

Minutes of the Pensions Panel Meeting held on 3 December 2019

Attendance

Philip Atkins, OBE (Chairman)	Colin Greatorex
Derek Davis, OBE	Mike Sutherland

Also in attendance: Gordon Alcott (Observer), Paul Potter (Hymans Robertson) and David Thomas (Independent Adviser).

Apologies: Stephen Sweeney and Carolan Dobson (Independent Adviser).

PART ONE

24. Minutes of meeting held on 20 September 2019

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 20 September 2019 be confirmed and signed by the Chairman.

25. Pension Fund Performance and Portfolio of Investments as at 30 September 2019

The Director of 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 September 2019.

The Panel were informed that the Fund had a market value of over £5.3 billion as at 30 September 2019. Over the quarter the Fund returned 3.2%, which was higher than the Fund's Strategic Asset Allocation benchmark return of 2.7%. The best performing asset classes relative to their benchmark were Private Debt and Private Equity, whilst Hedge Funds were the main detractors from performance, underperforming their benchmark by 1.4%.

The Fund had outperformed its strategic benchmark over the 1, 3, 5 and 10- year periods. Annualised returns over all these periods were more than 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 30 September 2019 be noted.

26. Responsible Investment (RI) Report Quarter 3 2019

The Director of Corporate Services submitted a summary of activity during the quarter ended 30 September 2019 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 also submitted the quarterly report of the Local Authority Pension Fund Forum (LAPFF) and the Quarterly Stewardship Report issued by LGPS Central Limited.

The Panel were informed that the Financial Reporting Council recently launched its updated UK Stewardship Code. The Code, which was to take effect from 1 January 2020, aimed to improve stewardship practices and sets a substantially higher standard than before. Existing signatories to the Code would be required to submit a Stewardship Report that met the FRC's new reporting expectations by 31 March 2021, to continue to be listed as signatories to the UK Stewardship Code. Further information would be brought to the Panel next year on the work the Fund does to meet the criteria of the enhanced UK Stewardship Code.

The Panel noted that Fund's current Investment Beliefs make limited reference to RI, however, after a focussed workshop and training event for Pensions Committee and Pensions Board Members, which also involved representatives from LGPS Central Ltd and an external investment manager; Members had agreed to update the Fund's Investment Beliefs to include the following RI Beliefs. These new RI Beliefs would be included alongside the Fund's wider Investment Beliefs, in an updated ISS which would be presented to Members for approval at the March 2020 Pensions Committee.

- *Responsible investment can enhance long-term investment performance across all asset classes and should be integrated into all investment processes.*
- *A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment. The opportunity to influence through stewardship is waived with a divestment approach.*
- *Financial markets could be materially affected by climate change. Responsible investors should proactively manage this risk through stewardship activities in partnership with like-minded investors where feasible.*
- *Asset managers and investee companies with robust governance structures will be better positioned to handle future events. Decision making and performance are improved when there are diverse individuals involved.*

RESOLVED – That the content of the Responsible Investment (RI) report, including the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2 to the report) and LGPS Central Limited (LGPSC) Quarterly Stewardship Report (Appendix 3 to the report), be noted.

Setting Objectives for Best Practice Investment Governance

Note by Clerk: With the agreement of the Chairman of the Panel, this item was added to the agenda as an urgent item of business owing to the Competition and Market Authority's (CMA's) requirement for pension scheme trustees to meet the requirement to set objectives for their investment consultants by 10 December 2019.

The Panel received a briefing paper, which had been prepared by Hymans Robertson, setting out the CMA's requirements and proposing potential objectives for the Panel to consider setting Hyman's in their capacity as investment consultants to the Fund.

RESOLVED – (a) That the briefing paper from Hymans Robertson be agreed.

(b) That the potential objectives set out in the briefing paper be supported.

(c) That delegated authority be given to the Director of Corporate Services to finalise the objectives to be set for Hymans Robertson, the Fund’s investment consultants, by 10 December 2019 in accordance with the Competition and Market Authority’s requirements.

(d) That the finalised objectives set for Hymans Robertson, as the Fund’s investment consultants, together with the detail of how those objectives will be measured be reported to the Panel at their next meeting.

27. Dates of Future Meetings

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

- 3 March 2020
- 12 June 2020
- 14 September 2020

(Note: All meetings are scheduled to start at 9.30am at County Buildings, Stafford.)

28. 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.

PART TWO

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

29. Exempt Minutes of the Meeting held on 20 September 2019
(Exemption paragraph 3)

30. Pension Fund performance and manager monitoring for the quarter ended 30 September 2019
(Exemption paragraph 3)

- a) Portfolio Evaluation report for the quarter ended 30 September 2019
- b) LGPS Central Global Equity Active Multi Manager Fund report 30 September 2019

31. Strategic Benchmark Review and Monitoring
(Exemption paragraph 3)

- a) Economic and Market Update

- b) Strategic Asset Allocation Review
- c) Private Equity Review – Proposal for Phase V (2020 – 2023)
- d) Review of Position as at 31 October 2019

32. Property - Confirmation of the action of the Director of Corporate Services
(Exemption paragraph 3)

33. Manager presentation - LGPS Central (Global Equities)
(Exemption paragraph 3)

Chairman