

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

1. The Pension Fund Working Party meets twice a year or additionally where circumstances require and is open to all Pension Committee Members to attend. The purpose of the Working Party is to discuss key issues in more detail and to make recommendations to Pension Fund Committee. This report sets out details of the items discussed at the most recent meeting on 23 January 2020 and makes recommendations as follows.
  - a. To approve no changes to the strategic asset allocation
  - b. To approve the short term target asset allocation for 2020
  - c. To approve the revised range constraints in Table 1.
  - d. To approve the new reporting schedule for Investment Manager attendance at Committee meetings.

**Information**

2. The Working Party met on 23 January 2020. The agenda and attendees are listed in Appendix A, and details of the discussions and recommendations for each item are set out below.

**Schroders portfolio**

3. Schroders attended the meeting to report back to committee on questions arising from the meeting in August. Schroders proposed to change the investment vehicle for the US region within the mandate. The new sub-fund would bring the US level of diversification more in line with other regions. Members challenged the proposed approach and the impact on portfolio risk and were satisfied that this is an appropriate approach for the Pension Fund mandate. Any explicit transition costs will be met by Schroders.

**Investment Strategy and Asset Allocation**

4. The Working Party considered a report from William Bourne, independent adviser to the fund.

5. The report summarised the current strategic benchmarks and the current portfolio and what the fund requires from each asset class (growth, inflation protection, income etc.) in the light of the current market environment and the initial results of the triennial valuation.
6. The current strategic asset allocation (SAA) was still considered appropriate. This will be moved gradually over the next 4 years as set out in table 1. The target benchmark for 2020 as the next step in this direction is also shown.
7. The purpose of range constraints is to ensure that the high level portfolio remains not too far away from the intended SAA, or at least if there is divergence, the Pension Fund Committee has monitored and approved it.
8. A small adjustment to the range for growth is suggested to reflect the lower weighting to growth assets in the SAA.

Table 1

<b>Outcome</b>	<b>Asset Classes</b>	<b>30/09/2019 portfolio %</b>	<b>SAA %</b>	<b>Existing Range %</b>	<b>Proposed 2020 target %</b>	<b>New Range %</b>
Growth	Listed and Private equity	65.5	60.0	60-70	61.5	57.5-67.5
Income and inflation protection	Property, Infrastructure	16.6	23.0	15-25	21.5	15-25
Income only	Fixed Income	7.9	10.0	5-15	9.0	5-15
Inflation protection only	Index Linked, Kames DGF	3.3	5.0	3-15	4.0	3-15
Liquidity	Cash, Kames short term	6.7	2.0	0-10	4.5	0-10

9. Members discussed the Pension Fund's Responsible Investment beliefs. Whilst it was felt that these are still appropriate, members agreed that additional review and training was required on these matters.

#### **Investment Manager attendance at Committee– Working Party discussion item**

10. Following discussions at previous working party meetings and with Investment Managers, the schedule of manager attendance at Committee meetings was reviewed. It was felt that rather than see every manager every quarter it would be better to have managers attend six monthly with a longer timeslot to enable a more detailed review and greater scrutiny.
11. The quarterly Valuation Report would still cover all portfolios and managers quarterly reports would still be circulated to Members.
12. Members would still be able to request Investment Managers attend additional meetings as desired.

13. It is suggested that the proposed schedule below is implemented in the new year.

**Q1 (Sept meeting)**

ASI and Schroders

**Q2 (Dec meeting)**

LGPS Central & guest investment manager from within the Specialist portfolio

**Q3 (March meeting)**

ASI and Schroders

In the past this has included some training focussed on a specific part of the fund alongside the committee meeting. This is considered valuable and will be continued.

**Q4 (June meeting)**

LGPS Central and LGIM

**Pension Fund Treasury Management policy**

14. The Working Party was made aware of the proposal to delegate responsibility for the Treasury Management of the Pension Fund to the Pension Fund committee.

**Statutory and Policy Implications**

15. 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. Agrees that no changes are currently required to the strategic asset allocation.
2. Approves the short term target asset allocation for 2020.
3. Approves the revised range constraints in Table 2.
4. Approves the new reporting schedule for Investment Manager attendance at Committee meetings.

**Report Author:**

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

### **Constitutional Comments (SS 30/01/2020)**

Nottinghamshire Pension Fund Committee is the right committee to consider this report.

### **Financial Comments (TMR 28/01/2020)**

The financial implications are noted in the report.

### **Background Papers and Published Documents**

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

- None