

Minutes of the Pensions Panel Meeting held on 4 June 2024

Present: Mike Sutherland (Chair)

Attendance	
Philip Atkins, OBE Mike Davies	Colin Greatorex

Also in attendance: Simon Humble, John Mayhew and Becky Smeathers (Employers)

Apologies: Stephen Sweeney

Part One

1. Declarations of Interest

There were no declarations of interest made on this occasion.

2. Minutes of meeting held on 5 March 2024

Resolved: That the minutes of the Meeting of the Pensions Panel held on 5 March 2024 be confirmed and signed by the Chairman.

3. Dates of Future Meetings

- Tuesday 3 September 2024
- Tuesday 3 December 2024
- Tuesday 4 March 2025

All meetings are scheduled to start at 9.30am at County Buildings, Stafford unless indicated otherwise.

4. Appointment of new Independent Adviser

The Panel members received a report from the Director of Finance relating to the appointment of John Harrison, as the second Independent Investment Adviser to the Staffordshire Pension Fund ('the Fund') Pensions Panel.

In March 2023 the Fund sought an "Exception" to allow it to access a platform operated by MJ Hudson, to seek expressions of interest from Independent Investment Advisers. Whilst this process was being undertaken several uncertainties around the future of MJ Hudson surfaced and eventually the entity was taken over by the Apex Group. Officers felt this was not a suitable basis on which to recommence the process and

agreed that a new recruitment process should be considered.

Fund Officers began discussions with procurement colleagues and agreed an alternative process to appoint an Adviser in late 2023. By February 2024, ten expressions of interest had been received, and following a shortlisting exercise carried out by Pension Fund Officers, four candidates were invited to interview.

The four shortlisted candidates were invited to attend an interview on 26 April 2024. The interview panel consisted of the current members of the Pensions Panel, the Assistant Director for Treasury and Pensions, Pension Fund Officers, a representative of Hymans and the Governance and Support Manager from the Council's Member and Democratic Services Team.

Following these interviews, the Panel recommended that the position of the second Independent Investment Adviser to the Pensions Panel, be offered to Mr John Harrison.

Resolved: That John Harrison be appointed as the second Independent Investment Adviser to the Staffordshire Pension Fund Pensions Panel

5. Pension Fund Performance and Portfolio of Investments as at 31 March 2024

The Director of Finance submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments, as at 31 March 2024.

Performance of the Fund for the quarter was a return of 5.28%, underperforming the benchmark by -0.42%. Year to date the performance of the Fund was a return of 12.41%, underperforming the benchmark by -1.54%. The Fund had a market value of £7.533 billion, an increase of £0.354 billion since 31 December 2023.

It was noted that global equities had performed well, with Japan being highlighted as the standout performer.

Global markets, driven by the "magnificent seven" (Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta), had performed well.

The UK equity market had underperformed versus international peers in the first quarter of 2024, although it was noted that performance had improved since quarter end.

European markets saw positive returns in the first quarter of 2024 but trailed global markets overall. Inflation in the Eurozone had eased, and

the European Central Bank had maintained interest rates during its first-quarter meeting, although officials had suggested there may be possible rate cuts in the future.

In response to a question from Councillor Greatorex noting the reduction in the market value of JP Morgan, it was explained that money had been withdrawn from the JP Morgan Global Active Equity portfolio and reinvested elsewhere in line with the Strategic Asset Allocation (SAA).

It was observed by Councillor Greatorex that three Brewing stocks included in the Portfolio Valuation document, were reporting as having market values below the price paid for the stocks, and it was queried why this might be. Whilst there were no specific details available at the meeting, it was agreed that fund managers would be asked to provide further information, and this would be circulated to Pensions Panel Members.

Resolved: That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 March 2024 be noted.

6. Responsible Investment & Engagement (RI&E) Report Quarter 4 2023/24

The Director of Finance submitted the Responsible Investment and Engagement Report to the Panel, which included the Climate Stewardship Plan for 2023/24, the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report and the LGPS Central Quarterly Stewardship Update.

The Panel was reminded that the Q42023 Stewardship Report which was not received from LGPS Central at the Panel meeting in March 2024, was included as part of LGPS Central's submission for the 2023 UK Stewardship Code Compliance Statement to the Financial Reporting Council (FRC). A link to this report was now available and provided to the Pensions Panel for information [LGPS Central Annual Stewardship Report 2023](#).

Climate Change Strategy

In March 2023, the Pensions Committee approved the Fund's updated Climate Change Strategy (CCS) which set out the Fund's approach to managing the risks and opportunities presented by climate change, with the aim of achieving a net-zero carbon investment portfolio by 2050.

It was noted that there would be several agenda items at the Pensions Committee meeting being held on the 28 June 2024, which would focus entirely on climate change and the Fund's Climate Risk report, in

particular the Fund's decarbonisation roadmap, and the specific set of 2030 targets that had been included in the CCS. It was noted that the Fund was likely to have achieved some of its targets earlier than anticipated, so next steps would need to be considered, but these would form a part of the Actuarial Valuation and Strategic Asset Allocation review that would be taking place later in 2024 and 2025.

Climate Stewardship Plan and Engagement

No additional engagements were presented as part of the Climate Stewardship Plan (CSP) this quarter. Whilst the CSP was a good addition to the Fund's climate reporting it had not been as useful as first anticipated. As a result, it had been agreed that there would not be a CSP for 2024/25, but instead Officers would work with LGPS Central on a new sustainability monitoring service. This would have a wider scope than just Climate Change and this would be reported to Members at a future meeting. There would also be an opportunity to discuss this product further at the Pensions Training Day taking place on the 5 July 2024, where LGPS Central are presenting on Stewardship and Engagement.

Other areas of engagement undertaken by the external investment managers related to Modern Slavery, Climate Change and Plastic Reduction.

The LAPFF Quarterly Engagement Report was presented to the Panel. Key areas highlighted included LAPFF's engagement with UK banks, HSBC and Barclays, over climate change and lending to fossil fuel companies, LAPFFs meeting with the Chief Financial Officer at United Utilities to discuss the company's plans for reducing overflows, and LAPFFs engagement with luxury goods companies in relation to Human Rights.

LGPS Central Quarterly Stewardship Report Q1 2024

The Panel was reminded that LGPS Central had introduced four engagement priority themes which had been developed in conjunction with Partner Funds, these are 'Climate Change', 'Natural Capital', 'Human Rights' and 'Sensitive/Topical Activities'. The four themes were now reflected in their Quarterly Stewardship Report. It was noted that there was still some work to be done to refine the report, and the Fund would feed back to LGPS Central to help to develop it.

The Panel received the usual quarterly updates from its investment managers on details of votes cast on corporate resolutions. Carolan Dobson highlighted the 4,248 resolutions that had been voted against, or abstained from, by Legal and General and insisted that it would be impossible for Legal and General to know what each of these resolutions relate to. Whilst it was acknowledged that, in global markets, this wouldn't

have a major impact, it would have significant impact in the UK market. It was agreed that Fund Officers would contact Legal and General and ask them to provide information and context on the level of management resolutions either voted against or abstained on.

Councillor Colin Greatorex highlighted the four priority themes that had been implemented by LGPS Central and suggested that the topic of "Sensitive/Topical Activities", was too general, and hoped that it would become more focussed on specific topics as it became more developed.

Resolved: That the content of the Responsible Investment and Engagement report, including the Climate Stewardship Plan (Appendix 1), the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2), and the LGPS Central Annual Stewardship Report 2023 and Quarterly Stewardship Update (Appendix 3), be noted.

7. Competition and Markets Authority - Investment Consultant Objectives

Panel members were reminded that, at its meeting on 3 December 2019, they received a briefing paper from Hymans Robertson LLP (Hymans) advising of the findings of the December 2018 report of the Competition and Markets Authority (CMA), and their subsequent Order, in respect of the need for Pension Scheme Trustees to set annual objectives for their investment consultants. In response to the Order, the Pensions Panel continued to agree a high-level set of objectives with Hymans for each financial year, which incorporated more focussed objectives and detail on how the objectives were to be measured. The 2023/24 objectives were signed off by the Panel at the meeting in June 2023, where it was agreed that the Panel would assess, measure and report on the performance of the Investment Consultant against the objectives set, by way of a collective annual review.

Appendix 1 to the report had been annotated with comments, which reflected the Director of Finance's view as to whether the desired outcome of the 2023/24 objectives had been achieved in the short term. In the opinion of the Director of Finance, the objectives and outcomes had been considered to have been met in all cases. The Panel were asked to consider and concur with this view.

The Panel was also requested to confirm its assessment of the outstanding objective, 'Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested' at the meeting. The Panel were in agreement that the level of service and training provided was of a satisfactory level.

It was explained to the Panel that, to reflect the long-term nature of the

Fund's Investment Strategy, most of the objectives for 2024/25 continued to be set at a high level. Whilst the focus of the objectives would be linked to the workplan for the year ahead, it would be the outcomes and the examples provided to demonstrate how the objectives had been achieved, which would be considered most important. The focussed objectives for the 2024/25 Financial Year were detailed in Appendix 2 to the report.

Very minor changes were proposed to the objectives for 2024/25, which reflected the fact that the workplan for 2024/25 would begin to focus on a review of the Fund's Strategic Asset Allocation, as part of the planning for the 2025 Actuarial Valuation and, in conjunction with this, a review of the Fund's Climate Change Strategy and target metrics, which were last approved in 2021/22.

It was highlighted that, as more of the Fund's assets were being invested with LGPS Central Limited there was a need to consider the effectiveness of the oversight and monitoring arrangements in place to ensure that operational and performance standards were being met and a range of suitable and investable products continued to be offered.

It was also noted that the October 2023 response to DLUHC's Local Government Pension Scheme consultation on investment pooling also mentioned CMA Objective Setting for Independent Advisers. It stated that 'LGPS regulations will be amended to require objective setting for all advisers including consultants, pools and independent advisers when providing advice on investments, investment strategy statements, strategic asset allocation and manager selection'. It was explained that Officers will work with both Independent Advisers to agree a set of objectives relevant to their role, for approval by the Pensions Panel in due course.

Resolved: a. That the Pensions Panel's concurrence with the view of the Director of Finance; that the desired outcomes from the Investment Consultant Objectives for 2023/24 have been met, where these can be considered in the short term, be noted.

b. That the Pensions Panel's assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*', be confirmed.

c. That the Investment Consultant Objectives, provided in Appendix 2 to the report, be approved, and the specific focus for the 2024/25 financial year, be noted.

d. That the intention to agree appropriate objectives with the two Independent Investment Advisers in due course, be noted.

8. Exclusion of the Public

Resolved: That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

- 9. Exempt Minutes of the Meeting held on 5 March 2024 (exemption paragraph 3)**
- 10. Pension Fund Performance and Manager Monitoring for the quarter ended 31 March 2024 (Exemption Paragraph 3)**
- 11. Economic and Market update (Exemption paragraph 3)**
- 12. Strategic Asset Allocation - Quarterly update (Exemption paragraph 3)**
- 13. Equity Allocation (Exemption Paragraph 3)**
- 14. Property - Confirmation of the action of the Director of Finance in relation to Property (Exemption Paragraph 3)**
- 15. Private Debt (Exemption paragraph 3)**

Chair