionately, which could have adverse impacts on employee morale and productivity.

**"the legislative requirements that the FRC is getting wrong are not even complex, the only things that are complex are the excuses that the FRC constructs to avoid dealing with its mistakes"**

## MERGERS AND ACQUISITIONS

### Tesco merger with Booker

In a new briefing '[Tesco: asking the right questions of the proposed merger with Booker](#)', the Forum provided questions individual funds may wish to use to engage with the company. The proposed deal would see Tesco merge with Booker, food wholesaler and owner of Londis and Budgens convenience stores. The stock market appeared to applaud particular strategic aspects of the deal. These include developing the supply chain management capabilities and the premium paid for control of Booker which appear reasonable. However, there also appear to be a variety of risks that shareholders should be aware of, which include some governance concerns.



The Forum considers it a high risk transaction and encourages shareholders to gain assurance from Tesco's board that the risks that accompany the Booker merger have been acknowledged. For analysis of the deal, refer to the briefing on the member section of the LAPFF website.

**"We... consider this to be a high risk transaction and encourage shareholders to gain assurance from Tesco's board"**

## HOLDINGS-BASED ENGAGEMENT

### Earnings, infrastructure and Brexit raised at EasyJet AGM

CLlr Doug McMurdo attended the **easyJet** AGM and spoke to the Chair and Senior Independent Director. The day before LAPFF attended the easyJet AGM, its founder and 34% shareholder Sir Stelios Haji-Ioannou had stated his concerns to the *Daily Telegraph* about earnings. At the AGM one of his representatives raised concerns about the about the size of the fleet and the type of contracts used to manage its size. He had promised to vote against the Chairman on this point. However, at the time of the vote, he only used a token number of his shares to oppose the Chairman. It was also noted that, post-Brexit, the company headquarters would remain in Luton. The implication, though, was that a large operational element would be on the continent with the company having applied for an operation license in Europe. Congestion problems in British airspace were raised as a major problem for easyJet. The CEO spoke about infrastructure impediments, its impact on business and the need for greater investment.



## ENVIRONMENTAL & CARBON RISK

### LAPFF response to recommendations of the task force on climate-related financial disclosure

In responding to the Financial Stability Board's **Taskforce on Climate Disclosure** report, LAPFF supported its recommendations and considered all market participants should be encouraged to aim for full implementation. The

Forum further considers that guidance could go beyond promoting disclosure of scenario that reflects a 1.5 – 2 degree future, to recommending that companies should be positioning themselves for a low carbon future by disclosing a strategic business transition plan.

LAPFF's response further noted the lack of a recommendation to report on public policy positions and also requested a greater focus on reporting of the financing and development of the low-carbon investment opportunities. To ensure the rapid take up and promotion of consistent standards, the Forum encouraged the Taskforce to work with national stock exchanges, financial regulators and the International Organization of Securities Commissions.



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### Strategic resilience

At a follow-up meeting with Jan du Plessis, the chair of **Rio Tinto**, Rodney Barton of the LAPFF executive joined other investors in the small coalition that has been meeting with the company since 2013, to improve its response to the anticipated low-carbon transition. It was made clear that all elements of the strategic resilience shareholder resolution, co-filed by LAPFF member funds, at the 2016 AGM, would not be able to be addressed in one year. So for example there is still much to be done in the areas of linking low carbon strategy with remuneration and on future low carbon scenarios. However, the company appears to be addressing each element of the resolution, for example through running internal workshops on undertaking scenario planning.

In March, Rio issued a climate change report in conjunction with its sustainable development report, in response to the resolution request. A follow-on meeting was held with Mathew Bateson, Head of Environment & Legacy Management who also led a webinar which included Vivek Tulpule, Head of Economics & Markets. At this, it was indicated that the issues which the company still need to consider further are quantitative reporting and combining reporting with the financial reporting of the company.

In a [press-statement](#), LAPFF welcomed the news that **Shell** was divesting most of its oil sands interests in Canada and at a collaborative meeting with Chad Holliday,

the Shell chairman, asked how the company could better illustrate how action to mitigate exposure to carbon risk is integrated into Shell's business model and strategic planning.

In a collaborative call with the chair of the **BP** remuneration committee, Professor Ann Dowling, gave an update on the proposed new pay arrangements at the company and how these linked into company strategic action on climate. Part of the performance indicators for the long term incentive plan now include a reflection of strategic priorities to support a lower carbon future with the focus on 'value over volume'. In doing so, the use of the 'reserves replacement ratio' criticised in the past, has been removed as a metric for remuneration.

## SOCIAL RISK DIVERSITY

### Lack of gender diversity on the board of FTSE 350 company

Over the past 18 months LAPFF has been communicating with **Euromoney**, which, following a board restructure, now has no women on the board. In the 2016 Annual Report the lack of women on the board is described as 'temporary', although the company states its support for the principles of the Davies Report and that as part of a board review 'the diversity position will be reviewed in light of best practice.' In the run-up to the January AGM, LAPFF contacted Euromoney to inform them that a voting alert would be issued as all those proposed to be elected to the board at the AGM were male. This did elicit a response describing the changes the company had gone through. However, given the amount of time that had passed and that no female directors were proposed to be elected to the board, LAPFF remained concerned that the board was not giving this issue adequate consideration and treating it with sufficient urgency. A [voting alert](#) was therefore issued to oppose the re-election of John Botts, chairman of the nominations committee.

### LAPFF's response to the Parker review of ethnic diversity

[LAPFF responded](#) to the government-backed Parker Review on Ethnic Diversity of UK Boards' consultation report '[Beyond One by 21](#)'. The interim report highlighted the lack of ethnic diversity and makes several recommendations, including setting a target that each FTSE 100 Board should have at least one director of colour by 2021, FTSE companies should develop candidates for the pipeline and companies should enhance transparency and disclosure. The Forum's response set out the Forum's position on diversity, how it engages on such issues and recommended that the final report could be strengthened by stressing the role that investors can and should play.

## HUMAN CAPITAL AND EMPLOYMENT

### Continuing engagement with Sports Direct over employment standards

LAPFF continues to engage with **Sports Direct**. At the end of last year the Senior Independent Adviser of Sports Direct failed to attend a meeting with Cllr Kieran Quinn, LAPFF chair. Separately, the Forum issued a voting alert to oppose the re-election of Sports Direct Chairman, Keith Hellawell, at the 5 January 2017 EGM to address continuing concerns about the Company's governance and business practices. So at the start of January LAPFF was in touch with Sports Direct regarding the previously arranged meeting in December for which no apology was forthcoming from the Senior Independent Director. Communications stressed concerns that Keith Hellawell was re-appointed as chairman at the EGM despite overwhelming opposition from independent shareholders. They also highlighted the falling holdings in Sport Direct of LAPFF members and concerns by some members that the drop in the company's financial performance was being driven by governance and workplace concerns. LAPFF was told that engagement with Cllr Quinn would be discussed at a February 2017 board meeting. The Forum has since followed up to enquire about the results of that discussion but has received no response from any Sports Direct representative.

## RELIABLE ACCOUNTING RISK

### Reliable accounts and banking regulation in a changing environment

The Forum met with **HSBC** to discuss the company's sparse human capital management reporting and financial regulation, including reports from the US suggesting that financial regulations implemented after the financial crisis to protect economies from further crises are likely to be rolled back. There were two meetings, the first on human capital management with Pierre Goad, Group Head of Employee Insight and Communications, and the second on financial regulation with Chairman, Douglas Flint. Mr Flint is set to step down as Chair later this year. He will be replaced by Mark Tucker, who will leave the Goldman Sachs board to fill this role.





## MEDIA COVERAGE

### Accounting Standards

[LAPFF moves against EC with IFRS 9 'maladministration' claim](#) – IPE, 12 January 2017

[Accounting roundup: More illegal dividends unearthed](#) – IPE, 15 February 2017

[Clearer picture of banks' capital is required to help avert crises](#) – Financial Times, 12 January 2017

### LAPFF Response to the Corporate Governance Green Paper

[Shareholders demand right to limit executive pay](#) – Financial Times, 24 February 2017

[LAPFF hits out at UK's Financial Reporting Council](#) – IPE, 27 February 2017

[Weekly highlights – Financial Services](#) – LexisNexis, 2 March 2017



### Climate risk

[Global asset owners, managers launch initiative to track shift to low-carbon economy](#) – Pensions & Investments, 11 January 2017

### LGPS

[MPs urged to examine sector's finances](#) – Municipal Journal, 28 February 2017

[MPs urged to examine local government pension scheme](#) – LocalGov, 2 March 2017

## NETWORKS AND EVENTS

The following lists some of the events and meetings attended by LAPFF representatives during the quarter:

**Corporate Human Rights Benchark (CHRB) launch** - The CHRB is a collaborative effort of Aviva Investors, the Business and Human Rights Resource Centre, Calvert Research and Management, the EIRIS Foundation, and Institute for Human Rights and Business and VBDO to rank major multinationals on their human rights efforts.

**ShareAction Workforce Disclosure Initiative event** - ShareAction is developing a rating tool for human capital management aimed at allowing investors to prioritise companies for engagement on human capital and to identify sub-issues for engagement.

**UNGC beneficial ownership** - Discussing the importance of beneficial ownership transparency for responsible business practices and the ability of investors to assess business risk. The discussion followed the launch of beneficial ownership global website to build on national efforts.

**PRI Global RI Regulation** - PRI guide launch on responsible investment regulation globally and its impact.

**2016 India Spotlight Index** - The Access to Nutrition Foundation (ATNF) has launched the India Spotlight Index, which assesses the policies, practices and disclosure of the largest multinational Indian food and beverage manufacturers.

**ClientEarth Climate Change and the Law Seminar** - This event explored how to use the existing legal framework to better encourage companies to report both on their climate change impacts and on how they will be affected by climate change.

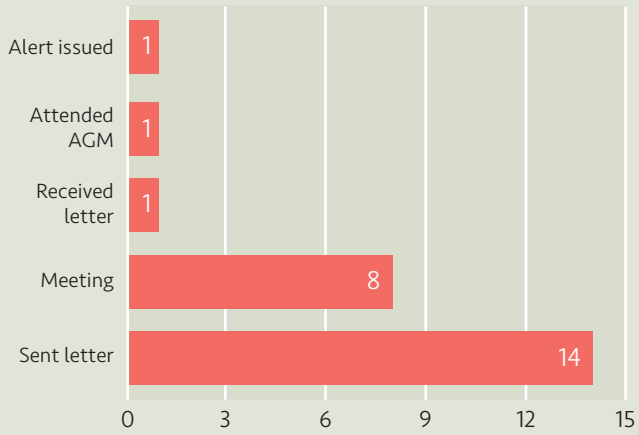
## COMPANY PROGRESS REPORT

15 companies engaged over the quarter

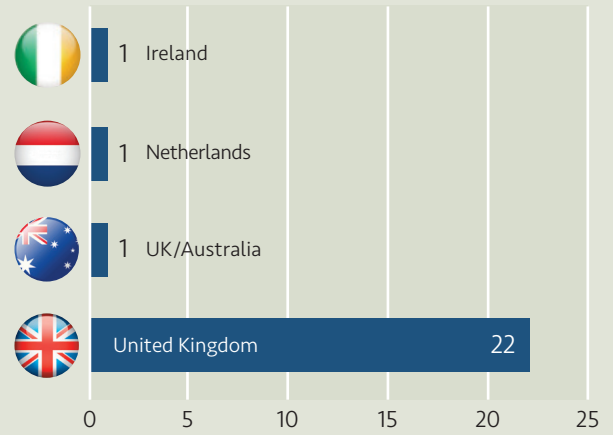
Q1 2017 ENGAGEMENT DATA				
	Company	Topics	Activity	Outcome
1	Aberdeen Asset Management plc	Sent Letter	Social Risk	Governance (General)/ Awaiting Response
2	Anglo American plc	Meeting	Climate Change/ Human Rights	Change in Process
3	AstraZeneca plc	Sent Letter	Governance (General)	Dialogue
4	BP plc	Sent Letter/Meeting	Climate Change/ Remuneration	Substantial Improvement
5	British American Tobacco plc	Sent Letter	Social Risk	Dialogue
6	Easyjet plc	Sent Letter/ Attended AGM	Other/Governance (General)	Dialogue
7	Euromoney Institutional Investor plc	Alert Issued	Board Composition	No Improvement
8	HSBC Holdings plc	Sent Letter/Meetings	Employment Standards/ Finance and Accounting	Change in Process/ Dialogue
9	Lloyds Banking Group plc	Sent Letter	Finance and Accounting	Dialogue
10	Rio Tinto Group	Meetings	Climate Change	Substantial Improvement
11	Royal Dutch Shell plc	Meeting	Climate Change	Dialogue
12	Shire plc	Sent Letter	Governance (General)	Dialogue
13	Sports Direct International plc	Sent Letters/ Received Letter	Employment Standards/ Governance (General)	Awaiting Response/ No Improvement
14	Standard Life plc	Sent Letter	Governance (General)/ Social Risk	Awaiting Response
15	Vodafone Group plc	Sent Letter	Governance (General)	Dialogue

## COMPANY ENGAGEMENT ACTIVITIES

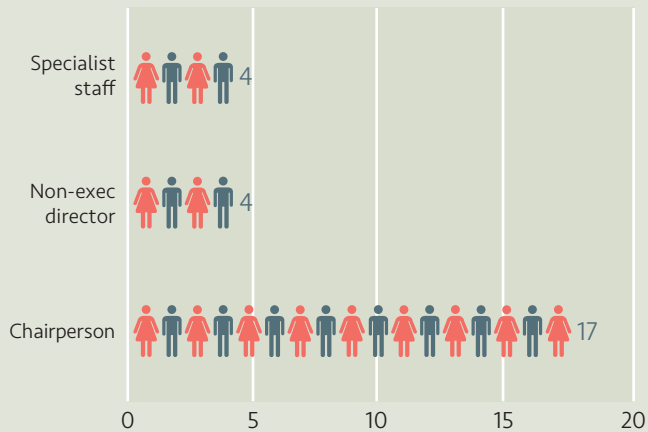
### Company engagement topics



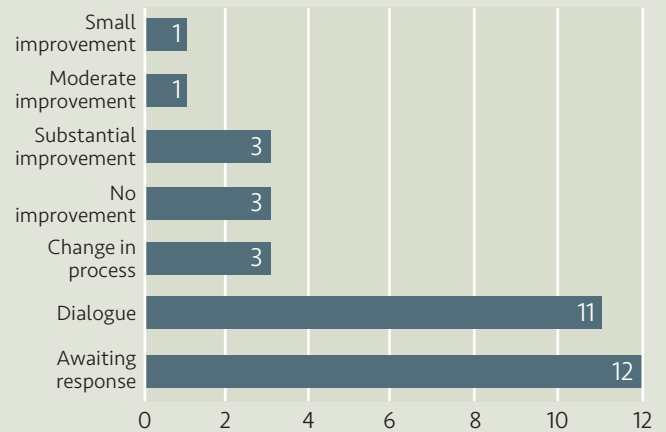
### Domicile



### Position engaged



### Outcomes



## LAPFF DEVELOPMENTS

At the LAPFF AGM, it was announced that Cllr Kieran Quinn had been re-elected as LAPFF Chair and Cllr Denise Le Gal and Cllr Ian Greenwood were elected as Deputy Chairs of the LAPFF executive.

Joining them on the executive is new committee member Cllr Alasdair Rankin (Lothian Pension Fund). Two members of the executive, former LAPFF Deputy Chair, Cllr Cameron Rose, and Cllr Richard Greening have stepped down after distinguished tenures on the executive, and at the executive meeting in January LAPFF chair, Kieran Quinn, extended his thanks for all their work and support over the years.

At the LAPFF AGM it was announced the revised LAPFF Constitution had been overwhelmingly approved (by 85% of those who responded). Kieran Quinn stated "The Forum now has a robust and modern constitution, enshrining the rights of our members and the role and obligations of our Executive and membership, through our own transparent governance process. It is now 'fit for purpose'." The new Constitution can be viewed on the member section of the LAPFF website.

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham (London Borough of)
- Bedfordshire Pension Fund
- Cambridgeshire Pension Fund
- Camden (London Borough of)
- Cardiff and Vale of Glamorgan Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Croydon (London Borough of)
- Cumbria Pension Scheme
- Derbyshire County Council
- Devon County Council
- Dorset County Pension Fund
- Durham County Council Pension Fund
- Dyfed Pension Fund
- Ealing (London Borough of)
- East Riding of Yorkshire Council
- East Sussex Pension Fund
- Enfield (London Borough of)
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney (London Borough of)
- Haringey (London Borough of)
- Harrow (London Borough of)
- Hertfordshire County Council Pension Fund
- Hounslow (London Borough of)
- Islington (London Borough of)
- Lambeth (London Borough of)
- Lancashire County Pension Fund
- Lewisham (London Borough of)
- Lincolnshire County Council
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Newham (London Borough of)
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire County Council Pension Fund
- Northamptonshire County Council
- NILGOSC
- Northumberland County Council
- Nottinghamshire County Council
- Powys County Council Pension Fund
- Redbridge (London Borough of)
- Rhondda Cynon Taf
- Sheffield City Region Combined Authority
- Shropshire Council
- Somerset County Council
- South Yorkshire Pensions Authority
- Southwark (London Borough of)
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk County Council Pension Fund
- Surrey County Council
- Sutton (London Borough of)
- Teesside Pension Fund
- The City and County of Swansea Pension Fund
- The Environment Agency Pension Fund
- Tower Hamlets (London Borough of)
- Tyne and Wear Pension Fund
- Waltham Forest (London Borough of)
- Wandsworth (London Borough of)
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Wiltshire County Council
- Worcestershire County Council

**20 July 2017****Agenda Item:****REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT****PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) LOCAL AUTHORITY CONFERENCE 2017****Purpose of the Report**

1. To report on the PLSA Local Authority Conference 2017.

**Information and Advice**

2. The PLSA Conference 2017 was held on 15<sup>th</sup> to 17<sup>th</sup> May 2017 in Gloucestershire. 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 Nigel Stevenson (Service Director – Finance, Procurement & Improvement) and Tamsin Rabbitts (Senior Accountant – Pension Fund and Treasury Management). The theme of this year's conference was 'Global Forces, Local Solutions'.

3. ***Pre-Conference Meetings***

The conference commenced with a number of sessions covering topics such as how to achieve affordability and sustainability of the LGPS and how LGPS investors can capture the big trends reshaping our world. These included presentations from Hymans Robertson and Capital Group.

4. ***Graham Vidler, Director of External Affairs, PLSA***

The main conference began with Graham Vidler welcoming everyone to the Conference and setting the tone for the event.

5. ***Cllr Roger Phillips, Chair, Scheme Advisory Board – The Year Ahead***

Councillor Phillips encouraged LGPS Funds to be mindful of the political environment and the increasing need for transparency. He announced the publication of the 2016 LGPS (England and Wales) report which includes information on the growth of the scheme to around 14,000 employers and reports progress on deficit reduction since the last valuation

The launch of the Code of Transparency was also announced. This is a voluntary Code for LGPS asset managers to assist pension funds in obtaining the data they require in order to achieve transparency of investment costs.

There were indications that there would be a positive resolution to some of the MIFID II issues announced in the near future, and that a work stream would be looking at Tier 3 employers in the LGPS.

## **6. *Communicating Better***

Three speakers gave their personal experiences of communication challenges to illustrate key factors in successful communications with members and employers. Dawn Turner, currently Interim Managing Director of Brunel Pension Partnership, and Chief Pensions Officer of the Environment Agency Pension Fund talked about 'Putting ourselves in our members' shoes' to illustrate the importance of considering communications from the point of view of the recipients, and illustrating her points with an interesting collection of footwear. Ranila Ravi-Burslem from NEST gave an excellent talk on the challenges of managing communications inside NEST given the nature of the members and the employers using that scheme. This was followed by Kerry Tat-Makill, Head of Marketing & Engagement at Capita, talking about their digital communications.

Key themes were the importance of segmenting your audience in order to provide targeted communication, obtaining and learning from feedback, especially through the use of focus groups, and increasing engagement with the use of digital channels.

## **7. *Concurrent Sessions***

A number of concurrent sessions were delivered:

### **a) Good Governance – Governance Outcomes**

This session looked at what we can learn from new initiatives such as PLC boards, Private Sector Trustees and Local Pension boards and whether they will deliver better member outcomes in the future. The session included presentations from Adrian Chapman, Director Administration Services LGPS and Public Sector and Lorraine Harper, Head of Governance Services, JLT Benefit Solutions.

### **b) Investment – Fixed Income in a Rising Rate Environment**

Jon Day, Fixed Income Portfolio Manager, Newton Investment Management gave a presentation on the challenge of generating returns from bonds in the current environment. He suggested that a broader investment opportunity set is required given the historically low yields, significant economic and political risks, and the issues arising from quantitative easing. The suggestion was that best strategies in the current environment will focus on dynamic asset allocation, transparency and liquidity, outcome orientation, global investment and capital preservation.

### **c) Thought Leadership – Making Inroads on Cost Transparency**

This proved to be the most popular session of the three. Jason Fletcher, CIO West Midlands Pension Fund discussed the importance of cost transparency in maintaining good relationships between funds and their managers, and allowing them to focus on cost management. West Midlands Pension Fund found the steps they took to achieve greater cost transparency led them to initially disclose significantly higher costs, but these were then managed in the following years with considerable success. Imran Razvi, Public Policy Adviser of the Investment Association talked about the efforts being made to create a more consistent template for cost disclosure with funds and the Investment Association working together in conjunction with the LGA. Dr Chris Sier, Professor of Practice, Newcastle University Business School then discussed the journey he has been

on since 2008 to bring cost transparency into the spotlight, and set out proposals to provide information for funds and managers and help funds better understand and manage their investment costs.

## **8. *The Future of Admitted and other Bodies in the LGPS***

Lunch was followed by an interesting session on the future of admitted and other bodies in the LGPS. The number of employers within the LGPS is continuing to increase, largely due to the increase in academies. Jeff Houston, Head of Pensions at the LGA and Mark Packham of PwC talked about the work that has been done on academies for the SAB. PwC have researched and collated in their report the LGPS issues arising from the academisation program from the perspective of many different stakeholders. Contrary to some recent rumours, Jeff confirmed that the solution to academy issues would be sought within the LGPS structure. DfE are seeking consistency in contributions and a lower time burden on academy staff, but DCLG and SAB are focussed on ensuring that no debts are transferred from the academy sector to other areas of the LGPS. Neil Mason, Senior Pensions Advisor of Surrey Council spoke of the many challenges faced by LGPS administrators in working with employers.

## **9. *Concurrent Sessions***

A number of concurrent sessions were delivered.

### **a) Good Governance – meet the pensions regulator and hear its views on the challenges ahead**

Nick Gannon, Policy Lead, and Bryan McDaniel, Public Service Regulation Consultant from The Pensions Regulator set out the regulator's view on the roles, responsibilities and priorities in LGPS governance, and discussed how local authorities, pension committees and pension boards work together in practice.

### **b) Investment– Understanding MIFID II**

Richard Batchelor of Eversheds and Tom Richardson, Chief Risk Officer of the Local Pensions Partnership described some of the changes which will be required by the Markets in Financial Instruments Directive II (MIFID II) which comes into force in January 2018. The new regulations will categorise LGPS funds as retail. There will be a process to opt for a categorisation of professional client, but the process and criteria for this are not yet known. The requirements to monitor ongoing categorisation and criteria with each investment manager, and potentially for each investment type will create a significant overhead going forward. The regulations will also be relevant to Pools as investment managers. The general feeling was that the regulations are unlikely to cause fundamental issues for LGPS administering authorities, but the process to comply with regulations will be time consuming. Clarification of what will be required is expected by the end of June.

### **c) Thought Leadership – The Race is on – which return premia should the Pools be chasing?**

Once Pool structures have been established and plans for efficiency savings implemented, thoughts will inevitably turn to return enhancement. John Harrison, Independent Investment adviser, Surrey County Council and Jo Holden from Mercer highlighted the importance of investment beliefs and that Pools should have a clear set of beliefs that will help shape the way they are governed and how investment options are structured. Opportunities in infrastructure and private equity were discussed and the



complexity premium or even the simplicity premium were also debated. John spoke of the growing importance of employer focussed investment strategies and for Pools to offer the range of options that met their risk and return requirements.

#### **10. *Next Steps for Scheme Funding***

The Government Actuary's Department (GAD) is embarking on its Section 13 report for the LGPS, assessing fund valuations against four main aims; compliance, consistency, solvency and long term cost effectiveness, and the Scheme Advisory Board in England and Wales has been assessing scheme valuations against the cost cap.

Fiona Farmer, National Officer, Unite the Union and Chair of the Cost Management, Benefit Design and Administration Committee, Scheme Advisory Board in England and Wales talked about the cost management process in LGPS, the legislative background, Treasury and SAB processes and the interaction between the two. Conclusions at the early stage are that cost management is a key component of the new scheme, there will be a lot of scrutiny and interest, and effective and meaningful engagement with all stakeholders is required.

Jon Bayliss from GAD then talked about Section 13 including the process and timeline, learnings from the dry run and what it means for funding. The 2016 valuations report is expected in spring / early summer 2018. The hope is that the Section 13 report helps funds understand risk and increases transparency.

#### **11. *A Global Retreat?***

Isabel Oakeshott, political journalist and broadcaster closed the day with an entertaining overview of political observations and election highlights past and present.

#### **12. *The Governance Premium***

This was a panel discussion involving Fiona Frobisher from The Pensions Regulator, Steve Simkins from KPMG, Clare Scott from Lothian Pension Fund and Lesley Williams from PLSA. The panel shared their experiences and thoughts on how to ensure that governance oversight is effective and adds value. Discussions covered the importance of effective training, a board make up with a diverse skillset, experience and cognitive mindset, and pension fund and administering authority separation.

#### **13. *Global Forces***

Neil Williams, Group Chief Economist of Hermes Investment Management gave an interesting presentation on the outlook for the global economy. The US is leading a two-speed recovery, with recent upwards inflationary pressure driven by cost factors rather than demand. Consequently fiscal policy is likely to be loose for longer with at least another two years of negative real interest rates predicted. The impact of Brexit, as with US protectionism, will be felt around the globe. The Euro-zone is still a monetary rather than an economic union and fiscal tools will be needed in this area. China has a range of options to soften its landing. It is likely that the quest for yield will continue.

#### **14. *Delivering Local Solutions in a Changing UK***

Lord Hutton spoke of the challenges of pensions and savings and their low current levels. The average pension pot is worth only £30k and 50% of families have no savings. He looked at changes and challenges to LGPS, including MIFID II and the continuing need for transparency and accountability. He discussed pooling, and expressed some scepticism that estimated levels of saving would be delivered, although he believes some savings are to be gained from pooling investments. Looking to the future he believes there may be further



amalgamations in the future. Decreasing the deficit is crucial, and improved investment performance could help deliver this.

#### **15. *Complex Times; Embracing Resilience and Creativity***

Tim Harford, Financial Times columnist, BBC broadcaster and author explored the well-known phrase “Success begins with failure” noting that many failures do not lead to future successes. He identified three key requirements to learn from failure and drive success and discussed the key difficulties with each:-

- An open exploration of options or new ideas – this can often be stifled with a tendency towards group think and conformity
- An open and honest feedback loop – but there is often a reluctance to give or receive real feedback which can be clear from the way the request is made (or feedback not being sought at all).
- Rational thinking about changing course – this is often prejudiced by our aversion to loss.

### **Statutory and Policy Implications**

16. 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**

- 1) That it be noted that attendance at key conferences is part of the Fund’s commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills.
- 2) That the report be noted

**Report author:**

**Tamsin Rabbitts**

**Senior Accountant – Pensions and Treasury Management**

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

### **Constitutional Comments**

17. Because this report is for noting only Constitutional Comments are not required.

### **Financial Comments (TMR 29/06/17)**

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

### **Background Papers**

None

20 July 2017

Agenda Item:

## **REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT**

### **CONFERENCES AND TRAINING**

#### **Purpose of the Report**

1. To update Members with attendance at conferences and training in 2017/18 and to provide information on the Property training.

#### **Information and Advice**

2. The Fund is committed to ensuring those charged with decision-making and financial management have effective knowledge and skills and this is achieved through attendance at key conferences and the provision of specific training and information for Members. Attendance at conferences and training was approved by the Pensions Fund Committee on 14 March 2017.
3. Appendix A sets out the planned attendance at the approved conferences and training events.
4. The report on 14 March approved a property training / inspection event in October. The event is open to all Members of Pensions Fund Committee (previously Pensions Investment Sub-Committee). Previously this event has taken place over 2 days, visiting properties which are new or in the process of being updated and including an overnight stay.
5. As the fund has moved to a portfolio of fewer, higher quality properties, with longer leaseholds, the number of properties changing each year has fallen. In addition the properties have become more geographically dispersed, meaning longer travel times to visit a meaningful number. Also, advice from Aberdeen Asset Management (AAM) is that more and more funds are reducing physical visits in favour of virtual tours and on-site training to allow more time for discussion and less time spent travelling.
6. It is planned that the 2017 Property inspection should consist of training and updates from AAM on Thursday 12 October. This would be an all-day event, based at County Hall, to allow as many Members as possible to attend. In addition there would be an evening meal in Nottingham, hosted by AAM, to allow for further less formal discussions with Aberdeen staff.
7. The above arrangements will allow for an in-depth review of the property portfolio in discussion with experts from AAM, as in previous years, but without incurring the expense of travel and overnight accommodation.

## **Reason/s for Recommendation/s**

8. Under the terms of the Council's constitution, the Nottinghamshire Pensions Fund Committee is responsible for the administration of the Nottinghamshire Pension Fund and it is best practice to ensure that those charged with decision-making and financial management have effective knowledge and skills.

## **Statutory and Policy Implications**

9. 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**

- 1) That the report be noted.

**Nigel Stevenson**

**Service Director – Finance, Procurement and Improvement**

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

Keith Palframan, Group Manager – Financial Strategy & Compliance

## **Constitutional Comments**

10. As this report is for noting only Constitutional Comments are not required.

## **Financial Comments (KRP 04/06/17)**

11. Costs associated with attending conferences and other training events are a legitimate charge to the Fund in accordance with governing regulations.

## **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'

## Appendix A

### Schedule of Conferences / Training for Pensions Fund Committee 2017/18

Event	Date	Members	Officers
PLSA Local Authority Conference	15-17 May 2017	n/a	Nigel Stevenson Tamsin Rabbitts
LGA LGPS Trustees Conference	29-30 June 2017	Cllr Stephen Garner	Jon Clewes
LGC Investment Summit	7-8 September	Cllr Eric Kerry Cllr Stephen Garner	Keith Palframan
LGA Fundamentals training (3 days)	October – December	Open to all new Members, or those wishing to renew their training.  Registered to date: Cllr Eric Kerry Cllr Stephen Garner	n/a
Property Training	12 October 2017	Open to all Members of Pensions Fund Committee	Keith Palframan Tamsin Rabbitts
LAPFF Annual Conference	7-9 December 2017	Cllr Eric Kerry	Tamsin Rabbitts
LAPFF Business Meetings	Quarterly meetings	Open to one Member each meeting	Ciaran Guilfoyle

