

# Minutes of the Pensions Panel Meeting held on 5 March 2024

Present: Mike Sutherland (Chair)

Attendance	
Philip Atkins, OBE Mike Davies	Colin Greatorex

**Also in attendance:** Simon Humble

**Apologies:** Stephen Sweeney

## Part One

### 136. Declarations of Interest

There were no declarations of interest made on this occasion.

### 137. Minutes of meeting held on 05 December 2023

**In reference to Minute 127 (5 December 2023)** – in relation to the four stewardship themes proposed by LGPS Central, particularly the title of the “Controversial Activities” theme, the Panel were informed that, following comments made by Councillor Greatorex regarding this title, a conversation had taken place with LGPS Central, and it had been agreed that the title of this theme would be amended to “Topical and Sensitive”.

**Resolved:** That the minutes of the Meeting of the Pensions Panel held on 5 December 2023 be confirmed and signed by the Chairman.

### 138. Dates of Future Meetings

- Tuesday 4 June 2024
- Tuesday 3 September 2024
- Tuesday 3 December 2024

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

### 139. Annual Investment Strategy for Pension Fund Cash 2024/25

The Panel received a report from the Director of Finance seeking approval to the Staffordshire Pension Fund’s (‘the Fund’), Annual Investment Strategy (AIS) for the investment of internally managed cash.

Panel members were reminded that the Fund held a small strategic asset

allocation to cash of 1.0%. This recognised that cash balances were needed for the day-to-day management of the Fund. The cash was managed by Officers in the County Council's Treasury and Pension Fund Team, to provide liquidity and meet the Fund's cash needs as they occurred. To allow for the practical management of operational treasury transactions each day, the choice over investments made was delegated to the Director of Finance. It was noted that most of the cash was invested in Money Market Funds (MMF), which were classed as standard investments in line with guidance issued by government.

In response to a query relating to the management of the cash allocation, and whether this could be transferred to LGPS Central Limited under the LGPS pooling agenda, it was explained that access to cash could be required at very short notice, and allowing LGPS Central to manage this would delay the time in being able to control and access the cash quickly. It was also highlighted that LGPS Central were not currently regulated to manage client cash.

**Resolved:** That the Staffordshire Pension Fund's Annual Investment Strategy for the investment of internally managed cash in 2024/25, be approved.

#### **140. Pension Fund Performance and Portfolio of Investments as at 31 December 2023**

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 December 2023.

Performance of the Fund for the quarter was at 5.63%, outperforming the benchmark by 0.35%. Year to date the performance of the Fund was at 6.78%, underperforming the benchmark by -1.03%. The Fund had a market value of £7.169 billion, an increase of £0.425 billion since 30 September 2023.

It was noted that UK equities rose over the quarter as they rebounded from weakness in the previous three-month period, although the strength of the pound and high exposure to energy stocks led to the UK equity market underperforming global markets.

It was highlighted that in a recent LAPF Investment publication, the growth of the Staffordshire Pension Fund had been ranked as the 6<sup>th</sup> highest across the Local Government Pension Scheme (LGPS) over the previous 3 years; the highest in the LGPS Central pool.

**Resolved:** That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 December 2023 be noted.

## **141. Responsible Investment & Engagement (RI&E) Report Quarter 3 2023/24**

The Director of Finance submitted the Responsible Investment and Engagement Report to the Panel, which included the Climate Stewardship Plan for 2022/23 and the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report.

The Panel was informed that the quarterly stewardship report normally received from LGPS Central, was to be included as part of its submission of the UK Stewardship Code Compliance Statement to the Financial Reporting Council (FRC). This report would be brought to the Pensions Panel meeting due to take place in June 2024.

The Panel was reminded that the Fund's 2022 Stewardship Report had been approved by the FRC in August 2023, and the Fund had been officially accepted as a signatory of the UK Stewardship Code. The significant amount of work undertaken to achieve this had been highlighted to the FRC, and a consultation was now being carried out by them to consider options to streamline the process, thus allowing more funds to take the opportunity to sign up to the code.

LGPS Central had set up a working group to focus on responding to the FRC UK Stewardship Consultation, and Staffordshire was represented. Updates would be provided to the Panel as necessary.

It was noted that the March 2024 Pensions Committee meeting would usually focus on the Climate Change Strategy and related Agenda items, but the full suite of information provided by LGPS Central had yet to be received. It was confirmed that this information would be brought to the June 2024 Pensions Committee. Early indications received from LGPS Central, who provide the Fund's data metrics, were that the Fund had made further good progress in reducing the carbon footprint of its portfolio in the last year.

There was limited new information to be shared with the Panel regarding the Climate Stewardship Plan and examples of positive outcomes from engagement. The Fund had fed its dissatisfaction about this situation back to LGPS Central.

The LAPFF Quarterly Engagement Report was presented to the Panel. Key areas highlighted included LAPFF's meeting with Nestlé where the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture, LAPFFs meeting with representatives from Persimmon about target setting which covered issues around embodied carbon. A notable article in the LAPFF report relating to the implementation of Artificial Intelligence technologies and the impact on

Human Rights was also highlighted.

In response to a question from Councillor Sutherland asking if it was possible to provide a breakdown of Legal & General's (LGIM) voting statistics, particularly in relation to the 3,532 votes against management or abstain figure, it was confirmed that 26% of the votes were against management and 2% of the votes were in abstention.

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

## **142. Investment Strategy Statement**

The Director of Finance provided the draft Investment Strategy Statement (ISS) to the Pensions Panel.

The Panel heard that the ISS had been reviewed and updated under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which required the ISS to be reviewed and updated at least every three years.

The April 2024 version of the ISS, attached at Appendix 1 to the report, contained some minor revisions. Principally these amendments reflected the progress made in the implementation of the Fund's 2022 Strategic Asset Allocation recommendations over the past 12 months (e.g., where benchmarks had changed in Appendix A and Appendix B of the ISS).

**Resolved:** a. That the minor updates to the Staffordshire Pension Fund's Investment Strategy Statement be approved, and that further approval of such be sought from the Pensions Committee.

b. That the possible requirement for changes to the structure of the Investment Strategy Statement in the future, as a result of the outcome of the Department for Levelling Up, Housing and Communities formal consultation - Local Government Pension Scheme (England and Wales): Next steps on investments, published in November 2023, be noted.

## **143. 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:

**144. Exempt Minutes of the Meeting held on 05 December 2023 (Exemption paragraph 3)**

**145. Economic and Market update (Exemption paragraph 3)**

**146. Pension Fund Performance and Manager Monitoring for the quarter ended 31 December 2023 (Exemption paragraph 3)**

**147. Strategic Asset Allocation - Quarterly update (Exemption paragraph 3)**

**148. Property (Exemption paragraph 3)**

**149. Property update (Exemption paragraph 3)**

- a. Property update
- b. Confirmation of action taken by the Director of Finance

**Chair**

