

Minutes of the Pensions Panel Meeting held on 6 September 2022

Present: Mike Sutherland (Chair)

Attendance

Philip Atkins, OBE
Mike Davies

Colin Greatorex

Also in attendance: Rob Birch, Corrina Bradley (Employer Representative), Campbell, Carolan Dobson and John Mayhew

Apologies: Stephen Sweeney

Derek Davies

The Chairman referred to the sad passing of Derek Davis, a past County Councillor of 35 years and long-standing member of the Pensions Panel. Panel members were asked to pay their respects by observing a minute silence.

PART ONE

62. Declarations of Interest

There were no declarations of interest made on this occasion.

63. Minutes of meeting held on 8 June 2022

Resolved – That the minutes of the Meeting of the Pensions Panel held on 8 June 2022 be confirmed and signed by the Chairman.

64. Dates of Future Meetings

- Tuesday 6 December 2022
- Tuesday 7 March 2023

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

65. Pension Fund Performance and Portfolio of Investments as at 30 June 2022

The Deputy Chief Executive & 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 30 June 2022.

The Panel was informed that the Fund had a market value of £6.3 billion at 30 June 2022, down slightly on the previous quarterly valuation. Over the quarter the Fund had returned -6.1%, which was an outperformance of 0.3% versus the Fund's Strategic Asset Allocation (SAA) benchmark return of -6.4%. The best performing asset class

relative to its benchmark was Private Equity. Property and Corporate Bonds were the main detractors from performance during the quarter.

The Panel were informed that, longer term, the Fund had outperformed its SAA benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years were 9.5% 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 30 June 2022 be noted.

66. Responsible Investment and Engagement (RI&E) Report Quarter 1 2022/23

The Deputy Chief Executive & 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. This includes the Responsible Investment (RI) report, including the Climate Stewardship Plan for 2022/23, the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report and the LGPSC Quarterly Stewardship Update.

Panel members were informed that the Stewardship report to comply with the UK Stewardship Code of 2020 was currently being developed. The aim was to have this developed ready for approval at the Pensions Committee meeting in March 2023, so it could be formally submitted to the UK Stewardship Code for sign-off and approval.

The Director highlighted the Climate Change Roadmap as part of the Climate Change Strategy for which the Fund's carbon metrics would be remeasured at the end of September. It was anticipated that the decision to invest 10% of the Fund into the Legal and General Low Carbon Transition Fund (LCTF) would have a positive impact on the Fund's requirement to reduce its carbon footprint.

Panel members were presented with the updated Climate Stewardship Plan (CSP) attached to the report at Appendix 1. The CSP working document would be updated for engagement activity carried out throughout 2022/23 with progress reported quarterly. The Director informed the Panel that Officers were engaging with the Fund's Investment Managers independently to facilitate engagement that needed to be undertaken, not only on climate stewardship but also to understand more about other engagement themes that the managers might be looking at.

The Director highlighted some key engagement activities that had taken place in Q2. These included:

- Engagement with Shell by JPMorgan and LGPS Central as part of the Climate Action 100+ Group.
- Discussing working conditions of employees in Mexico and Co2 emissions with a technology company.
- An escalated engagement with cruise operator Carnival PLC, who pay many employees less than a living wage.

The Director also submitted the quarterly report of the Local Authority Pension Fund Forum (LAPFF) attached at Appendix 2 to the report. This report highlighted the work LAPFF does in engaging with organisations on behalf of its members. Examples of engagement from the last quarter included:

- The Human Rights initiative which involved a visit from the Chair of the LAPFF to communities affected by the Mariana and Brumadinho tailings dam collapses in Brazil.
- Meeting with BMW and Mercedes over their approach to decarbonising their vehicles.
- Joining a collaborative call with Nestle around plastic packaging.
- Meeting with the Chair of Severn Trent Water, who outlined their commitment to reducing pollution and the release of sewage into waterways.

Finally, the Panel received the LGPS Central Ltd Quarterly Stewardship Report Q1 2022 at Appendix 3 to the report. This report highlighted the work LGPS Central and its appointed voting and engagement partners do in engaging with organisations on behalf of the eight Partner Funds. The Director highlighted that LGPSC had recently developed a Modern Slavery Policy. As a result LGPSC had been directed to the SCC Modern Slavery Policy and had been asked to amend their policy slightly so that it included reference to the policies of the Partner Funds.

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

67. 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 paragraphs 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:

68. Exempt Minutes of the Meeting held on 8 June 2022 (exemption paragraph 3)

69. Pension Fund Performance and Manager Monitoring for the quarter ended 30 June 2022 (exemption paragraph 3)

70. Strategic Asset Allocation Review and Monitoring (exemption paragraph 3)

a) Economic and Market Value (exemption paragraph 3)

b) Review of Position as at 31 July 2022 (exemption paragraph 3)

71. Pooled Investments (exemption paragraph 3)

Chairman