

Nottinghamshire Pension Fund Committee

Thursday, 12 September 2019 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|---|--|---------|
| 1 | Minutes of the last meeting 18 July 2019 | 5 - 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 | Transforming Pension Administration | 9 - 16 |
| 5 | LAPF Strategic Investment Forum | 17 - 22 |
| 6 | Working Party | 23 - 24 |
| 7 | Work Programme | 25 - 30 |
| 8 | Fund Valuation and Performance | 31 - 34 |

9 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

“That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

Note

If this is agreed, the public will have to leave the meeting during consideration of the following items.

EXEMPT INFORMATION ITEMS

10 Fund Valuation and Performance EXEMPT

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

11 Independent Adviser's Report EXEMPT

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

12 Investment Managers' Presentations

12a Aberdeen Standard Investments

12b Kames Capital

12c Schroders Investment Management

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 Peter Barker (Tel. 0115 977 4416) 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 18 July 2019 at 10.30am

membership

Persons absent are marked with 'A'

COUNCILLORS

Eric Kerry (Chairman)
Stephen Garner (Vice Chairman)

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

Nottingham City Council

Councillor Graham Chapman - A
Councillor Anne Peach
Councillor Sam Webster - A

Nottinghamshire Local Authorities' Association

Representatives to be confirmed.

Trades Unions

Mr A Woodward
Mr C King

Scheduled Bodies

Mrs Sue Reader

Pensioners

Vacancy
Mr T Needham

Independent Adviser

William Bourne

Officers in Attendance

Pete Barker	(Chief Executive's Department)
Jon Clewes	(Chief Executive's Department)
Rob Disney	(Chief Executive's Department)
Ciaran Guilfoyle	(Chief Executive's Department)
Nigel Stevenson	(Chief Executive's Department)
Sarah Stevenson	(Chief Executive's Department)
Marje Toward	(Chief Executive's Department)

1. MINUTES

The minutes of the last meeting held on 6 June 2019, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Webster.

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

William Bourne declared an interest in Item 12, Pension Fund Independent Advisor, and undertook to leave the meeting when this item was discussed.

4. PRUDENTIAL AVC LIFESTYLE STRATEGY UPDATE

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

RESOLVED 2019/036

- 1) That it be acknowledged that a review has been undertaken, and that the changes recommended be communicated by the Prudential to the members affected.
- 2) That it be acknowledged that appropriate information will be made available by the Prudential to enable members to make any choices required.

5. GUARANTEED MINIMUM PENSION RECONCILIATION EXERCISE WITH HMRC – UPDATE REPORT

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

RESOLVED 2019/037

- 1) That an update report be brought to a future meeting of the Committee.
- 2) That an additional £155,400 be allocated to pay for the next phase of the project.

6. PENSION ADMINISTRATION PERFORMANCE REPORT

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

RESOLVED: 2019/038

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

7. TRANSFORMING PENSIONS ADMINISTRATION

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

RESOLVED: 2019/039

- 1) That the scoping and development of a programme of work to transform pension administration through digital development and new ways of working, be approved.
- 2) That a further report be brought to the September meeting of the Committee.

8. PROXY VOTING

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

RESOLVED: 2019/040

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

9. LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

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

RESOLVED: 2019/041

That a further report be brought to Committee regarding investment in renewables once the survey being undertaken by the LAPFF has been completed.

10. MHCLG CONSULTATION

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

RESOLVED: 2019/042

That the submission of the response on behalf of Nottinghamshire Pension Fund be approved.

11. WORK PROGRAMME

On a motion by the Chairman, duly seconded, it was:

RESOLVED: 2019/043

That the following reports be brought to future meetings of the Committee:

- Digital Transformation of Pensions Administration
- Local Authority Pensions Fund Forum Business Meeting
- Pensions Effect on Higher Education
- Update report on AVCs
- Guaranteed Minimum Pension Reconciliation Exercise with HMRC – Update Report
- Investment in Renewables

12. PENSION FUND INDEPENDENT ADVISER

William Bourne left the meeting at this point and did not return.

RESOLVED: 2019/044

- 1) That the proposed specification and procurement process set out in the report be approved.
- 2) That the selection of the 3 Members of the selection panel be delegated to the Chair and Vice-Chair of the Pension Fund Committee.

The meeting concluded at 11.47am

CHAIRMAN

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION
ADMINISTRATION****Purpose of the Report**

1. To seek approval from members to the scope of the “transforming pension administration through digital development and new ways of working programme”.

**Information
Background**

2. Nottinghamshire County Council is the Administering Authority for the Nottinghamshire Local Government Pension Fund. In its capacity as Administering Authority the Council provides a pension administration service to 146,060 members (active, deferred and pensioners, figures as at 31 March 2019) and 341 active scheme employers. There has been a substantial increase in the number of scheme employers from 260 in 2014-2015 to 341 in 2018-2019, which is a 31% increase.
3. The LPGS is under greater scrutiny through the enhanced role given to the Pensions Regulator which requires Funds to demonstrate that compliance has been achieved across a wide range of activities on an ongoing basis.
4. Work has been undertaken to look at what other LGPS administration services are doing. A number have already developed or are in the process of developing a “digital first” programme which will enable them to interact on a digital platform with scheme employers and members, introduce new ways of working which will improve efficiency, maximise value for money and improve the customer experience for both scheme employers and members.
5. Pension Administration is changing nationally, and in the LGPS with changes to regulations, and with the requirements and scrutiny of the Pension Regulator. LGPS administration needs to reflect this change through the delivery of a range of digital services which include increased automation, significantly reduced manual inputting and amending of member data, ensuring that employers fulfilling their responsibilities as a scheme employer within the Fund and for scheme members to be able to access their pension record 24/7.

Digital Transformation

6. The County Council has been reviewing its approach to digital transformation. We live in a digital age. Customers expect to be able to interact with organisations online, 24/7 and self-serve. The Council has drafted its Digital Strategy for 2019 -2021 and outlined a cross council programme “Improving Customer Experiences through Digital Development”. This programme of work will build on digital good practice in Nottinghamshire and elsewhere and ensure that work is undertaken, and new developments are consistently applied across the Council to improve efficiency, maximise value for money and improve the customer experience for all.
7. The Pension Regulator has stipulated that it expects Pension Funds to enable scheme employers and members to interact with the Fund via digital platforms.
8. To align with the Council’s draft digital strategy and to address the Pension Regulator’s requirement for digital interaction, the Pension Administration Service has taken the opportunity to review and reflect on its own digital journey and look at what other LGPS administration services are doing to improve their administration service.

Scope

9. Following approval by Pension Committee on the 18 July 2019 work has been undertaken with our system partner Civica to develop the scope of the “Transforming Pension Administration through digital development and new ways of working.” programme which will include increasing system efficiency and automation, deploying new functionality and providing our Scheme Employers and Members with online access.
10. The key aims of the proposed programme are to
 - a. Through improved data quality and increased automation move towards “administration by exception”. Ensuring the right people are doing the right tasks at the right time. Enabling our skilled administrators to concentrate on dealing with complex issues, whilst the automation takes care of the every day tasks where possible.
 - b. Provide Scheme Employers with portal access to upload validated data, removing paper and manual input into Civica UPM where at all possible and supporting Employers to fulfil their duties under the Pension Administration Strategy
 - c. Improve the management and transition of member and financial data through the deployment of monthly returns rather than a yearly return which would support auto loading and processing of new starters, changes and leavers to enable cost efficient and transparent processing
 - d. Provide Members with self-service access to enable them to maintain their personal data, review their pension benefits and communicate with the Fund.
 - e. Support the Fund to meet increasing regulatory requirements and standards on reporting for example, The Pension Regulator requirement for Funds to improve the quality of their data and the expectation that Funds enable Scheme Employers and Members to interact with the Fund via digital platform.

- f. This programme will ensure that the Nottinghamshire Pension Fund Administration Service can operate as a leading-edge administration service through improving the customer experience, ensuring regulatory compliance whilst delivery an efficient and cost-effective service.

11. The programme will be delivered on a phased approach and will consist of 4 key phases:

- Data Audit and Improvement
- Scheme Employer Portal
- Hosting Options
- Members Portal

Data Audit and Improvement

12. The Pension Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected and are taking appropriate steps to improve pension records.
13. Data improvement is a continuous process and not a one-off exercise. The Fund's engagement with data improvement does not end once its improvement plan is delivered. The Fund needs to regularly check the data that it requires to run an efficient and effective scheme and must ensure that data is managed well on a day to day basis.
14. Good quality data is a critical element in the success of digital transformation. To support members to channel shift good quality data is a key requirement. Without the required data members will be unable to process requests on line.
15. Without good quality data, administrators are unable to process requests from scheme employers or members. Nottinghamshire Pension Fund collects and holds large amounts of personal and sensitive data and is reliant on the timely receipt of quality data from employers to administer the pension fund and pay the correct benefits to members when they become due. Continual issues with poor quality and missing data provided by scheme employers impacts funds in several ways including reputational risk and fines from the Pension Regulator, valuation risks, which effect members and impact on administration.
16. Good quality data enables the pension administration services to –
- Pay accurate benefits
 - Deliver high quality service standards
 - Improve cost efficiency through the use of technology
 - Communicate better with members
 - Improve the accuracy of valuation data
 - Meet the Pension Regulator expectations
17. The Data Phase of the programme will be split into four distinct phases: **data audit, forensic analysis, improvement and maintenance.**

18. It is proposed to engage Civica to undertake the first two phases of the data programme. The outputs of these two phases will enable a full scoping of the improvement and maintenance phase to be undertaken and the subject of a further report to Pension Committee.
19. The process of continuous data improvement is supported by the next phase of the digital programme: Scheme Employers Portal will support data improvement becoming a business as usual activity.

Scheme Employers Portal

20. The Scheme Employer phase of the programme will run in parallel to the data phase. This phase will comprise of three key elements: – **Scheme Employers Portal, and implementation of monthly scheme returns, process re-engineering and automation**
21. The Scheme Employer Portal is currently being managed as a separate project but will be moved under the overall management of the digital programme. The Scheme Employers Portal is undergoing final user acceptance testing prior to it being piloted by Nottinghamshire County Council. It is anticipated that the pilot will commence in September 2019 and rolled out to other Scheme Employers during 2020. The Scheme Employers Portal will enable employers to have limited access to view their members' records on the Civica UPM system and will act as a secure portal for information.
22. Currently, Scheme Employers provide the Fund with a year-end return which details all starters, leavers and other members' changes which have taken place over the year. This process creates a significant peak of activity for the Fund from April through to July/August on an annual basis and requires the Fund to reconcile individual returns, load significant volumes of data and address queries. This also means that the Pensions Administration Team are taken away from the day to day activities of processing deferred benefits, aggregation and other administration processes during this time.
23. The Pension Regulator has stated that monthly electronic data submissions should be the default for all Funds and recommends that steps are put in place to do so. To support this recommendation, it is proposed to implement monthly scheme returns as part of the Scheme Employer Phase.
24. The implementation of monthly returns will require Scheme Employers to submit a monthly return detailing all new starters, changes and leavers and monthly contributions. An extensive series of data validation checks would be automatically performed by the system as the data file is uploaded. Any issues would be highlighted enabling the employer to address these prior to the submission of the file to the Pension Administration Team.
25. Once the monthly return is submitted the Pension Administration Office is able to run automated processes to add new starters, update and process leavers, apply changes to members' records and update monthly salary and contribution data.
26. Automation processing enables cases to be processed in bulk without administrator intervention. Releasing administrators to focus their work on more complex or unusual cases and moving to an approach of "administration by exception".

Hosting Civica UPM

27. As part of the transformation programme it is proposed to review options for hosting the Civica UPM system. This work would align with the County Council's corporate "Journey to the Cloud" programme. As part of this review consideration would be given to managed services offered by Civica. This review and its outcomes will be the subject of a separate report to Pension Committee in due course.

Members Portal

28. Given the above scope of the transformation programme it is proposed to visit the scope of the Members Portal during the second half of 2020. Good quality data is key to the successful channel shift of members to online services.

Programme Governance

29. A clear governance structure is a critical factor for the success of any programme. A digital transformation programme board will be established to oversee the work of the programme. Quarterly reports will be presented to Pension Committee on the progress of the programme.

Resources

30. Pension Administration Team will input into aspects of the scoping and delivery of the programme due to their knowledge and expertise of the regulations and existing processes. As the detailed scope of the programme develops consideration may need to be given to engaging additional resource to ensure that the programme is delivered in a timely manner.
31. Additional project management capacity can be released from within the Business Services Centre to support the delivery of the programme.

Costs

32. The one-off costs for the two initial data improvement phases and the licensing costs for the new additional functionality of monthly returns and process automation within the scheme employers portal phases are £165,000. The cost of supplier service days and project management for the phases detailed within this report will be £100,000. A total of £265,000. The annual support and maintenance for new additional functionality will be £14,000.
33. Costs for subsequent phases of the programme will be covered in separate reports.

Other Options Considered

34. The Pension Administration Service could continue to operate as it currently does but this is not considered a viable option given both the increasing legislative demands and increasing number of scheme employers, members and their expectations in this digital age.

35. Without the development of digital platforms for Scheme Employers and members to interact with the Fund consideration may have to be given to increasing the number of pension administration staff.

Reason/s for Recommendation/s

36. With increasing number of scheme employers and members; as well as increasing compliance requirements the service would need to look at increasing the number of skilled administrators within the team. A digital programme would enable all stakeholders of the services to benefit from interacting with the administration team via digital services, as well as meeting the Pension Regulator expectation for stakeholders to interact with the Fund via digital platforms.

Statutory and Policy Implications

37. 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

38. An overall high-level Data Privacy 'impact Assessment will be completed for the programme and kept under regular review. The potential data protection impacts of specific developments will be considered and reviewed on an ongoing basis as the work of the programme progresses.

Financial Implications

39. The financial implications are covered within the body of this report at paragraph 32.

RECOMMENDATION/S

It is recommended that the Members:

- 1) Approve the proposed scope of the Nottinghamshire Pension Administration Service digital programme.
- 2) Approve the recharge of the costs of the initial phases of the programme to the Pension Fund.
- 3) Agree to receive quarterly update reports on the progress of the programme.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Sarah Stevenson, Group Manager Business Services Centre on 0115 9775740 or sarah.stevenson@nottscc.gov.uk

Constitutional Comments (KK 02/09/2019)

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

Financial Comments (KRP 02/09/2019)

41. The anticipated costs of the proposals are set out in paragraph 32 of the report. Administration costs, including IT costs, are a valid charge to the Pension Fund.

HR Comments (BC 02/09/2019)

42. The staffing implications are contained within the body of the report. Members of the Pension Administration team will be fully involved in the scoping and delivery of the programme. Once the scope has been developed, any additional resource that may be required will be subject to a further report to this Committee.

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.

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**LAPF STRATEGIC INVESTMENT FORUM 2019****Purpose of the Report**

1. To report on the LAPF Strategic Investment Forum 2019.

Information

2. The LAPF Strategic Investment Forum 2019 was held on 3rd to 4th July 2019 in Hertfordshire. 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 Councillor Francis Purdue-Horan, Mr Chris King and Mrs Tamsin Rabbitts (Senior Accountant – Pensions and Treasury Management).
3. This was the first time Nottinghamshire have attended this conference, having changed our annual programme for 2019-20. Impressions were very favourable. This was a well organised conference with an intense programme of relevant investment topics.
4. ***John Harrison, Adviser, Border to Coast***
The conference began with John welcoming everyone to the event.
5. ***EM corporate debt – earning an allocation Samy Muaddi, T. Rowe Price***
An excellent and timely session making a strong case for an allocation to Emerging Market debt. Key points include an average 8.5% return for 25 years, outperformance of corporate debt over government debt, and EM debt over EM equities. However it should be noted that returns are highly volatile.
6. ***Asia private equity trends Brian Lim, Head of Asia and Emerging Markets, Pantheon***
Brian discussed the evolution of the Asian listed and private equity markets and concluded that Asia offered both size and growth and attractive valuations, with strong opportunities in certain sectors, but emphasised the importance of selecting a high quality manager.

7. ***Asset Allocation Panel session William Bourne, Independent Adviser, William Marshall, Barnett Waddingham, Jo Ray, Lincolnshire Pension Fund, Geraldine Sundstron, Pimco***

An interesting speculation on how asset allocation and technical decision making will operate in the future, especially as the role of the Pools develops.

8. ***LGPS Asset pooling – where next? Round table discussion***

A discussion in tables of what the priorities are for Pools. Suggestions for the future included looking for external clients, revisiting the FCA rulebook, developing cross pool activity, seeking movement from HMRC on tax issues, specialising in particular asset classes, or expanding services beyond investment. The majority view was that Pools generally needed to focus on delivering core investment funds before they consider anything else.

9. ***ESG as a vital component of infrastructure investing Robert Hardy J.P. Morgan Asset Management***

Robert made the case that Infrastructure provides direct exposure to ESG and plays a critical role in the essential functions and sustainability of communities and their environments. A forward looking ESG strategy provides a long-term focus on safe operations, stakeholder engagement, and environmental stewardship and helps to deliver returns.

10. ***Factor Investing for the LGPS Georg Elsoesser, Invesco Quantitative Strategies, Chris Stevens, bfinance***

Another session relevant to Nottinghamshire, this session featured a good explanation of factors, and how these are associated with risk and so should (in the long term) be compensated with higher returns. However the speakers also discussed the drawback to factor investing which is that the factors don't work all the time. For example Value has performed very poorly over the last 18 months, and even a decade of under performance is quite possible.

11. ***Renewables are not enough: decarbonising across infrastructure sectors in order to meet climate change targets Ingrid Edmunds, Columbia Threadneedle Investments***

Clean power generation has been at the centre of the debate on achieving the Paris climate targets and the efforts to limit global warming. The presenter discussed whether this was sufficient and other options for investors.

12. ***Driving long term value: are social and financial returns diametrically opposed Pete Gladwell Legal & General Investment Management***

Pete's role is in the structuring of Impact investments to ensure returns reflect risk and illiquidity premium. There was some discussion of whether 'impact' investments always delivered lower returns, and whether many so called 'impact' investments actually made an impact. However if considering impact investments Pete had some useful advice of things to put in place:-

- diversification
- independence from the investment
- correct structure
- understanding of the financial and reputational risks
- sufficient resources to manage the investment

13. **ESG integration into real estate** *Andrew Allen, Aberdeen Standard Investments, Kate Brett, Mercer, Frances Deakin, Local Pensions Partnership, Michael Marshall, LGPS Central, Owen Thorne, Merseyside Pension Fund*

This discussion drifted rather from real estate from time to time, but included mention of building energy efficiency and risks such as flood risk and contamination and changing regulations.

14. **Secured income assets** *Serena Galestian Insight Investment*

Serena outlined the advantages this asset class should be able to deliver with its floating rate, investment grade credit rating and structural protections. Returns should be superior to investment grade bonds with a complexity premium and potentially a liquidity premium too.

15. **Emerging Markets panel** *Anthony Fletcher, Independent Investment Adviser, Roger Merz, Vontobel Asset Management, Phil Triggs, City of Westminster Pension Fund, Peter Wallach, Merseyside Pension Fund*

An interesting discussion which highlighted a number of the advantages and issues of investing in Emerging Markets. The higher growth driven by a younger population and growing total populations is key, but offset by additional risks arising from political and currency issues and lower corporate governance standards. Growth can be accessed through active or passive strategies, but also through investing in companies based in developed markets but exposed to Emerging Market earnings.

16. **Residential property** *Jamie Kellett, BMO Global Asset Management*

This session explored the extent to which residential property is becoming part of an LGPS asset allocation, either as an infrastructure asset class or (as we see it) a diversifying component within an existing property allocation. The long-term, inflation-linked cashflows are correlated to the future liabilities of the LGPS. However this session also identified the potential for more reputational risk than commercial property.

17. **Multi asset solutions** *David Buckle, Fidelity International*

This interview looked at the advantages of diversification, with or without a diversified growth fund. Some Diversified Growth Funds promised equity like returns with bond like volatility, which have proved not to be realistic. Fidelity's current predictions are that equities are the only asset class which will exceed inflation (it wasn't clear whether this included alternatives).

18. **Creating value not just cutting costs**

A roundtable discussion looking at the elements of value and the potential risks run by a focus on cutting costs.

19. **Private Equity** *Tim Creed, Schroders*

During this interview, Tim reflected on past performance of the private equity market, which he claimed has been the highest performing asset class (possibly before fees). Concern was raised over the major leverage which has been a factor in many large buyouts. The conclusion was that selecting companies is more important than sector regional bias in Private Equity, so having the right managers is crucial, but within a diversified range of markets.

20. ***Re-generational partnerships Luke Layfield, Aviva Investors, Andrien Meyers, Lambeth Pension Fund, Bola Tobun, Enfield Council***

This panel discussion highlighted the importance of making objective decisions and following a proper due diligence process if considering any kind of local investment.

21. ***Infrastructure – how to find value globally Matteo Botto Poala, Goldman Sachs***

This session examined a number of opportunities within the Infrastructure asset class. Particular areas of interest were felt to include data, US shale gas, energy transmission, e-commerce related logistics, and charging infrastructure of electric and autonomous vehicles.

22. ***The future of sustainable capitalism Julie Moret, Franklin Templeton***

This was an excellent session looking at global risks and how these feed into investment strategy and the move to sustainable capitalism. The goal is to ensure that ESG risks are properly priced into valuations. The regulatory landscape is changing. Regulation is increasing, alongside investor demand. Increased disclosure and reporting is anticipated, together with a need for closer engagement between asset owners and asset managers.

23. ***Liquid alternatives Oliver Blin, Unigestion***

A high level presentation about alternative risk premia or ARP as a potential option to pension funds looking for long-short strategies with a low correlation to equities.

24. ***Should the LGPS add more impact to their portfolios***

A discussion about the pros and cons and risks of impact investments, including the challenge of defining them and measuring outcomes.

25. ***Engagement with companies in emerging markets James Donald, Lazard Asset Management***

Interview which revealed the progress being made in emerging markets. Regulation is improving alongside better consideration of ESG issues. However there is much variability between companies.

26. ***Late cycle hunt for yield Stuart Fiertz Cheyne Capital, Chris Rule, Local Pensions Partnership***

Some interesting comments around the challenge of finding returns at this stage in the cycle:-

- Not all the market is late cycle – some areas still have value
- There are still opportunities if you have a long term investment horizon
- The LGPS long term horizon means we can focus on cash flows and pay less attention to market movements
- Important to ensure excessive risk not taken and take a disciplined approach

Statutory and Policy Implications

27. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below.

Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Nottinghamshire 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 investments.
- 2) That Members consider if there are any actions they require in relation to the issues contained within the report

Nigel Stevenson

Service Director - Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 13/08/19)

28. Nottinghamshire Pension Fund Committee is the appropriate body to consider this report.

Financial Comments (TMR 13/08/19)

29. There are no 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.

None

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**WORKING PARTY****Purpose of the Report**

1. The Pension Fund Working Party meets twice a year or as required and is open to all Pension Fund Committee Members to attend. The purpose of the Working Party is to discuss key issues in more detail and to make recommendations to Pension Fund Committee. This report summarises the items discussed at the most recent meeting on 29 August 2019 and makes recommendations as follows:
 - a. To continue to monitor the performance of investment managers.
 - b. To continue to review the risks in the pension fund arising from climate change.
 - c. To continue engagement activity through our investment managers, LGPS Central, LAPFF, PIRC and other partners.

Information

2. The Working Party met on 29 August 2019.

Review of the Schroders portfolio

3. The Working Party considered a detailed presentation from Schroders.
4. The report looked at the Schroders investment strategy and performance in detail.
5. As a result of discussions Schroders have been asked to report back in around 6 months.

Investments in Fossil Fuels

6. Members and the council have received a number of emails, letters and FOI requests regarding the Pension Fund's investment in Fossil Fuel producers
7. The actions of the Pension Fund with respect to responsible investment, engagement, review of investment risk and investments in renewable energy and other infrastructure and low carbon investments were discussed.

8. Members were reassured that appropriate action is being taken by the pension fund.

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.

RECOMMENDATIONS

It is recommended that Committee:

1. Continues to monitor the performance of investment managers.
2. Continues to review the risks in the pension fund arising from climate change.
3. Continues engagement activity through our investment managers, LGPS Central, LAPFF, PIRC and other partners.

Report Author:

Tamsin Rabbitts – Senior Accountant – Pensions and Treasury Management

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (SLB 02/09/19)

Nottinghamshire Pension Fund Committee is the appropriate body to consider the content of the report.

Financial Comments (TMR 30/08/19)

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 THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE
AND EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To consider the Committee's work programme for 2019/20.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

RECOMMENDATION/S

- 1) 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: Pete Barker, x74416

Constitutional Comments (HD)

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

Financial Comments (NS)

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

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME

Report Title	Brief summary of agenda item	Report Author
3 October 2019		
Annual General Meeting		
Administration Update		Jon Clewes
14 November 2019		
Administration Performance	6 Months Update	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 3 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
12 December 2019		
Fund Valuation & Performance – Qtr2	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers

13 February 2020		
Governance Conference	Update Report	Jon Clewes
Admission Body Status Update	Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)	Andy Durrant
Fund Strategies	Review of Fund Strategies	Tamsin Rabbitts
LAPFF Conference	Report from the LAPFF conference	Keith Palframan
Proxy Voting	Summary of voting activity during quarter 4 2019	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
<i>LGPS Scheme Advisory Board Update</i>	<i>6 monthly report updating members on the work of the SAB if anything of note</i>	<i>Jon Clewes/Ciaran Guilfoyle</i>
12 March 2020		
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers

11 June 2020		
Administration Performance	12 Months Update	Jon Clewes
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	Independent Adviser
Managers Reports	Quarterly reports from Fund Managers (exempt)	Relevant fund managers
9 July 2020		
Pension Administration Annual Performance & Strategy Review	Report detailing the Administering Authority and Scheme Employers performance against the Admin Strategy including any data breaches	Jon Clewes
Proxy Voting	Summary of voting activity during quarter 1 of 2020	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
<i>Update on LGPS Asset Pooling</i>	<i>(If required)</i>	<i>Keith Palframan</i>
TO BE PLACED		
Guaranteed Minimum Pension Reconciliation Exercise With HMRC	Update Report	Jon Clewes
Pensions Effect on Higher Education		Sarah Stevenson
AVCs	Update Report	Sarah Stevenson
Investment in Renewables	Report following LAPFF survey	Ciaran Guilfoyle

12 September 2019
Agenda Item: 8

REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

FUND VALUATION AND PERFORMANCE

Purpose of the Report

1. To report on the total value and performance of the Pension Fund to 30 June 2019.

Information

2. This report is to inform the Pension Fund Committee of the value of the Pension Fund at the end of the latest quarter and give information on the performance of the Fund. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendices.
3. The table below shows a summary of the total value of the investment assets of the Fund as at 30 June 2019, in comparison with the benchmark, together with the comparative position 3 and 12 months previously. The majority of the changes are due to growth in equity markets in the last quarter. The benchmark was reviewed and changed early in 2019. This is a long-term target and it will take some years to achieve it.

	Latest Quarter		Long term	Previous Quarter		Previous Year	
	30 June 2019		Benchmark	31 Mar 2019		30 June 2018	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,343	59.8%	56%	3,222	59.6%	3,382	62.5%
Private	476	8.5%	12%	448	8.3%	300	5.6%
Property	738	13.2%	15%	732	13.5%	747	13.8%
Bonds							
Gilts	183	3.3%	2%	176	3.3%	150	2.8%
Other Bonds	683	12.2%	13%	699	12.9%	729	13.5%
Cash	164	2.9%	2%	131	2.4%	99	1.8%
	5,586	100%	100%	5,407	100%	5,407	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £278.2m or 5.0% of the fund. Infrastructure commitments amount to 5.9% of the fund. There is a long term target for investments in infrastructure to be 8% of the fund.
5. The Fund investments have increased by £179.0 million (3.3%) since the previous quarter. Fund investments have increased by £178.8 million (3.3%) over the last 12 months. The table below shows the Fund Account for 2019/20 to date along with the full year figures for 2018/19.

Summary Fund Account	Q1 2019/20 £000	Full Year 2018/19 £000
Employer contributions	(37,510)	(135,001)
Member contributions	(8,452)	(46,216)
Transfers in from other pension funds	(737)	(9,473)
Pensions	42,620	162,267
Commutation of pensions and lump sums	9,412	34,937
Lump sum death benefits	1,311	4,495
Payments to and on account of leavers	1,355	34,732
Net (additions)/withdrawals from dealings with members	7,999	45,741
Administration Expenses	24	2,112
Oversight & governance expenses	191	1,630
Investment Income	5,115	(162,772)
Profits & losses on disposals & changes in value	(166,304)	(154,446)
Taxes on income	207	850
Investment management expenses	149	5,410
Net Returns on Investments	(160,833)	(310,958)
 Net (increase)/decrease in net assets	 (152,619)	 (261,474)

6. The majority of the changes in value in the quarter are due to growth in equity markets.

Statutory and Policy Implications

7. 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) That members consider whether there are any actions they require in relation to the issues contained within the report.

Name of Report Author: Tamsin Rabbitts

Title of Report Author: Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments

8. This is an updating information report and Pension 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 2/9/2019)

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

