

Minutes of the Pensions Panel Meeting held on 8 June 2022

Present: Mike Sutherland (Chairman)

Attendance	
Mike Davies	Stephen Sweeney
Colin Greatorex	

Apologies: Philip Atkins, OBE

Also in attendance: Carolan Dobson (Independent Advisor) and Philip Pearson (Hymans Robertson)

PART ONE

49. Declarations of Interest

There were no declarations of interest on this occasion.

50. Minutes of meeting held on 1 March 22

The Director for Corporate Services referred to **Minute 41** and confirmed that, following a concern raised on the Annual Investment Strategy relating to the Section 151 Officer making decisions to change counterparty limits and to add new counterparties, this had been discussed and clarified with both the Section 151 Officer and the Director for Corporate Services. Both agreed that, as the decisions affected operational arrangements, they had sufficient statutory authority to approve the limits and make the changes to counterparties.

The Director for Corporate Services also referred to **Minute 43** and confirmed that, following the Pensions Panel agreement that a letter should be sent to the Fund's investment managers discouraging any further investments in Russia and Belarus, a letter had been sent out in the name of the Chair to all Fund Managers regarding this request. An announcement was also placed on the Pension Fund website and Employers were informed via the Employer Focus newsletter.

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 1 March 2022 be confirmed and signed by the Chairman.

51. Dates of Future Meetings

RESOLVED – That the dates of Future meetings of the Panel, as set out below, be noted:

- Tuesday 6 September 2022
- Tuesday 6 December 2022
- Tuesday 7 March 2023

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

52. Staffordshire Pension Fund Performance and Portfolio of Investments as at 31 March 2022

The Director for Corporate Services submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments, as at 31 March 2022.

The Panel were informed that the Fund had a market value of £6.8 billion at 31 March 2022, down slightly on the previous quarter.

Over the quarter the Fund returned -1.6%, which underperformed Fund's Strategic Asset Allocation benchmark return (-1.3%) by 0.3%.

The best performing asset class relative to its benchmark was Private Debt, returning 3.4% versus a 3.1% benchmark return over the quarter. Property, Global Sustainable Equities, Private Equity, and Infrastructure were detractors from performance during the quarter.

Despite the underperformance in the quarter, the Fund had outperformed its Strategic Asset Allocation benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years were 9.9% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

RESOLVED – That the Pension Fund investment performance and the portfolio of investments for the quarter ended 31 March 2022 be noted.

53. Responsible Investment & Engagement Report Quarter 1 2022

The Director for Corporate Services submitted a summary of activity during the quarter by the Fund's investment managers, in fulfilment of their corporate governance and socially responsible investment obligations, including details of their voting activity on corporate resolutions for companies held in their portfolios.

The Director explained that following the production of the Climate Risk report by LGPS Central Ltd, which was presented to the Pensions Committee in March 2021, Fund Officers had produced a 2021/22 Climate Stewardship Plan. The Plan had been a working document, and the final version detailing

the engagement carried out in 2021/22 (attached at Appendix 1 to the report) was presented to the Panel.

The Panel received the new Climate Stewardship Plan for 2022/23 which had been approved by the Pensions Committee, alongside the Fund's Climate Change Strategy, in February 2022 (Appendix 2 to the report). Engagement activity for 2022/23 would be reported against the 2022/23 Climate Stewardship Plan as part of future RI&E reports to the Panel.

The Director explained that, as the Fund appointed external investment managers, engagement with individual companies was delegated to these managers and the investment managers of pooled funds, in which the Fund also invested (e.g. LGPS Central Funds) and jointly as part of LAPFF. Information on manager engagement and voting was requested routinely, as part of the quarterly reporting the Fund received from each of the managers. In Q1 2022 engagement topics included:

- Meeting with a Pharmaceutical company to discuss board diversity and inclusivity in the workplace.
- Meeting with a Telecommunications company to discuss carbon neutrality and targets for reducing Scope 1 and 2 emissions.
- Writing to Oil companies on emissions reporting and emissions reduction plans.
- Engaging with policy makers worldwide on Sustainable Green Finance and ESG policies.
- Engagement with Banks on decarbonisation targets for financing of high emission-sectors.

The Director also submitted the quarterly report of the Local Authority Pension Fund Forum (LAPFF) (Appendix 3 to the report). The Director highlighted an article that focused on investment in Russia from an Environmental (the World's reliance in fossil fuels), Social (Sanctions and Human Rights aspect of the invasion) and Governance (Russian Government unable to operate within the framework of the law) point of view.

The Panel received the LGPS Central Ltd Annual Stewardship Report for 2021 (Appendix 4 to the report). This report had been produced instead of the usual Quarterly Stewardship Report in Quarter 4 2021 and was a wider document which would also be used as evidence to support the Company's Statement of Compliance with the UK Stewardship Code.

The Panel also received the LGPS Central Ltd Quarterly Stewardship Report Q1 2022 (Appendix 5 to the report). This report highlighted the work LGPS Central and its appointed voting and engagement partners did in engaging with organisations on behalf of the eight Partner Funds.

In response to a question from Cllr Greatorex relating to a reference to the 30% Club, it was confirmed that it referred to the aim of achieving a

minimum of 30% female representation on the Boards of FTSE100 companies and was established in 2010 to promote diversity within Boards.

RESOLVED - That the content of the Responsible Investment (RI) report, including the final 2021/22 Climate Stewardship Plan (Appendix 1), the 2022/23 Climate Stewardship Plan (Appendix 2), the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 3) and the LGPS Central Annual Stewardship Report 2021 and Quarterly Stewardship Update (Appendix 4 and 5), be noted.

54. Competition and Markets Authority - Investment Consultant Objectives

The Panel 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 CMA Order, the Panel agreed a high-level set of objectives with Hymans for 2020/21 which were developed further to incorporate more focussed objectives and detail about how the objectives were to be measured. These objectives were signed off by the Panel at the meeting in July 2021.

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.

All objectives, bar one, were fully achieved. The partially achieved objective referred to the "*enhancement of arrangements for monitoring implementation of its investment strategy*". It was explained that whilst the Pensions Panel received a quarterly Strategic Asset Allocation update with any potential market impact on the Fund's strategy highlighted, the intention was to develop an investment dashboard to help focus the Panel on key issues and potential remedies.

One assessment remained outstanding, and the Panel was requested to confirm its assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*'. 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, with regard to the setting of objectives for 2022/23 (included at Appendix 2 of the report), many of the objectives set would remain high level, reflecting the long-term nature of the Fund's Investment Strategy and they would not change year on year. Following their re-appointment to the role of Investment Consultant, Hymans

suggested it would be appropriate to be more specific with the focus of the objectives, and where possible to link them to the workplan for the year ahead.

Two minor proposed changes to the objectives were highlighted but given the workplan for 2022/23 was concerned with the implementation of the recommendations from the Strategic Asset Allocation Review and the Funds' Climate Change Strategy, these were the only changes to the previous years' focussed objectives.

RESOLVED – a) That the Panel's concurrence with the view of the Director for Corporate Services; that the desired outcomes from the Investment Consultant Objectives for 2021/22 have been met, where these can be considered in the short term, be noted;

b) That the Pensions Panel agreed that the level of service and training provided was of a satisfactory level in their assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*'; and

c) That the Investment Consultant Objectives provided in Appendix 2 to the report be approved, and the specific focus for the 2022/23 financial year be noted.

55. 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.

The Panel then proceeded to consider reports on the following issues:

56. Exempt Minutes of the Meeting held on 1 March 2022

Exemption Paragraph 3

57. Staffordshire Pension Fund Performance and Manager Monitoring for the quarter ended 31 March 2022

Exemption Paragraph 3

58. Property Approvals

Exemption Paragraph 3

59. Strategic Asset Allocation review and monitoring

Exemption Paragraph 3

60. Environmental, Social and Governance tilted Indices

Exemption Paragraph 3

61. Currency Hedging Policy

Exemption Paragraph 3

Chairman