

minutes

Meeting NOTTINGHAMSHIRE LOCAL PENSION BOARD

Date Thursday 17 March 2022 at 10:30 am

membership

Employers

Councillor Francis Purdue-Horan	Nottinghamshire County Council	Apologies
Councillor Sally Longford	Nottingham City Council	Apologies
David Smith	Autism East Midlands	

Members

Mark Heppenstall	Pension Scheme member
Thulani Molife (Chair)	Pension Scheme member

Also in Attendance

John Raisin John Raisin Financial Services Ltd, Advisor to the Board

Officers in Attendance

Jon Clewes	Team Manager, Pensions
Keith Palframan	Group Manager Financial Services
Martin Gatley	Democratic Services Officer
Ciaran Guilfoyle	Investments Officer

Other members in attendance

Councillor Eric Kerry

1. MINUTES

The minutes of the last meeting held on 16 December 2021 were agreed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Francis Purdue-Horan who was unable to attend for medical reasons and Councillor Sally Longford, who was on other City Council business.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

4. PENSION FUND ANNUAL REPORT AND ACCOUNTS 2020-21

Ciaran Guilfoyle, Investments Officer, introduced the report, which advised members that the Fund's 2020-21 Annual Report was available on its website. The accounts showed the value of the fund was £6.1 billion at March 2021, which was an increase of 21.7% on the previous year. During the year, the best return came from equities and the lowest from property; this as attributed to the impact of the pandemic. The audit of the fund's accounts had been completed with Grant Thornton issuing an unqualified audit opinion.

A question was raised about whether the year-on-year increase in value was reflected in the actuarial report with regard to the ongoing liabilities and assets. The response noted that the actuary would be looking at the value of the fund on 31 March 2022 for the triennial valuation. The valuation and liabilities would be taken into account to calculate employer contributions; employers would be given an indication of this once it was available.

In response to a question about how close the fund would be to being fully funded, the Board was advised that in January 2022 Barnett Waddingham indicated that they expected this to be close to 100% but recent fluctuations in the stock market would affect the final figure.

RESOLVED 2022/001

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

5. LGPS POOLING UPDATE – PRESENTATION BY LGPS CENTRAL

Colin Pratt, Investment Director and Lee White, Communications Manager from LGPS Central gave an update on pooling.

The presentation gave an overview of the history of pooling and the underpinning principles. LGPS Central explained that it launched funds that had been designed by the Partner Funds and an overview was given of the different products. Members were advised that on the basis of the funds already launched, the projected cost savings for the partner funds so far was approximately £175m.

Priorities for 2022 were outlined, which included LGPS Central's commitment to Net Zero, a climate risk monitoring service refresh, preparation for 2022 voting season and engagement, due diligence on private markets and the Stewardship Code Report 2022.

In responding to a question, members were advised that the fund had invested £808m in public markets and £16m in private markets, which represented approximately 15% of its assets. This was expected to increase in the coming years because the fund had made a commitment to private markets which would be drawn down over a longer period, equating to the investment of approximately 30% of the fund's assets.

Questions also explored the rates of return and how LGPS Central was performing both compared to the market and the objectives agreed by the Fund partners. It was noted that whilst the objective had not yet been met, the fund had outperformed the benchmark.

Discussion ensued on the position of the fund following Russia's invasion of Ukraine. LGPS Central explained that it had met with Fund Partners about their expectations; there was consensus that members did not expect to add Russian investments to their portfolios and that they wished to exit any existing assets once the Russian markets re-opened.

Board members asked about the engagement activity that was being undertaken on behalf of the pool. The response noted that engagement was key to responsible investment and would hopefully lead to both changes in practice and enhanced financial value, acting in the long-term interests of shareholders.

The presentation highlighted the number of cyberattacks against LGPS Central that had been attempted, which members were advised was consistent with other investment companies. It was noted that to date the systems in place had managed to repel attacks and members were advised of the assurances that were required by the Financial Conduct Authority.

As part of the Levelling Up White Paper, pools had been asked to produce plans for the use of up to 5% to fund core projects. Members were informed that work had begun to consider options and opportunities this following the publication of the White Paper but progress had been slowed by Russia's invasion of Ukraine.

In response to a question about the working arrangements, members of the Board were informed that meetings were held between LGPS Central and Partner Funds on a fortnightly basis. A Practitioners Advisory Forum provided an opportunity for Funds to set out their expectations from an investment perspective.

RESOLVED 2022/002

That the contents of the presentation be noted.

6. LGPS UPDATE – REPORT OF ADVISOR TO THE BOARD

John Raisin, the Advisor to the Board, introduced his report. The update covered:

- The creation of the Department of Levelling Up, Housing and Communities and appointment of a new Minister whose responsibilities included the Local Government Pension Scheme
- The Levelling Up White Paper and the Local Government Pension Scheme in England and Wales
- Local Government Pension Scheme Consultations and Government responses
- Cost control mechanism
- The review of 2019 Actuarial Valuations – section 13 report by the Government Actuary's Department

7. LGPS GOVERNANCE CONFERENCE 20-21 JANUARY 2022

Members of the Board received an overview of the Local Government Pension Scheme annual conference, which was held on 20-21 January 2022 from the Pensions Manager. In presenting the report, Mr Clewes highlighted headlines from the conference:

- The main themes of the conference were administration, governance and compliance
- A presentation was given on the ways funds could understand the views of scheme members and discussion on the need for greater engagement
- The issues experienced in pensions administration encountered in dealing with COVID-19 and growing regulatory compliance for funds
- Key areas highlighted regarding pensions administration were McCloud, the position around climate related financial disclosures, the exit cap and the Regulators' Single Code of Practice
- The 'Good Governance' agenda was still a priority for the Scheme Advisory Board; the Government's response to the consultation was still awaited but revisions to the recommendations were not anticipated
- A discussion presentation explored engagement and disinvestment to promote change
- While the fund shared the cybersecurity arrangements of the Council, the conference outlined the need for it to document its own policies
- A legal update included further discussion about the Single Code of Practice and highlighted the fund would need to do its own risk assessment against this

Members noted that the Government was looking at the exit cap but there was no date when it would be brought forward.

In response to a question about progress against the McCloud project and its implications, the Board was advised that the fund was still collecting data, with 29,000 records to be reviewed. The liability was unknown because the Regulations and proposed remedy had yet to be issued by the Government.

Reference was made to the highlighted presentation that discussed disinvestment, with members of the Board noting that the Fund had no disinvestment policies or proposals, recognising engagement as the way to affect change. The Advisor to the Board made comment about opportunities to incorporate ESG into its investment approach but reminded the Board that generating investment returns to meet liabilities was the ultimate objective of all LGPS Funds.

Officers responded to a question about the impact on the Fund of in-year transfers. Since the change to the regulations in November 2021, the Fund had recruited to an additional post to review transfers. The process continued to be changed in line with the requirements of the Regulator, which meant that transfers now had to be checked more fully which increased the burden of staff time. The impact of checking transfer requests was discussed at the East Midlands pension managers meeting, which provided an opportunity for the Fund to benchmark its own processes.

RESOLVED 2022/003

That the contents of the report be noted.

8. PENSION FUND RISK REGISTER

The Pensions Manager introduced the risk register report, highlighting a number of areas for the attention of the Board.

The first risk that was highlighted related to resources, with reference being made to difficulties in recruitment; this was a common theme for all funds and would be explored by the Department of Levelling Up.

The next risk that was highlighted related to the upcoming revaluation and concerned the potential for disruption if scheme employers did not provide the required information in a timely manner. To mitigate this risk, a data improvement plan was in place and pensions administration staff were engaged in constant dialogue with scheme employers as year end approached.

The final risk which was brought to the attention of the Board related to cybersecurity. Members noted an intention to bring a report to both the Board and the Nottinghamshire Pension Fund Committee on a cybersecurity policy. This would meet the requirements of the Pensions Regulator.

RESOLVED 2022/004

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

9. WORK PROGRAMME

RESOLVED 2022/005

That the work programme be approved.

The meeting concluded at 12 noon.

CHAIR