

Minutes of the Pensions Panel Meeting held on 5 December 2023

Present: Mike Sutherland (Chair)

Attendance	
Philip Atkins, OBE Mike Davies	Colin Greatorex

Also in attendance: Carolan Dobson, Simon Humble and Iain Campbell (Hymans Robertson)

Apologies: Stephen Sweeney

Part One

123. Declarations of Interest

There were no declarations of interest on this occasion.

124. Minutes of meeting held on 5 September 2023

Resolved: that the minutes of the meeting of the Pensions Panel held on 5 September 2023 be confirmed and signed by the Chairman.

125. Dates of Future Meetings

- Tuesday 5 March 2024, 9:30am – Oak Room, County Buildings
- Tuesday 4 June 2024, 9:30am – Oak Room, County Buildings
- Tuesday 3 September 2024, 9:30am – Oak Room, County Buildings
- Tuesday 3 December 2024, 9:30am – Oak Room, County Buildings

Members were also reminded of the requirement to complete Hymans online LGPS Knowledge Progress Assessment 2023 by the 18 December 2023.

Resolved: That the dates of the future Pensions Panel meetings be noted.

126. Pension Fund Performance and Portfolio of Investments as at 30 September 2023

The Director of Finance submitted a summary of the performance of the Staffordshire Pension Fund (the Fund), together with a portfolio of the Fund's investments as at 30 September 2023.

The Panel heard that over the quarter the Fund had generated a return of -0.46%, underperforming the strategic benchmark return of 0.42% by -0.88%.

Infrastructure was the highest performing asset class over the quarter, whilst Index Linked Gilts generated the largest negative return due to continuing high inflation and increasing interest rates.

The Fund had a market value of £6.744 billion as of 30 September 2023, a decrease of £0.002 billion since 30 June 2023.

A copy of the Staffordshire Pension Fund's portfolio of investments at 30 September 2023 was attached at Appendix 1 to the report.

Resolved: That the Pension Fund investment performance and the portfolio of investments for the quarter ended 30 September 2023 be noted.

127. Responsible Investment & Engagement (RI&E) Report Quarter 2 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 Local Government Pension Scheme Central (LGPS Central) Quarterly Stewardship update.

The Panel were informed that the Fund's Climate Change Strategy would be updated and presented at the Pensions Committee meeting taking place in March 2024. There had been some rebasing of data in the portfolio and additional work would be undertaken with LGPS Central to determine latest progress against the targets that had been set.

The Panel heard that, with regards the Climate Stewardship Plan, there had been very little engagement over the quarter which was highlighted as a source of disappointment - this had also been raised with LGPS Central directly. The Panel were told that LGPS Central had appointed a new Stewardship Manager, and, whilst it was acknowledged that engagement would always take time to generate positive results, the importance of having examples of the difference engagement had made had been highlighted, and it was hoped that improvements would be seen in the future.

Following a request from Councillor Greatorex at the September Pensions Panel meeting for more information relating to the application of the Transition Pathway Initiative (TPI) framework, it was explained that it was difficult to provide a succinct response due to the size and complexity of the TPI database. Following some research carried out by Fund Officers it had been determined that there were two elements: Management Quality,

where the score assigned to an organisation was derived following the completion of a number of questions and Carbon Performance which referenced public data around the organisation's alignment with the Paris alignment. Fund Officers were still trying to establish how LGPS Central used the information, and it was suggested that a training session be delivered in 2024 that focussed on stewardship and engagement and covered this subject.

LAPFF had continued to engage with several organisations regarding their human rights practices and had also established a new mining company engagement with Grupo Mexico. LAPFF had also met with the Chair of Severn Trent on the reputational risks from the use of storm overflow drains which were discharging sewage into waterways, and discussions had taken place with the Chair of house builder Taylor Wimpey to consider the company's approach to climate change.

During the last quarter LGPS Central had launched a proprietary tool for tracking engagement activities, including advocacy type engagements. The tool would track progress against engagement Key Performance Indicators. Examples of engagement from the last quarter included meetings with Société Générale and Ansell Ltd.

The Panel was informed that, at the request of Partner Funds, LGPS Central had undertaken a review of its Stewardship Themes, as the current Themes had been in place for several years. LGPS Central had proposed four 'macro' Stewardship Themes that incorporated several more detailed areas within them. It was explained that the four Themes were more aligned to those of wider industry engagement and would allow LGPS Central to work more collaboratively with other groups of investors. The four Stewardship Themes proposed by LGPS Central for 2024- 2027 were Climate, Natural Capital, Human Rights, and Controversial Activities, although it was noted that the title of the final theme was not considered appropriate and an amendment to 'contentious activities' had been suggested by Fund Officers.

Councillor Greatorex stated that he was supportive of the four Themes but felt it necessary that the "sub-themes" were considered thoroughly before being finalised to ensure they aligned with the targets the Fund (and other Partner Funds) was trying to achieve. He also stated that he did not like the title "Controversial Activities" and suggested "Current Hot Topics" as a more appropriate title.

In response to a query from Councillor Greatorex relating to the voting decisions highlighted in the LGPS Central report, specifically in relation to the c30% support of the proposals put to Nike and FedEx, and whether this meant that c70% were against the proposals, it was explained that 30% support for a proposal was very high and sent a clear message to the

organisations of the investors' concerns regarding the approaches they were currently adopting.

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

b. That the Stewardship Themes for 2024-2027, proposed by LGPS Central Limited for the LGPS Central asset pool be approved.

128. 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:

129. Exempt Minutes of the Meeting held on 5 September 2023 (exemption paragraph 3)

130. Economic and Market update (Exemption paragraph 3)

131. Pension Fund Performance and Manager Monitoring for the quarter ended 30 September 2023 (Exemption Paragraph 3)

132. Multi Asset Credit (Exemption paragraph 3)

133. Strategic Asset Allocation - Quarterly Update (Exemption paragraph 3)

134. Property Approvals (Exemption paragraph 3)

135. Multi Asset Credit (Exemption paragraph 3)

Chair