Nottinghamshire County Council

Nottinghamshire Pension Fund Committee

Thursday, 10 November 2022 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

1	Minutes of the last meeting held on 1 September 2022	3 - 8
2	Apologies for Absence	
3	Declarations of Interests by Members and Officers:- (see note below) (a) Disclosable Pecuniary Interests (b) Private Interests (pecuniary and non-pecuniary)	
4	To note the appointment of Councillor Chris Barnfather to fill the Conservative vacancy on the Committee	
5	Pension Dash Boards	9 - 14
6	Review of progress on the Climate Risk Action Plan	15 - 24
7	Department of Levelling Up, Housing and Communities consultation	25 - 34
8	Treasury Management Mid-Year Report 2022-23	35 - 38
9	Proxy voting	39 - 42
10	Local Authority Pension Fund Forum	43 - 44
11	Work Programme	45 - 50

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

Nottinghamshire County Council

minutes

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 1 September 2022 at 10.30 am

membership

COUNCILLORS

Eric Kerry (Chairman)
Mike Introna (Vice Chairman)

André Camilleri
John Clarke MBE
Bethan Eddy
Stephen Garner - **Apologies**
Sheila Place
Francis Purdue-Horan - **Apologies**
Tom Smith
Lee Waters

Conservative vacancy

SUBSTITUTE MEMBERS:

Councillor Richard Butler filled the Conservative vacancy

NON-VOTING MEMBERS:

Nottingham City Council

Councillor Graham Chapman - **Apologies**
Councillor Sally Longford
Councillor Zafran Khan - **Apologies**

District / Borough Council Representatives

Councillor David Lloyd, Newark and Sherwood District Council - **Absent**
Councillor Gordon Moore, Rushcliffe Borough Council - **Apologies**

Trades Unions

Alan Woodward - **Apologies**
Chris King

Scheduled Bodies

Sue Reader - **Apologies**

Pensioners' Representatives

Vacancy x 2

Independent Adviser

William Bourne

Officers in Attendance

Nigel Stevenson	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)
Jon Clewes	(Chief Executive's Department)
Jo Toomey	(Chief Executive's Department)

Before the meeting began, members observed a few moments of silence to remember Councillor Eddie Cubley, a member of the Committee, who had recently passed away.

1. MINUTES OF THE LAST MEETING HELD ON 21 JULY 2022

The minutes of the last meeting held on 21 July 2022 were confirmed as a correct record for signing by the Chair.

2. APOLOGIES FOR ABSENCE

- Councillor Francis Purdue-Horan
- Councillor Stephen Garner
- Councillor Graham Chapman (Nottingham City Council)
- Councillor Zafran Khan (Nottingham City Council)
- Councillor Gordon Moore (Rushcliffe Borough Council)
- Alan Woodward, Trade Union Representative
- Sue Reader, Scheduled Bodies Representative

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None were disclosed.

4. TO NOTE THE APPOINTMENT OF COUNCILLOR SALLY LONGFORD AS ONE OF NOTTINGHAM CITY COUNCIL'S REPRESENTATIVES ON THE COMMITTEE

Members noted that Councillor Longford was replacing Councillor Peach as one of the three representatives of Nottingham City Council on the Committee. The thanks of the Committee for Councillor Peach's service and contribution was placed on record.

5. LOCAL PENSIONS BOARD ANNUAL REPORT

Members noted the Annual Report of the Local Pensions Board, which had been referred to Committee for noting. It also included a recommendation made by the Board about a review of staffing resources, which had been highlighted in the Annual as a recurring entry and the highest risk on the Fund's risk register.

RESOLVED 2022/031

1. That the contents of the Local Pensions Board Annual Report 2021/22 be noted.

2. That a review of staffing resources to support Pension Fund activity be approved and the terms of the review be agreed by the Chair of the Nottinghamshire Pension Fund Committee and the Chair of the Local Pensions Board.

6. PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) LOCAL AUTHORITY CONFERENCE 2022

The Service Director, Finance, Infrastructure and Improvement presented a report on the PLSA Local Authority Conference 2022. The report gave an overview of key themes considered at the conference, which members were advised, incorporate many of the areas that had been considered by the Committee during the previous year.

RESOLVED 2022/032

1. That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to pension administration and investments.

2. That no further actions were required in relation to the issues contained within the report.

7. LOCAL AUTHORITY PENSION FUND (LAPF) STRATEGIC INVESTMENT FORUM

The report of the Service Director, Finance, Infrastructure and Improvement summarised the main topics of the LAPF strategic investment forum 2022.

During discussions, Members:

- Asked whether consideration had been given to green bonds and discussed how they could be used by the Fund
- Noted that the responsibility of the Committee was to the fund
- Highlighted work on climate risk and responsible investment already captured as part of the implementation of the Fund’s strategies and including diversified investments

RESOLVED 2022/033

1. That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to pension administration and investments.

2. That the following action is required in relation to issues arising from discussion of the report:

    - That green bonds be included within a future Committee training session.

8. **WORKING PARTY**

The report, submitted following a meeting of the Pension Fund Working Party held on 22 July 2022, set out those items discussed, including the use of derivatives in the Schroders Active Equity portfolio and the LGPS Central Gilts segregated mandate.

RESOLVED 2022/034

That a report be brought to the Pension Fund Committee proposing the use of derivatives in the Schroders Active Equity portfolio and the LGPS Central Gilts segregated mandate.

9. **DERIVATIVES USE IN SCHRODERS ACTIVE EQUITIES AND LGPS CENTRAL GILTS MANDATES**

The report sought approval from the Committee to enable investments managers to use derivatives arising from the Schroders Active Equities portfolio and the LGPS Central Gilts segregated mandate for the purpose of efficient portfolio management. The consent of the Committee was required before derivatives could be used. The concept had been considered at the recent Fund working party, which had provided an opportunity for members to pose any questions.

During discussions, Members:

- Highlighted the potential for additional risk and speculation, together with measures to manage risk
- Noted the investment objectives of the Fund's mandate with Schroders, the split between stock selection and asset allocation, and how allowing use of derivatives would assist the Investment Manager in fulfilling the mandate as written

RESOLVED 2022/35

That amendments to the investment mandates for the Schroders Active Equity portfolio and the LGPS Gilts segregated mandate to permit the use of derivatives as set out in the report be approved for the purposes of efficient portfolio management.

10. **INDEPENDENT ADVISER'S REPORT**

The Independent Adviser to the Committee presented his report, which highlighted key areas of risk and the global economic position. In his assessment of the current position, the Independent Adviser highlighted that returns were likely to be low, potentially 1% to 2% over the next two years. Some assurance was provided to members through the fund's diversified portfolio.

During discussions, Members:

- Raised questions about the system for raising matters of concern with members during a time of rapid change

- Noted that the fund needed to consider the long-term
- Recognised the actuarial review that was underway and the opportunity arising from that review to question the actuarial advisers

RESOLVED 2022/36

That the contents of the Independent Adviser's report be noted.

11. WORK PROGRAMME

RESOLVED 2022/037

That the work programme be agreed.

12. FUND VALUATION AND PERFORMANCE

During discussions, Members:

- Identified that there had been a reduction in asset value and asked whether any pension deficits would lead to an increase in Council Tax
- Discussed the balance between the size of scheme members' contributions to the fund and the level of return from investments
- Asked for additional information on sustainable renewals investments and whether it would include palm oil
- Highlighted some concerns about the classification of investments, including the constitution of passive investments

RESOLVED 2022/38

That no further actions were required in relation to the issues contained within the report.

13. EXCLUSION OF THE PUBLIC

RESOLVED 2022/39

That the public be excluded for the remainder of the meeting on the grounds that the discussions were 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 outweighed the public interest in disclosing the information.

14. FUND VALUATION AND PERFORMANCE – EXEMPT APPENDIX

Members considered the contents of the exempt appendix to the fund valuation and performance report.

RESOLVED 2022/40

That the contents of the exempt appendix be noted.

15. FUND MANAGERS' PRESENTATIONS

15a. Schroders

Olivia Docker and Andy Simpson provided a report to the Committee on the activities of Schroders.

15b. Abrdn

John Holguin provided a report to the Committee on the activities of Abrdn.

12:58 – Councillors Camilleri and Waters left the meeting and did not return.

13:00 – Councillor Longford left the meeting and did not return.

The meeting concluded at 13.10pm

CHAIR

Nottinghamshire County Council

Report to The Nottinghamshire Pension Fund Committee

10 November 2022

Agenda Item: 5

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND EMPLOYEES.

LOCAL GOVERNMENT PENSION SCHEME – INITIAL REPORT ON THE PROPOSED PENSION DASHBOARD PROGRAMME

Purpose of the Report

1. The purpose of the report is to provide an overview of the introduction of a National Pensions Dashboard, emanating from a government led project requiring the pension industry to design and own the dashboard.

2. The report will give an outline of Proposed Phases (approximate timeline subject to change)

3. The report also explains what activities the Pension Fund will potentially need to undertake in the implementation of the potential solution and preceding preparation, that is being proposed through a current consultation process.

Information

Background

4. In 2019, the Government established the Money and Pensions Service (Maps), which brought together the Money Advice Service, the Pensions Advisory service and Pension wise. These are Government backed bodies created to improve awareness of pension assets, pension regulations and the options as people approach retirement. The Pensions Dashboard Programme was launched in April 2020 and work is progressing.

5. The Pension Scheme Act 2021 provides a framework to support pensions dashboards, and in particular gives powers to compel pension scheme to provide information.

6. The current plan is for schemes with more than 1000 members (excluding pensioners) will start to connect with dashboards between October 2023 and September 2024. Pensions dashboards will be online platforms providing one place for individuals to access pensions information from multiple sources, including on their state pension.

7. The objective of the Government is to give individuals a better understanding of their pensions and support retirement planning. Under the Act, the Money, and Pensions Service (MaPS) will develop and host its own pension dashboard. Currently, the aim is that an individual will submit a request to find their pension information (confirming their identity and giving the relevant consent). A 'pension finder service' then sends this 'find request' to all

pension schemes: if a pension scheme finds a match with this individual it will confirm this with the dashboard service and, if the individual then requests to view their information, the dashboard will pull the individuals data directly from the pension scheme.

Requirements for Public Service Pension Schemes

8. The draft regulations propose that pension schemes must connect to the digital architecture (which includes being able to respond to find and view requests) within prescribed timescales. Schemes must identify whether information held in the 'find request' matches with an individual's pension and if it does, return a pension identifier. Schemes should have discretion over which data elements they use to search their records for a match but will need to minimise the risks of either not returning pensions matches or returning incorrect matches.

9. Schemes will need to have regard to any guidance issued by The Pensions Regulator (TPR) on matching. In December 2021, the Pensions Administration Standards Association (PASA) published initial guidance on the data conventions for matching their records. Schemes must then return 'view data' to individuals. Much of the proposed view data is already provided by schemes under the Disclosure Regulations.

10. However, certain 'administrative data' must also be provided such as information about the schemes and the administrator, and where relevant the individual's employment. Certain 'signpost data' must also be provided where relevant, via website addresses.

11. The guidance underlying the present money purchase illustrations (which we think will impact on members with Additional Voluntary Contributions) is to be amended to reflect and build on these new requirements—this will not be expected until October 2023, so the annualised values will not need to be provided until then.

12. Defined benefit arrangements must show the accrued deferred benefit at the illustration date (or revalued to that date for a deferred member). Active members will also need to see a projected benefit at retirement but based on current salary.

13. There will be some exemptions from providing this information –it is proposed that pensioners are out of scope. The draft regulations propose timescales for schemes to provide this information to the dashboard. Administrative data and signpost data should be provided immediately. Value data should also be provided immediately if it relates to information already prepared in a recent benefit statement and otherwise within 10 days (or 3 days if the information only includes defined contribution (i.e., AVCs) information)

Requirements For Pension Dash Boards

14. The Current understanding is that organisations other than MaPS will be able to develop and host dashboards if they meet requirements set out in the draft regulations. They will be known as Qualifying Pensions Dashboard Services if they meet all the requirements, including authorisation from the Financial Conduct Authority, compliance with relevant standards and connection to the specified digital architecture. Dashboards must also show an individual's state pension as a current amount and forecast amount.

15. The DWP proposes that there will be a range of standards covering the legislative requirements, including data, design and messaging, technical matters, and reporting. It is

expected that MaPS will set these standards, although TPR may set the reporting standards. Time scales for joining dashboards, all schemes in scope will have to register with MaPS Governance Register and must then connect to the dashboard. The current proposed onboarding deadline for Public Service Pension Schemes is September 2024. There will be limited provision for schemes to request an extension to their staging date. Further LGPS regulation is expected.

McCloud

16. The McCloud reform currently underway within the fund will create challenges for the Fund and the LGPS in general to provide information for pension dashboards. The draft regulations currently allow for Public Service Pension Schemes (excluding the LGPS) to provide more than one pension value to those members impacted by transitional protection. The LGPS would not need to report two different values, due to giving an automatic “underpin” approach to the McCloud remedy, rather than an options exercise.

17. DWP recognises the scale of the work placed on Public Service Pension Schemes in response to the McCloud Judgment and reflects this in its proposal to stage all Public Service Pension Schemes by the end of September 2024. DWP has also affirmed that it recognises further mitigation may be afforded to Public Service Pension Schemes following consultation to help Public Service Pension Schemes to successfully onboard to pension dashboards in line with their staging principles. Officers anticipate that additional external consultancy and advice may be required for this project.

Current Time Scales.

18. The current timescale nationally is as follows:

- June 2023 – Large schemes (1000+ members) and Master trusts have a staging deadline between June 2023 and September 2024 depending on type.
- April 2024 – Public service and collective defined contribution schemes (100 – 999 members) have deadlines between October 2024 and October 2025.
- 2026 _ Small schemes (99 or fewer members) to comply by 2026.

19. A full Programme Timeline can be viewed using the following link Programme timeline | Pensions Dashboards Programme .

Review of Resource Requirements

20. Currently the Pension Fund has allocated a Pension Project Manager to oversee the project as it progresses. However, the Fund will need to undertake various actions to ensure that it is ready for dashboards these are:

21. These requirements are:

- Procure a technology partner to support the Pension Funds connection to the Pensions Dashboard. The partnership will support the Pension funds compliance with security and resilience requirements.

- As part of the dashboard implementation programme, the pension Fund will be progressing the implementation of Monthly employer returns to ensure that the fund will have up to date data to enable the Fund to meet the requirements of the Pensions Dashboard. The Admin Team will be undertaking a scoping session with our Software Provider in November to work on an implementation project.
- There is further work to be undertaken on the continuing roll out of the Employer Portal.
- Data improvement is continuing to ensure that the Pension Fund can meet the Pensions Dashboards data standards.
- The final requirement is to ensure that the Pension Fund complies with the statutory staging timeline to onboard schemes onto the dashboard as outlined in the report.

Other Options Considered

22. The Pension Fund is following, the Scheme Advisory Board, and the LGA advice, along with engaging with the Scheme Actuary, as well as using normal LGPS funds to ensure that Nottinghamshire is following the best advice.

Reasons for Recommendations

23. This is a significant project for the Pension Scheme which will require project management activities, and considerations will be needed to be made around fund resource and the ongoing requirements of Pensions Administration beyond 2024.

24. This is a regulatory requirement and there are proposed penalties for noncompliance which could be up to £5K for individuals (£50K otherwise). These will be imposed by the Pension Regulator.

Statutory and Policy Implications

25. 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.

Data Protection and Information Governance

26. The project, by its very nature, involves reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with scheme employers and scheme members.

RECOMMENDATIONS

It is recommended that the Nottinghamshire Pension Fund Committee:

1) That Nottinghamshire Pension Fund Committee consider the implications of the Pension Dashboard Programme and agree to receive further update reports as the project becomes clearer as the National Programme progresses.

2) Agree to receive an update report on the resource requirements of the Pension Fund to enable the implementation of the Pension Dashboard Programme.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:
Jonathan Clewes, Pension Manager on 0115 9773434 or Jon.Clewes@nottscc.gov.uk

Constitutional Comments (KK 01/11/2022)

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

Financial Comments (KP 01/11/2022)

28. There are no financial implications at this stage however provision of resource will be considered as the programme progresses..

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Pension Fund Committee

10 November 2022

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE ACTION PLAN REPORT

Purpose of the Report

1. To review progress against the Climate Action Plan and consider additional items.

Information

2. The first Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October 2020, with a number of recommendations which became the Fund's Climate Action Plan. The Plan was reviewed and updated on receipt of the second Climate Risk Report in October 2021. The Committee has reviewed progress on a six monthly basis.

3. The following table shows the progress which has been made against the Climate Action Plan for this year and whether it is in accordance with the original plan.

Ref	Category	Action	Timing	Notes	Progress since October 21	In line with original plan?
	Governance					
1	Governance	Publish a TCFD (Taskforce for Climate-related Financial Disclosure) Report. This will incorporate the key elements of the Climate Risk Report.	Oct-Dec each year	LGPS Central to provide support	Published at the November 21 PFC (Pension Fund Committee) meeting	Yes
2	Policies	Maintain a Climate Strategy consistent with the TCFD recommendations and including a Climate Stewardship Plan, monitored regularly by the Nottinghamshire Pension Fund Committee	Review strategy in the autumn	LGPS Central to provide support	Climate Stewardship Plan monitoring update reported to Apr 22 PFC. Strategy will be reviewed alongside other strategies in the spring (timing has been adjusted due to the triennial valuation)	Yes
3	Governance	Schedule agenda time at Nottinghamshire Pension Fund committee meetings at least annually for discussion of progress on climate strategy Report 6 monthly on progress for the first two years of the Action Plan.	An annual review will take place to coincide with the annual update of metrics		The 6 monthly review took place in April and this is the annual review.	Yes
4	Governance	Schedule one training session on general Responsible Investment matters and one climate-specific training per year	Jan & summer working parties	LGPS Central to provide training	LGPS Central provided a training on their net zero commitment at the January Working Party. A training on voting took place at the July Working Party.	Yes

Ref	Category	Action	Timing	Notes	Progress since October 21	In line with original plan?
	Governance					
5	Reporting	In the Annual Report include a summary of the Climate Risk Report in a manner consistent with the TCFD Recommendations and a summary of the Fund's annual voting activities.	Annually	LGPS Central to provide support with this	The voting summary has been included in the Annual report for 21/22. The latest available TCFD report will be included.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Strategy					
6	Asset Allocation	Notwithstanding other factors in the Fund's asset allocation process, seek to move towards the Long Term Target Strategic Asset Allocation weightings	Ongoing		The strategic asset allocation was discussed at the January WP meeting. Rebalancing and investment commitments are progressing. This includes the investment of the 5% allocation to Sustainable Equities that was invested in May.	Yes
7	Asset Allocation	The Fund should attempt to take a view on the likelihood of different climate scenarios, drawing on its suppliers and advisers.	Ongoing	With the support of LGPS Central and our Independent Adviser	Considered in the January WP meeting.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Strategy					
8	Asset Allocation	Monitor fund managers, discussing with equity managers the influence of climate factors on their sector positioning and with real assets managers their physical risk resilience & GRESB participation. Use IIGCC (The Institutional Investors Group on Climate Change)'s "Addressing climate risks and opportunities in the investment process"	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central and investment managers	Engagement is a regular topic at PFC. LGPS Central reported on the Stewardship Plan as part of the Climate Risk reporting in April.	Yes
9	Asset Allocation	Explore the potential for additional allocations to Global Sustainable Equities and Infrastructure if evidence suggests there could be asymmetrical return profiles (i.e. with expected relative upside in a 2°C scenario and no meaningful relative downside)	Considered as part of the annual review of asset allocation		A 5% allocation to sustainable equities was agreed at the March 22 PFC. This was invested in May when the new LGPS Central Sustainable Equity Fund was launched. Allocation to infrastructure increased in the SAA.	Yes
10	Asset Allocation	Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.	Ongoing	Longer term consideration Take into account as review of asset allocation	The work on the sustainable equities fund with LGPS Central took priority. These investment options continue to be considered.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Strategy					
11	Policy Engagement	Continued public support for the Paris Agreement and join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies via LGPS Central	Ongoing	With the support of LGPS Central Part of stewardship plan	The Fund's Climate Strategy explicitly gives "strong support" to the Paris Agreement. The Climate Stewardship Plan draws on the CA100+ benchmark, which is a collective effort to monitor company progress on implementing Paris-aligned climate policies. LGPS Central have continued to join collaborations for lobbying purposes.	Yes
12	Strategy	Explore the potential options to monitor and manage climate risk in alternative asset classes	2022	With the support of LGPS Central	LGPS Central are exploring this.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Risk Management					
13	Company Stewardship	Create an annual stewardship plan	April 22	With the support of LGPS Central	Plan and engagement update was taken to the April 22 PFC	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Risk Management					
14	Company Stewardship	Through LGPS Central, engage corporate bond managers on their approach to assessing climate risk within their portfolio in the absence of reported greenhouse gases emissions data	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	LGPS Central have engaged with corporate bond managers on a regular basis.	Yes
15	Company Stewardship	Prioritise the most material/ strategic real assets investment manager exposure for dialogue on climate risk. Consider using the recent IIGCC guide for this endeavour.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	LGPS Central are engaging on our behalf on a regular basis.	Yes
16	Company Stewardship	Continue to engage the companies highlighted in the Climate Stewardship Plan through selected stewardship partners	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	Plan and engagement update was provided to the April 22 PFC. Schroders challenged on their engagement and strategy at the March 22 and September 22 PFC.	Yes
17	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	Ongoing	With the support of LGPS Central	Plan and engagement update was provided to the April 22 PFC.	Yes
18	Company Stewardship	Ensure that the Fund's voting behaviour supports and enhances engagements highlighted in the Climate Stewardship Plan.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central and Hermes EOS	Voting reports delivered quarterly. Integrated strategy delivered by Hermes EOS.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Metrics and Targets					
19	Metrics	Repeat Carbon Risk Metrics analysis annually	Autumn 22		The 2022 Climate Risk Report is being presented to the December PFC.	Yes
20	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Summer 22-23	Aim to include a 1.5°scenario.	LGPS Central will provide a 1.5° scenario in the next Climate Scenario Analysis which is included in the Climate Risk Report going to the December PFC.	Yes
21	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 22		The 2022 Climate Risk Report is being presented to the December PFC.	Yes
22	Metrics	• Continue to monitor manager engagement progress with key carbon intensive and fossil fuel holdings • Continue to monitor manager approaches to managing climate risk within the portfolios • Continue to monitor manager performance on carbon risk metrics relative to the benchmark	Ongoing	With the support of LGPS Central and investment managers	Schroders challenged on their engagement and strategy at the March 22 and September 22 PFC.	Yes

Other work

4. The items on the Climate Action Plan are just part of the work the Pension Fund is doing to mitigate the financial risk of climate change.

5. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

6. None. This progress report was requested by the Nottinghamshire County Council Pension Fund Committee.

Reason/s for Recommendation/s

7. The Climate Action Plan is part of the Fund's approach to addressing the risks and opportunities related to climate change.

Statutory and Policy Implications

8. 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

9. There are no direct financial implications arising as a result of publishing this report.

RECOMMENDATION/S

1) That members endorse the work that has been undertaken and note the progress made against the Climate Action Plan and consider whether there are any actions they require in relation to the progress on the Nottinghamshire County Council Pension Fund Climate Action Plan.

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 27/10/2022)

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

Financial Comments (TMR 26/10/2022)

11. The financial implications are set out in paragraph 9.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Pension Fund Committee

10 November 2022

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

DEPARTMENT OF LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC) CONSULTATION

Purpose of the Report

1. To approve the response to the DLUHC consultation on the reporting of climate change risks.

Information and Advice

2. The DLUHC has made policy proposals to require the LGPS to establish and maintain oversight of climate related risks and opportunities, report on metrics, and set targets in relation to one of these metrics. The activity and results are to be summarised in an annual Climate Risk Report.

3. Broadly these proposals for increased reporting of climate metrics are welcomed. Nottinghamshire Pension Fund already provides the majority of the information which would be required under these proposals.

4. At this stage some details are missing and we would welcome more guidance, much of which is offered as part of the proposals.

5. There are some concerns with mandating target setting given the ongoing issue of data accuracy and availability. It will be challenging to communicate these complex technical metrics and the inherent limitations of the data to wider stakeholders.

6. The biggest concern is around some of the metrics and in particular the aggregation of Scope 3 emissions. Not only are these figures estimated, as soon as two related companies are included, some of the apparent impact is double counted. Unless a methodology can be found to avoid this issue, this would be an unwise metric to report in an aggregated form.

7. Additionally the intention is that reports should cover the whole fund, and data is neither reliable, nor even available across all asset classes. Whole fund reports could provide an misleading and inconsistent indication of Fund progress and climate risk.

8. Officers plan to submit a response on behalf of Nottinghamshire Pension Fund. The draft response is attached in Appendix A.

9. The consultation closes on 24th November 2022.

Statutory and Policy Implications

10. 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) The submission of the attached response on behalf of Nottinghamshire Pension Fund is approved.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
Tamsin Rabbitts, Senior Accountant – Pensions and Treasury Management

Constitutional Comments (KK 27/10/22)

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

Financial Comments (TMR 26/10/22)

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.

This matter is being dealt with by:
Tamsin Rabbitts
Reference: 041018LGPSC
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Nottinghamshire County Council

LGF Pensions Team
Department for Levelling Up, Housing and Communities
2nd Floor
Fry Building
2 Marsham Street
London
SW1P 4DF

LGPensions@levellingup.gov.uk

XX November 2022

Dear Sirs,

RE: Governance and reporting of climate change risks- open consultation

Dear Sirs,

Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks

The Nottinghamshire County Council Pension Fund have comments on the consultation on the proposals as follows:

Governance

Question 1 – Do you agree with our proposed requirements in relation to governance?

Additional guidance is required regarding these requirements. Nottinghamshire Pension Fund already has processes to monitor climate related risks and report to the Pension Fund Committee, but it is not clear from the consultation document whether this is sufficient to meet these proposed requirements. Pension Fund officer resources are limited, and despite the significant support we receive from our pool and our investment managers, responsible investment, including climate related risks, already takes up a significant proportion of that resource. Any growth in this area will require additional resources.

Critiquing the work of externally appointed experts who have been appointed for their specialist expertise and ability to fill knowledge and skills gaps is complex. The Pension Fund is highly reliant on our pool for monitoring of investment managers, proxy voting and stewardship, and the oversight of the delivery of data, research and analysis.

“on an ongoing basis” is a particularly unhelpful phrase to indicate how often the fund should assess these risks. We expect the assessment of climate-related and other risks to be integrated into investment decisions by our investment managers, but beyond ensuring that we are aware of emerging issues (ad hoc) and that investment managers are managing risk (which for our fund is a quarterly process) the data does not change sufficiently for this to be a sensible exercise more than our current annual Climate Risk Analysis and TCFD report.

Strategy

Question 2 - Do you agree with our proposed requirements in relation to strategy?

Again 'continuous' seems unrealistic, and the wording could be improved here. Clear guidance would be welcome. We review our investment strategy formally on an annual basis, including assessing the impact of climate risk on the strategy. Investment specific risks or new opportunities would not be regarded as 'strategic', and we expect our investment managers to assess these on an ongoing basis.

We should recognise that climate risk at company and portfolio level is not entirely captured by backwards looking emissions metrics data. The transition to a lower carbon economy and the associated changes in consumption patterns and regulations portend physical and transition risks that go beyond risks indicated by a company's carbon emissions.

Carbon emissions related targets and metrics will not be enough to discharge an AA's climate risk management obligations, nor the obligations bestowed upon their appointed investment managers. Detailed stock, sector and regional analysis is required and should be delivered through robust ESG integration. The transition to a lower carbon economy and the emissions reductions required to achieve it will not be linear and shorter-term risks and opportunities will need to be considered along-side this longer-term trend to achieve attractive investment returns.

Scenario Analysis needs to evolve as a discipline to provide further insights that direct asset allocation decisions.

Scenario analysis

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Nottinghamshire Pension Fund already produces scenario analysis at approximately this frequency, with the assistance of our pool company. We have also been contacted by our actuary proposing to repeat this work for the purposes of the triennial valuation. Standardisation and clarification would be helpful to reduce the duplication of effort and cost in this area. However analysis of the impact of climate risk on liabilities from our actuary will be very welcome.

We are supportive of a sub 2° scenario which Nottinghamshire is pleased to include this year. However this analysis indicates the limitations of the modelling and data. Nottinghamshire hopes that DLUHC's expectation of improvements in this area is correct.

As investors it is important that we assess the implications of possible outcomes as well as desirable outcomes.

Pool companies would be well placed to work alongside traditional investment/actuarial advisors to perform scenario analysis and develop optimal investment strategy outcomes

Risk Management

Question 4: Do you agree with our proposed requirements in relation to risk management?

Yes. Statutory guidance would be welcome. More development is required on the impact on liabilities. Actuaries are the obvious choice to develop this expertise.

Metrics

Question 5: Do you agree with our proposed requirements in relation to metrics?

We do not entirely agree. Scope 3 emissions drive a multiplication of emissions as soon as related investments are aggregated because of the way they are defined. i.e. one company's scope 1 and 2 emissions are another company's scope 3 emissions. If the whole market were owned, the total figure would be a significant multiple of the actual emissions. Mechanisms will need to be developed to ensure this is accounted for correctly and consistently across funds before Scope 3 emissions can be reported in a meaningful way - these emissions can only be seen as indicative. If these are to be disclosed, this should be a separate disclosure and should not be amalgamated with Scope 1 and 2 emissions. Furthermore any targets should exclude Scope 3 emissions because of this element of multiple counting.

There are further challenges as Scope 3 emissions are not widely reported and the estimation of scope 3 emissions can be complex leaving scope for inconsistent techniques across different data providers. As real data becomes available the aggregated emissions numbers will fluctuate as real emissions data replaces estimated. It will be impossible to tell whether these changes are due to decarbonisation or changes in carbon accounting.

Scope 1,2 and 3 emissions do not provide a complete reflection of the transition risk and physical risk exposure of a fund. Nor do these metrics capture all of the upside opportunities. This will need to be explained when presenting the results of this analysis.

Nottinghamshire reports carbon emissions currently and describes them as 'Financed Carbon Emissions'. This helps to distinguish between emissions that relate to investments as opposed to implying that these emissions are caused by investments. This naming convention may help to dispel the misunderstanding that owning an investment causes emissions which is a damaging misconception as it encourages the approach of divestment which merely transfers ownership and has no real world impact, and also risks the transfer of responsibility for emissions from the decision maker to an investor. (e.g. an individual chooses to drive rather than walk to their destination, but the carbon impact is seen as the responsibility of the fuel extractor).

Supporting guidance to drive better consistency in attributing carbon emissions to investments would be welcome.

There are significant challenges with reporting at whole fund level as certain asset classes are still lacking data. It would surely be beneficial to provide an asset class breakdown which could then be accompanied by some commentary about the reliability of the data and any particular drivers in a fund's investment strategy.

The Carbon Footprint metric will be hard to communicate as this term is widely used as an absolute metric, not an intensity metric – perhaps at the least the name could be reviewed. Previously the carbon intensity metric Nottinghamshire Pension Fund has used has been the Weighted Average Carbon Intensity which is relative to the turnover of the companies invested in. This was selected because it gives an indication of the level of risk to our investments arising from the potential for carbon taxes or similar. It is not clear of the purpose of the proposed metric or how it helps funds to monitor or manage their risk. There is a risk instead that this will lead to comparisons of funds where one with a low score is regarded as better than a fund with a higher score, ignoring any potential benefits that the fund is driving through engagement or improvements in practice. This could incentivise funds operating exclusion policies in contradiction to the stated aims of the approach which explicitly emphasises that this is not the desired outcome.

The total absolute emissions of a fund are heavily influenced by the size of the fund. Carbon intensity metrics that use the market cap of the fund will fluctuate in accordance with market valuations. As such, the carbon footprint of a fund will be influenced by factors other than the carbon emissions of the underlying investments. It will be challenging to explain these changes when reporting aggregated emissions at fund level.

We welcome the reporting of data quality and believe this will help to improve understanding of these metrics. Clear definitions will be helpful. The difficulty in managing data in certain asset classes should be recognised, for example disclosure in emerging markets, small cap and private markets tends to be lagging. Consequently figures will often be driven by strategic asset allocations. There is a risk that local investments in smaller companies and private assets could be discouraged. Furthermore the reporting is challenging as some private equity funds have excellent reporting, but there seems to be no central way for this to be recorded. Consequently reflecting this information at Pension Fund level can only be done with manual input which cannot be resourced, and even then would likely only be partial and inconsistent information. It is hoped that greater consistency of reporting will also drive better reporting by companies and funds. Increased regulatory requirement for companies and funds to disclose this information would support this initiative, alongside investor efforts to achieve greater disclosure across asset classes through engagements and voting. In addition it can be hard to apportion emissions from private assets as it isn't always possible to identify what proportion of a fund is owned. This disclosure would also be required to enable the suggested reporting.

Similarly we welcome the reporting of Paris Alignment, despite the current shortcomings with the data available in this area. The IIGCC net zero investment framework asks for aligning/aligned measurement which requires analysis of the quality of the net zero commitment/ target. We consider this to be a more insightful indicator of risk and the future trajectory of the portfolio. We consider that not all Net Zero commitments/ targets are the same, some are more challenging and comprehensive than others. Consideration needs to be given to the detail of the commitment and the company's ability to deliver it. A binary metric could miss this important nuance. A net zero target quality score at portfolio/ fund level should also be considered. Similar to that provided by Net Zero Zeal.

It is important to make a distinction between alignment metrics that are focused on measuring the impact of the portfolio and those metrics that are intended to provide insights into the risk exposure of the portfolio.

Implied temperature rise/ Paris aligned metrics are often a point in time analysis and do not necessarily give a strong indication of how a company or portfolio might look in 3 years' time for example. They do not necessarily give an indication of the direction of travel for a company or the portfolio in terms of carbon nor do they necessarily assess the potential for a company's product portfolio to contribute to the transition in a positive way. It is important to take a broad set of factors into consideration when making investment decisions looking at a company's strategy, R&D spend, Capex plans, the progress of technology innovation and the pipeline of regulation and legislation. It is important to be clear and transparent about the limitations of these metrics when presenting results. We expect our active managers to consider these factors when making investment decisions.

Investors can play an important role in encouraging companies to disclose more data around climate risks and ESG risk more generally. However, we consider that there is also an important role for government in mandating this disclosure.

There will be a challenge ensuring that these metrics are explained properly to stakeholder groups and in dealing with queries and questions around methodology, data and alignment.

Targets

Question 6: Do you agree with our proposed requirements in relation to targets?

The movement of these metrics are likely to be volatile as data improves as well as due to genuine underlying trends. This should be recognised, including the difficulty of communicating this to stakeholders. Appropriate metrics need to be chosen, noting the reservations in the metrics section.

Targets should be aligned to achieving Net Zero. An approach consistent with the UK Government's stated objectives and ambitions agreed at Paris. We know that the transition to Net Zero will not be linear in terms of the decarbonisation of the real economy events such COVID19 and the invasion of Ukraine can change international priorities in the short term which effect market views of sectors and sector performance. The importance of the longer-term decarbonisation of real economy is clear, we favour medium and long terms targets which we consider reflects this non-linear decarbonisation. These targets will need to be measured and monitored annually however we consider that mandating an annual target could prove to be a distraction from the achievement of longer-term ambitions which we consider to be consistent with our fiduciary responsibilities.

Implementation of a target across all asset classes is challenging, as in some cases data is not comprehensive. A target that is specific to asset classes such as listed equity and corporate credit assets only may be more achievable. Any reporting against target should be accompanied by the data coverage of AUM.

The statement that there is no expectation that AAs should set targets which require them to divest or invest in a given way, and the targets are not legally binding is welcome.

Reporting on climate risks

Question 7: Do you agree with our approach to reporting?

The detailed list of disclosures is welcome.

We consider the oversight of governance activities to be critically important and agree with the recommendations in this area. There is an important role for pooling companies in providing assistance with establishment and delivery of this governance. This section does not cover the oversight of investment management activities and in particular the vital integration of ESG into the investment process and the delivery of Stewardship and voting.

Please clarify whether the Scenario Analysis section is required every year, or just when this is refreshed in line with the triennial valuation.

We consider that short, medium and long term horizons could be considered as 3 years (triennial valuation cycle), 7 years (to 2030 interim target date) and 25 years (Net Zero target date) respectively. We would welcome the alignment of timeframes with these transition mile stones.

Investment mandates are not necessarily managed over medium/ long term horizons even though pension funds are considered long term investors.

Nottinghamshire Pension Fund already publishes a TCFD risk report with the assistance of our pool company. We usually publish at the November or December Pension Fund Committee meetings. However each of the pool partner funds has a schedule for this report across the financial year. Setting a deadline in line with the annual report will concentrate all the work into half of the year and it will be difficult for the pool to meet these deadlines without additional resources.

Timing aside, the data provider requires strict confidentiality on much of the report, so our longer Climate Risk Report is exempt and provided to the Pension Fund Committee and officers only, alongside detailed training to explain the technicalities, complexities and uncertainties of the data. Our public reports are intended to be accessible to lay readers, but the realities of this data should not be overlooked (again, note the reservations on the metrics).

Scheme climate risk report

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

No. Please see the comments on Scope 3 emissions and the metric names for question 5 which are applicable here.

Please also note the concerns over aggregating data from private assets in the same section.

We recognise the merits of scheme wide reporting but consider that it would be very difficult in practice. It would require consistent methodologies across funds and pools which would need to be mandated. This question also proposes “each AA must report the proportion of its assets for which overall emissions data is: Verified, Reported, Estimated or Unavailable. We are in agreement with this requirement subject to data vendor classification methodologies.

A dashboard of metrics is required to understand the trajectory of a portfolio in terms of carbon emissions. Intensity metrics are important as they provide context for absolute emissions and portfolio/ asset class level metrics provide an explanation to fund level changes. They should be considered together rather than in isolation.

If these issues can be resolved then we are supportive of the Scheme level reporting. The LGPS is transparent and all this information will be in the public domain. The risk of being compared unfairly is significant and the resource requirements for those schemes in that situation should not be overlooked.

The role of the LGPS asset pools

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

LGPS Central currently provides climate risk reporting and scenario analysis to partner funds that covers both assets managed within and outside of the pool. LGPS Central has been essential in supporting us with our climate risk strategy with advice, analysis and significant input to our responsible investment and stewardship. However many of our private equity and infrastructure investments and some other legacy investments are very difficult for the Pool to assess (even where they are held inside pool funds).

The LGPS asset pools have no involvement in the liabilities of the LGPS. Consideration of the impact of climate risk on liabilities seems to be lagging behind analysis relating to assets (perhaps naturally). Actuaries seem the obvious choice to develop expertise in this area. Climate risk is significant to both investments and liabilities, but the expertise in these areas lies in different places. It would be good to see this formalised.

It is inappropriate to suggest that AAs align their strategies and targets within their pool. The governance of each LGPS scheme rests with a democratically elected body responsible for managing the scheme. This should not be changed.

Guidance and reporting template for administering authorities

Question 10: Do you agree with our proposed approach to guidance?

Yes, this is welcome. Clear and comprehensive guidance is essential if there is an intention to make reporting comparable and consistent at scheme level, i.e. across funds and pools. As discussed above reporting Scope 1,2 and 3 emissions at fund level presents a number of practical and philosophical questions that have significant implications for the resulting numbers.

We agree if scheme level reporting is required, the absence of such guiding documents may compromise the consistency and comparability of reporting.

Knowledge, skills and advice

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Yes. Nottinghamshire Pension Fund is advised by our pool on these services.

LGPS Central currently provides advice to its partner funds on the management of climate risk and can assist with the appointment and management of external vendors and the assessment of scenario analysis results. Central also provides assistance in respect of climate strategy development and climate governance.

Pools can provide assistance in respect of procurement and centralised contracts can help to keep costs down.

Consideration of impact on protected groups

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

Nottinghamshire Pension Fund shares your belief that there would not be impacts on protected groups from the proposals in this consultation.

Yours faithfully,

Nottinghamshire County Council Pension Fund

Nottinghamshire County Council

Report to Pension Fund Committee

10 November 2022

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PENSION FUND TREASURY MANAGEMENT MID-YEAR REPORT 2022/23

Purpose of the Report

1. To provide a mid-year review of the Pension Fund's treasury management activities in 2022/23 for the 6 months to 30 September 2022.

Information

2. Treasury management is defined as the management of a council's cash deposits; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. In other words, it is concerned with managing day-to-day cashflow, and ensuring that bills can be paid as and when they fall due. With respect to the Pension Fund, treasury management should be distinguished from the separate process of making long-term investments with the aim of making a return such that should cover the liability to pay out future pensions.

3. The Council approves the Treasury Management Policy and Strategy - and also receives mid-year and full year outturn reports – on Council-held cash balances. Since April 2020 this role in relation to Pension Fund cash balances has been delegated to the Pension Fund Committee. In turn, this Committee delegates responsibility for the implementation, scrutiny and monitoring of its Pension Fund treasury management policies and practices to the Treasury Management Group, comprising the Service Director (Finance, Infrastructure & Improvement), the Group Manager (Financial Management), the Senior Accountant (Pensions & Treasury Management), the Senior Accountant (Financial Strategy & Compliance) and the Investments Officer.

4. The Pension Fund's treasury management strategy and associated policies and practices for 2022/23 were approved by Pension Fund Committee in March 2022.

5. The Fund manages its cash investments in-house and invests only with institutions on its approved lending list. The aim to achieve the optimum return on cash investments commensurate with appropriate levels of security and liquidity.

6. In the first half of 2022/23, cash investment activities have been in accordance with the approved limits as set out in the Pension Fund's Treasury Management Policy and Strategy. The main points to note are:

- All treasury management activities were undertaken by authorised officers within the limits agreed by the Council
- All deposits were made to counterparties on the Fund's approved lending list
- No changes made to the Fund's lending criteria during the first half of the year
- Over the 6 month period covered by this report the Fund earned 1.21% on its short-term lending

7. The table below shows that cash deposits as at the end of September totalled £163.5m, and also provides an analysis of the Fund's treasury management activity:

	Total B/f	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
BANK OF SCOTLAND	20,000	0	-20,000	0
LLOYDS BANK	20,000	0	-20,000	0
INSIGHT MMF	40,000	40,100	-40,100	40,000
LGIM MMF	2,500	39,100	-2,050	39,550
BLACK ROCK	22,750	31,400	-29,350	24,800
JP MORGAN	0	40,100	-40,000	100
ABERDEEN STANDARD	0	73,740	-54,740	19,000
FEDERATED	40,000	32,850	-32,850	40,000
	145,250	**257,290**	**-239,090**	**163,450**

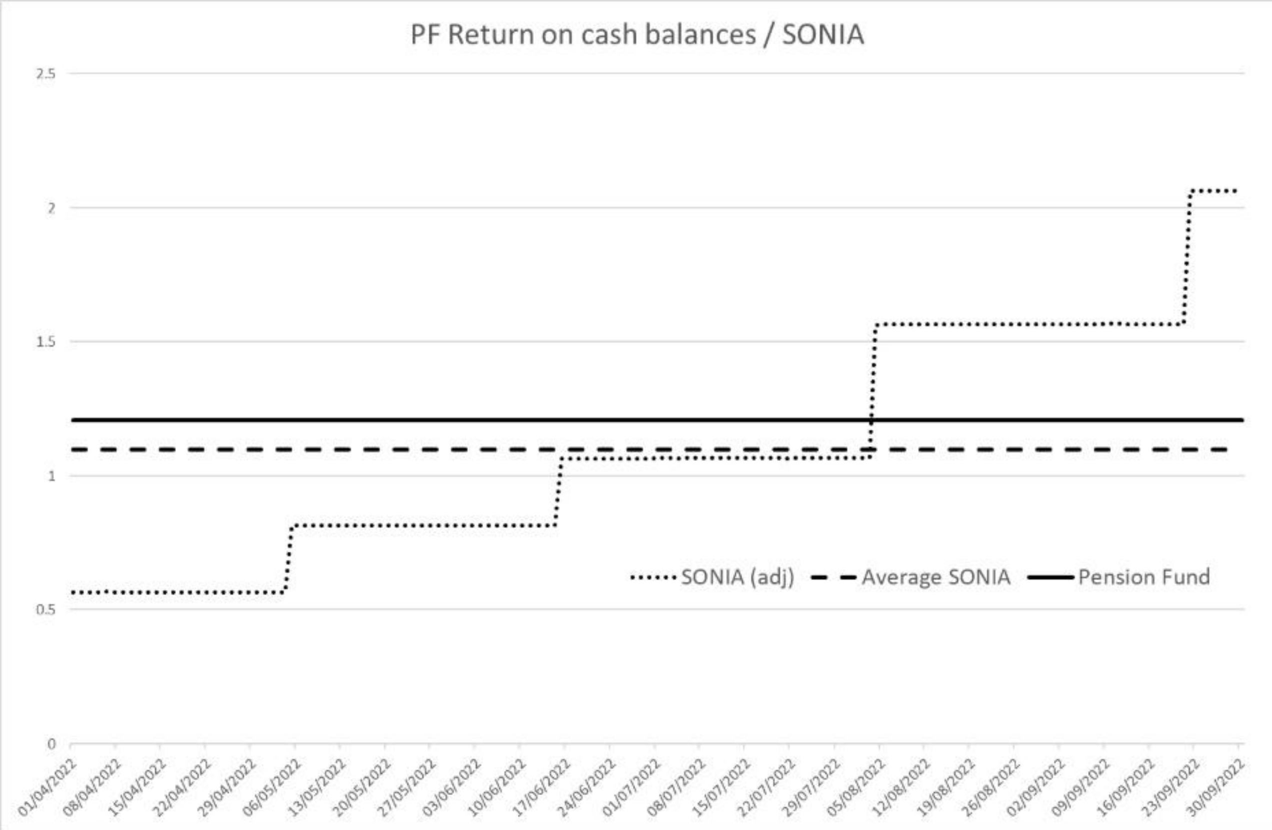
8. This shows that active use has been made of the instant-access money market funds (MMFs) on the Pension Fund's counterparty list. This approach stems from needing to keep the Fund's cash liquid, available not only to pay pensions but also for the various external managers who may require cash for long-term investment at short notice.

9. The cash balance at any point in time is the snapshot sum of pension fund contributions (from both employees and employers) and investment income, less retirement lump sums, monthly pension payments, and immediate or future investment commitments. As at 30 September, the estimated Pension Fund commitments were as follows:

Investment Commitment	**Estimated £m**	**When required**
Schroders	49.3	Immediately
Private Equity commitments	88.4	Unpredictable
Infrastructure commitments	191.1	Unpredictable
Total	**328.8**	

10. It should be noted that the rate of return on cash deposits was fairly low at the beginning of the financial year, but increased steadily during the six months to September, reflecting the wider economic environment. The average adjusted SONIA (Sterling Overnight Index Average) rate over this period was 1.10%.

11. For comparison, the Fund earned 1.21% on average on its short-term lending over the same period, summarized in the graph below:



Reasons for Recommendation/s

12. It is considered good practice for Members to consider treasury management planned and actual performance at least three times per financial year, firstly in the Strategy Report before the start of the year, then in this Mid-Year Report, and also in the Outturn Report, after the close of the financial year.

Statutory and Policy Implications

13. 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

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

RECOMMENDATION/S

15. That Pension Fund Committee members endorse the actions taken by the Section 151 Officer to date as set out in the report.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 13/10/2022)

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

Financial Comments (TMR 18/10/2022)

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

Background Papers and Published Documents

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

- Pension Fund Treasury Management Mid-year Report 2021/22

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Pension Fund Committee

10 November 2022

Agenda Item: 9

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PROXY VOTING

Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the second quarter of 2022 (calendar year) as part of this ongoing commitment.

Information

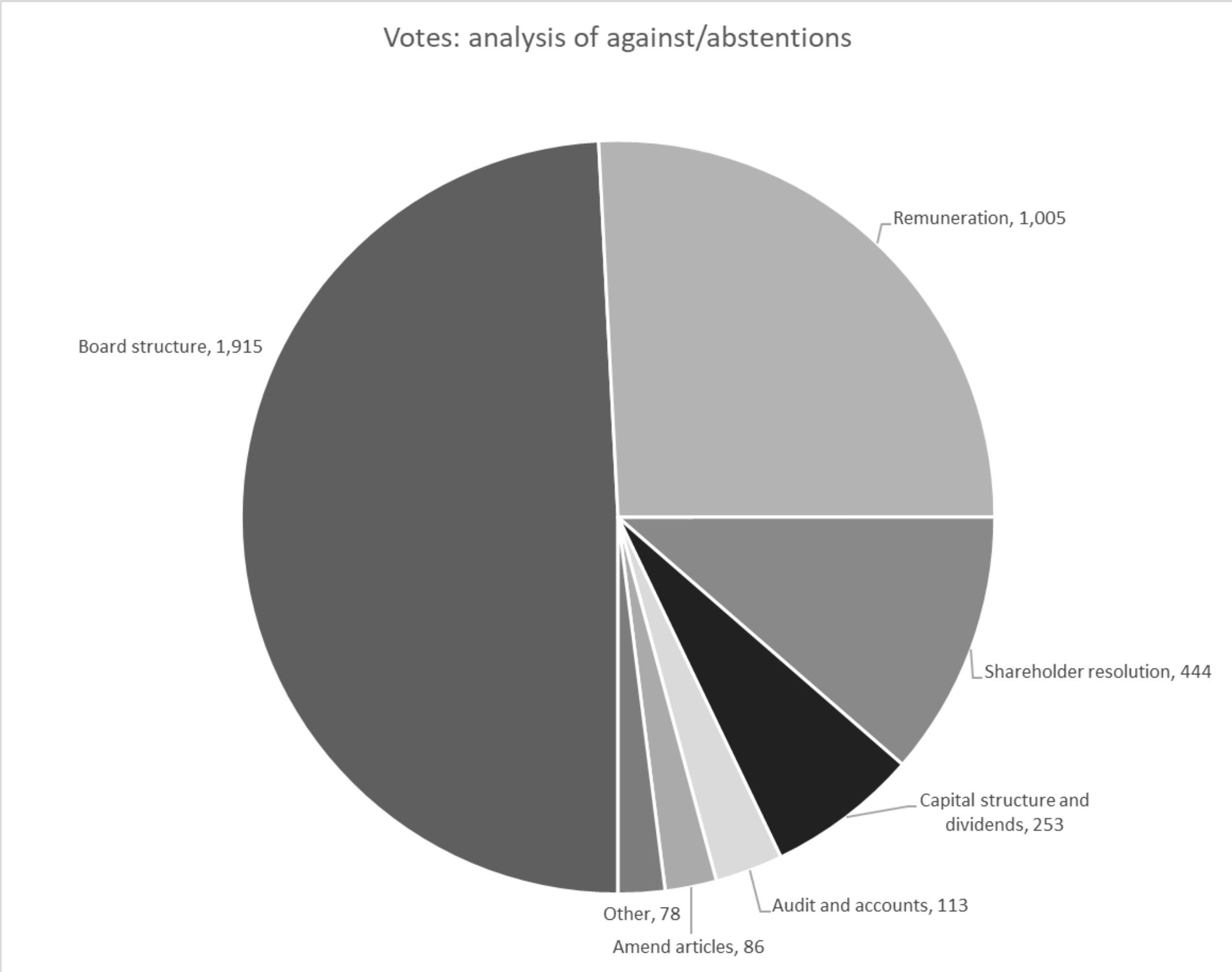
2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.

3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Investment Strategy Statement and report periodically on the discharge of such responsibilities. The Fund's statement on responsible investment states that 'the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds'.

4. The Fund retains responsibility for voting any directly held shares (rather than delegating this to investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Since 1 January 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.

5. Over the quarter to June 2022 Hermes EOS voted Nottinghamshire Pension Fund shares at 1,781 meetings (a total of 25,544 resolutions). Hermes opposed one or more resolutions at 1,260 meetings and voted with management by exception at 104 meetings and abstaining at three. Hermes supported management on all resolutions at the remaining 414 meetings.

6. Hermes recommended voting against or abstaining on 3,894 resolutions over the last quarter. An analysis of the issues is shown below:



7. Most AGM votes relate to routine management items. Those relating to issues such as climate change will only form a small proportion of the total votes by number, even where they represent a substantial amount of engagement time and effort. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter is published on the Fund website (http://www.nottspf.org.uk/about-the-fund/investments) and with the meeting papers on the Council Diary (http://www.nottinghamshire.gov.uk/dms/Meetings.aspx).

8. Further detail on specific issues raised at company AGMs can be found in LGPS Central's quarterly *Stewardship Update*. The most recent *Update* (to June 2022) highlights among other things Central's engagement with energy companies on the issue of climate change. A link to this can be found on the Nottinghamshire Pension Fund 'Approach to Responsible Investment' webpage: https://www.nottspf.org.uk/about-the-fund/responsible-investment/

Statutory and Policy Implications

9. 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

10. That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

Report Author:
Ciaran Guilfoyle
Investments Officer

For any enquiries about this report please contact Ciaran Guilfoyle

Constitutional Comments (KK 13/10/2022)

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

Financial Comments (TMR 18/10/2022)

12. There are no financial implications arising directly from this report.

Background Papers and Published Documents

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

- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q2 2022
- LGPS Central – Voting Principles (March 2019)
- Financial Reporting Council, *The UK Stewardship Code*, January 2020

Nottinghamshire County Council

Report to Pension Fund Committee

10 November 2022

Agenda Item: 10

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETINGS

Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meetings held via Zoom on 13 July, and on 5 October 2022.

Information and Advice

2. LAPFF was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. In 2018 membership was also extended to cover pension fund pools. LAPFF membership currently stands at 86 funds and 6 pools, with combined assets of over £350 billion. It is consequently able to exert significant influence over companies in which funds are invested.

3. LAPFF exists 'to assist Administering Authorities discharge their statutory responsibilities and promote the long-term investment interests of UK local authority pension funds. In particular, it seeks to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they hold an interest, commensurate with statutory regulations'. 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 Forum 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 boards, committees and their supporting administrative staff, as well as to other interested parties from national, local and regional governments.

4. The July business meeting agenda included, among other things, electric vehicle (EV) charging infrastructure, centring on the lack of charging points for EV owners who lack off-street parking and of rapid-charging points for drivers on long journeys. LAPFF recognises that more needs to be done to increase access to charging infrastructure to support a rapid transition to EVs.

5. The October meeting (which also incorporated the AGM) covered a number of topics, including the matter of the British energy company Drax and its claims to be using renewable biomass for fuel, a claim that was reported as being doubtful in a recent BBC Panorama documentary.

6. The chair of LAPFF also gave a presentation on LAPFF's recent trip to Brazil to look at human rights violations by mining companies BHP and Vale, which came to light after tailings dam collapses in 2015 and 2019. Engagement work in this area is ongoing.

7. At both meetings updates were presented on LAPFF's recent engagement work. Copies of these reports are attached as background, but all LAPFF engagement reports can be found on the LAPFF website: https://lapfforum.org/publications/category/quarterly-engagement-reports/

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 Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 13/10/2022)

9. This is an updating information report and 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 18/10/2022)

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

Background Papers

- LAPFF constitution
- LAPFF Quarterly Engagement Report April to June 2022

Nottinghamshire County Council

Report to Pension Fund Committee

10 November 2022

Agenda Item: 11

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.

3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

Other Options Considered

4. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

RECOMMENDATION/S

That the Committee considers whether any amendments are required to the Work Programme.

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact:
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Tel: 0115 977 4506

Constitutional Comments (HD)

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

Financial Comments (NS)

8. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME (updated 31 October 2022)

Report Title	Brief summary of agenda item	Report Author
8 December 2022		
Pension Administration and Transformation Update Report		Sarah Stevenson
Climate risk metrics	Analysis from LGPS Central on position as at 31/3/22	Tamsin Rabbitts
Fund Valuation & Performance – Qtr 2	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and LGIM
12 January 2023 – Nottinghamshire Pension Fund Annual General Meeting		
Actuarial Issues	Barnett Waddingham LLP presentation	
Management and Financial Performance	Financial management presentation	
Investment Performance	Pensions and treasury management presentation	
Pensions administration	Presentation from the Pensions Administration team	
Presentation of the Pension Fund accounts	Formal presentation of the Pension Fund accounts to Committee before the AGM	Tamsin Rabbitts
2 March 2023		
Pensions Administration – Tracing Service		Sarah Stevenson / Jon Clewes
Results of GMP reconciliation		Jon Clewes
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser

Report Title	**Brief summary of agenda item**	**Report Author**
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	Schroders and Abrdn
Strategic Asset Allocation Working party report	Report on the discussions and any decisions arising from the January working party meeting on our Strategic Asset Allocation and Investment Strategy and any other issues discussed	Tamsin Rabbitts
Treasury Management Strategy 23/24	Strategy for forthcoming financial year	Ciaran Guilfoyle
Conferences and training report	Planned training and conferences for 22/23	Tamsin Rabbitts
27 April 2023		
Review of progress on the Climate Risk Action plan	6 monthly report	Tamsin Rabbitts
Climate Stewardship Report	Progress on the Fund's climate stewardship strategy	Tamsin Rabbitts
Treasury Management outturn 22/23	Summary of TM activity for year ended 31 March 2023	Ciaran Guilfoyle
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
Report on the LAPFF conference	Report on the presentations attended at the LAPFF conference in December	Keith Palframan
Results of the triennial valuation	Report on the outcome of the triennial valuation	Tamsin Rabbitts / Jon Clewes
8 June 2023		
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts

Report Title	**Brief summary of agenda item**	**Report Author**
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central
13 July 2023		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LGPS Central Pooling Update		
Annual Administration Performance Report		Jon Clewes
Local Pensions Board Annual Report		
To be placed		
Review of Work of the Pension Fund Committee and Pension Board	*Review to be conducted during Autumn 2022 with the aim of an outcome by the end of the year, subject to any impacts which may need to be addressed as a result of Government response to the Good Governance in the LGPS proposals*	Heather Dickinson / Marjorie Toward
McCloud Judgment update report		Jon Clewes
Pension Fund Review of Cyber Security – Pension Regulator Requirement		Sarah Stevenson / Jon Clewes