

# **Nottinghamshire Pension Fund Committee**

**Thursday, 10 January 2019 at 10:30**

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

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## **AGENDA**

- |   |  |         |
|---|--|---------|
| 1 | Minutes of the last meeting 15 Nov 2018  | 5 - 8   |
| 2 | Apologies for Absence  |         |
| 3 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 4 | Working Party  | 9 - 14  |
| 5 | Work Programme   | 15 - 18 |
| 6 | Fund Valuation and Performance   | 19 - 22 |

## 7 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

#### 8 Fund Valuation and Performance EXEMPT

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

#### 9 Independent Adviser's Report EXEMPT

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

#### 10 Managers' Reports

##### 10a Aberdeen Standard Investments EXEMPT

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

##### 10b Kames Capital EXEMPT

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

##### 10c Schroders Investment Management EXEMPT

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

### **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 15th November 2018 at 10.30 am

### **membership**

Persons absent are marked with 'A'

### **COUNCILLORS**

A – Eric Kerry (Chairman)  
Stephen Garner (Vice Chairman)

Reg Adair  
Chris Barnfather  
Rachel Madden  
Sheila Place

Mike Pringle  
Francis Purdue-Horan  
Parry Tsimbiridis

### **Other County Councillors in Attendance**

Councillor Jim Creamer

### **Nottingham City Council**

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

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

A - Kate Allsop – Executive Mayor, Mansfield District Council  
Councillor Richard Jackson – Broxtowe Borough Council

### **Trades Unions**

Mr C King  
Mr A Woodward

### **Scheduled Bodies**

Mrs Sue Reader

## **Pensioners**

Vacancy  
A - Mr T Needham

## **Independent Adviser**

William Bourne

## **Officers in Attendance**

Pete Barker	Chief Executive's Department
Jon Clewes	Chief Executive's Department
Ciaran Guilfoyle	Chief Executive's Department
Keith Palframan	Chief Executive's Department

## **CHAIR**

In the absence of Councillor Kerry, Councillor Garner took the Chair.

### **1. MINUTES**

The minutes of the last meeting held on 13<sup>th</sup> September 2018, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair of the meeting.

### **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Kerry, Councillor Chapman and Mr Terry Needham.

Councillor Madden replaced Councillor Smith for this meeting only.

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

There were no declarations of interest.

### **4. LGPS CENTRAL LIMITED UPDATE**

#### **RESOLVED: 2018/044**

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

### **5. LGC INVESTMENT SUMMIT 2018**

#### **RESOLVED: 2018/045**

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 investments.

## **6. LAPFF BUSINESS MEETING**

### **RESOLVED: 2018/046**

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

## **7. PROXY VOTING**

### **RESOLVED: 2018/047**

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

## **8. WORK PROGRAMME**

Keith Palframan confirmed that there would be a tour of properties in Manchester and Leeds on 6<sup>th</sup> March 2019. On 7<sup>th</sup> March the meeting in the morning at County Hall would be followed by a training session in the afternoon.

### **RESOLVED: 2018/048**

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

The meeting concluded at 10.47am

**CHAIRMAN**





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

1. The Pension Fund Working Party meets twice a year 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 27 November 2018 and makes recommendations as follows:
  - a. To approve the grouping of asset classes into broader ‘outcome’ groupings to make it easier to monitor the overall characteristics of the asset allocation
  - b. To approve the revised long term asset allocation benchmark
  - c. To approve the amendment of future quarterly reports to use the asset classes and sub-classes in the paper in order to provide more visibility of the Fund’s exposure.

**Information and Advice**

2. The Working Party met on 27 November 2018. The agenda and attendees are listed in Appendix A, and details of the discussions and recommendations for each item are set out below.

**Investment Strategy and Asset Allocation**

3. The Working Party considered a report from William Bourne, independent adviser to the fund.
4. The report summarised the current strategic benchmarks and the current portfolio and reviewed the market environment and what the fund requires from each asset class (growth, inflation protection, income etc.).
5. The report recommended a gradual move to a new strategic benchmark over the next 5 years as set out in the table below.

<b>Asset Class</b>	<b>Asset Subclass</b>	<b>Current Benchmark</b>	<b>Proposed Benchmark</b>
<b>Equities</b>	Quoted	60	56
	PE (incl. Infrastructure)	5	12
<b>Property</b>		15	15
<b>Bonds</b>	Gilts	5	2
	Other bonds	12.5	13
<b>Cash</b>		2.5	2

6. The report also recommended amending the quarterly reports to use the asset classes and sub-classes set out below in order to provide more visibility of the Fund's exposure:

- Equities are broken out into Developed Markets, Emerging Markets, Developed Small Cap and Private.
- Bonds are broken out into Corporate, Gilt and Credit.
- Infrastructure is considered as a separate asset class and broken into listed and unlisted.
- Individual investments are re-categorised as in the table below

<b>Asset</b>	<b>Previous</b>	<b>Proposed</b>
Darwin Leisure Fund	Property	Private Equity
Darwin Development Fund	Property	Private Equity
Impax	Quoted Equity	Infrastructure
The Renewables Group	Quoted Equity	Infrastructure
HICL	Quoted Equity	Infrastructure

### **Investment Changes arising from Pooling**

7. The Working Party considered a report setting out a high level summary of the assets currently held by the fund.
8. The report then provided details of the planned investment offerings from LGPS Central Ltd and provided guidance on the timetable that these funds will become available and the match the proposed funds have to those currently held.
9. Details of any proposed transfers to LGPS Central Ltd will be brought to Committee at the appropriate time.

### **Responsible Investment (training)**

10. The Working Party received a presentation and training from the Fund's independent advisor on Responsible Investment (RI). The training covered engagement, the Stewardship Code, collaboration and investing for non-financial reasons (local investment, ethical investment and impact investing). In addition the training provided specific information on climate change and the Fund's approach to this.
11. The training also covered what the Fund currently does and how this compares to what other funds are doing and finished with a summary of the legal requirements to act as a responsible steward and to act sustainably; the fact that engagement is clearly the route

being encouraged; the fact that consideration of the impact of climate change is likely to become obligatory and the growing support for investment non-financial reasons, provided that it meets core investment requirements.

## **Statutory and Policy Implications**

12. 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. Approves the grouping of asset classes into broader 'outcome' groupings to make it easier to monitor the overall characteristics of the asset allocation.
2. Approves the revised long term asset allocation benchmarks.
3. Approves the amendment of future quarterly reports to use the asset classes and sub-classes set out in paragraph 6 in order to provide more visibility of the Fund's exposure.

### **Report Author:**

**Keith Palframan – Group Manager Financial Services**

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

### **Constitutional Comments (KK 20/12/18)**

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

### **Financial Comments (KRP 19/12/18)**

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





**Meeting title:** PENSION FUND WORKING PARTY MEETING  
**Date and time:** Tuesday 27<sup>th</sup> November 2018, **9.30am**  
**Location:** County Hall, Ground Floor – Committee Room C

1. Investment Strategy and Asset Allocation – William Bourne
2. Investment Changes arising from Pooling – Tamsin Rabbitts
3. Responsible Investment Training – William Bourne

### Attendees

Councillor Eric Kerry (part)  
Councillor Stephen Garner  
Councillor Reg Adair  
Councillor Mike Pringle  
Councillor Sheila Place  
Councillor Parry Tsimbiridis  
Councillor Anne Peach  
Councillor Graham Chapman  
Councillor Francis Purdue-Horan

Terry Needham  
Chris King

Nigel Stevenson  
Tamsin Rabbitts  
Keith Palframan  
William Bourne



**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.

**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

<b>Report Title</b>	<b>Brief summary of agenda item</b>	<b>Report Author</b>
<b>7 March 2019</b>		
GMP Reconciliation	Update Report	Jon Clewes
Fund Valuation & Performance – Qtr 3	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers
<b>25 April 2019</b>		
LGPS Central Ltd	Update Report	Tamsin Rabbitts
Proxy Voting	Summary of voting activity during quarters 3 & 4 of 2018	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
LAPFF Conference	Report from the LAPFF conference	Tamsin Rabbitts
Transforming Delivery		Jon Clewes
<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>
Admission Body Status Update	Details of organisation who satisfy the criteria to be admitted to the LGPS (as required)	Andy Durrant

<b>6 June 2019</b>		
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Fund Valuation & Performance	Details review of quarterly performance (exempt)	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance and managers reports (exempt)	William Bourne
Managers Reports	Quarterly reports from Kames, Schroders and ASI (exempt)	Relevant fund managers
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
<b>18 July 2019</b>		
Proxy Voting	Summary of voting activity during quarter 1 of 2016	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>
PLSA conference	Report from PLSA conference	Nigel Stevenson

**10 January 2019**
**Agenda Item: 6**

## **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 September 2018.

#### **Information and Advice**

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 September 2018, in comparison with the benchmark, together with the comparative position 3 and 12 months previously.

	<b>Latest Quarter</b>		
	<b>30 Sept 2018</b>		<b>Benchmark</b>
	£m	%	
Equities			
Quoted	3,427	62.3%	60%
Private	329	6.0%	5%
Property	760	13.8%	15%
Bonds			
Gilts	135	2.5%	5%
Other Bonds	722	13.1%	12.5%
Cash	126	2.3%	2.5%
	<b>5,498</b>	<b>100%</b>	<b>100%</b>

<b>Previous Quarter</b>	
<b>30 June 2018</b>	
£m	%
3,382	62.5%
300	5.6%
747	13.8%
150	2.8%
729	13.5%
99	1.8%
<b>5,407</b>	<b>100%</b>

<b>Previous Year</b>	
<b>30 Sept 2017</b>	
£m	%
3,239	64.3%
242	4.8%
609	12.1%
116	2.3%
744	14.8%
88	1.7%
<b>5,037</b>	<b>100%</b>

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £223.1m or 4.1% of the fund. Infrastructure commitments amount to 5.3% of the fund. There is a long term target for investments in infrastructure to be 5% of the fund.

5. The Fund investments have increased by £90.9 million (1.7%) since the previous quarter. Fund investments have increased by £461.2 million (9.2%) over the last 12 months. The table below shows the first half year Fund Account for 2018/19 along with the full year figures for 2017/18.

<b>Summary Fund Account</b>	<b>Q2 2018/19 £000</b>	<b>Full Year 2017/18 £000</b>
Employer contributions	(67,547)	(193,459)
Member contributions	(20,461)	(45,176)
Transfers in from other pension funds	(5,507)	(9,813)
Pensions	80,684	153,122
Commutation of pensions and lump sums	17,138	27,700
Lump sum death benefits	1,904	4,741
Payments to and on account of leavers	8,291	16,713
<b>Net (additions)/withdrawals from dealings with members</b>	<b>14,502</b>	<b>(46,172)</b>
<b>Administration Expenses</b>	<b>98</b>	<b>1,953</b>
<b>Oversight &amp; governance expenses</b>	<b>659</b>	<b>488</b>
Investment Income	(52,239)	(149,816)
Profits & losses on disposals & changes in value	(291,553)	(51,189)
Taxes on income	826	620
Investment management expenses	1,577	4,895
<b>Net Returns on Investments</b>	<b>(341,389)</b>	<b>(195,490)</b>
 <b>Net (increase)/decrease in net assets</b>	 <b>(326,130)</b>	 <b>(239,221)</b>

6. The fund value increased in 2017/18 but only by 4.8% reflecting a market adjustment in the last two months of the year. This reversed in the first quarter, explaining the exceptional rate of return for that quarter, returning to more moderate growth in the current quarter. There continues to be increased investment, especially in infrastructure and property.

## 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 4/12/2018)**

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

