

Minutes of the Pensions Committee Meeting held on 23 October 2020

Attendance

Philip Atkins, OBE	Bob Spencer
Mike Davies	Mike Sutherland
Derek Davis, OBE	Stephen Sweeney
Colin Greatorex	Martyn Tittley
Phil Jones (Co-Optee)	Michael Vaughan (Co-Optee)
Alastair Little (Chair)	

Also in attendance: Ian Jenkinson (Pensions Board Member)

PART ONE

16. Declarations of Interest

There were no declarations of interest on this occasion.

17. Minutes of the meeting held on 25 September 2020

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 25 September 2020 be confirmed and signed by the Chairman.

18. Minutes of the Pensions Panel held on 14 September 2020

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 14 September 2020 be noted.

19. Staffordshire Pension Fund 2019/20 Investment Performance

The Committee received a presentation from Nick Kent of Portfolio Evaluation Limited (PEL) giving an overview of the performance of the Staffordshire Pension Fund for the period ending 31 March 2020. The key points arising from the presentation were as follows:

- The Fund, for periods ended March 2020, underperformed its benchmark over most time periods. However, this position was significantly reversed for periods ended June 2020. The negatives impacting the Fund were primarily the active global equity mandates of JPM, Longview and LGPS Central and the transition of the Corporate Bond portfolio, previously managed by Insight Investments, to the Global Corporate Bond multi-manager sub-fund, managed by LGPS Central Ltd. The positive contributors were Private Equity, Private Debt and Bonds (excluding the transition)
- The Fund had outperformed the PEL LGPS Information Service average return over the one, three, five year and ten-year periods.

- COVID-19 had dramatically impacted market and Fund returns and risk levels. Despite significant fiscal and monetary support, the outlook still remains uncertain.
- Total risk remained low and active risk was at a level that was consistent with the structure of the Fund. Risk had increased over the year due to the impact of the pandemic.

In response to a question from Cllr Greateorex about the effect of the Covid-19 pandemic on the structure of the market and on portfolios, Mr Kent indicated that many investors were reacting to the anticipated long-term effects of the pandemic by restructuring their portfolios. For example, there was a general move away from allocations to the UK in favour of a more Global approach. The Director of Corporate Services added that officers were currently having conversations with the Fund's Advisors on this issue but that it would take a while to make any proposed changes to asset allocations.

In response to a question from Cllr Sutherland in relation to the performance of US equities, Mr Kent indicated that for a UK Investor, then their good performance was, in part, due to the impact of Sterling depreciation.

The Director of Corporate Services enquired whether Mr Kent thought that there was anything missing from the Fund's portfolio. In response, Mr Kent indicated that, in his opinion and looking backwards, he did not feel that there was. But going forwards, due consideration should be given to the Fund's pace of investing in Infrastructure and the move from the UK to Global allocations, as he had mentioned previously.

In response to a question from Mr Jenkinson concerning the benchmarking of environmental, social and governance (ESG) investments, Mr Kent indicated that most ESG investments were to be found in equity and bond portfolios across public markets but that there were currently no specific benchmarks for ESG investments.

RESOLVED – That Mr Kent be thanked for his presentation.

20. Actuarial Update

The Committee received a presentation from Douglas Green of Hymans Robertson in respect of recent developments affecting Local Government Pensions Schemes (LGPS) including:

- The impact of Covid-19 on mortality/longevity rates; financial market movements; and employer covenant and risks.
- New LGPS regulations introduced on 23 September 2020 which introduce greater flexibility for the Fund and Employers in the scheme:
 - (i) to request a review of contribution rates if there is a "significant change" to an Employer's liabilities or covenant (or at the Employer's request if it meets the cost);
 - (ii) to allow cessation payments to be spread over a few years; and

(iii) for managed exits, the Fund has the discretion to allow a “Deferred Debt Agreement” whereby an Employer continues paying contributions even with no active members.

- The Ministry of Housing, Communities & Local Government consultation on reforming exit payment terms for local government workers, including the introduction of a £95k cap on the total compensation package payable from the Employer.
- The impact of the McCloud judgement (which found that transitional protections given to older members in the judicial and firefighters’ pension schemes directly discriminated against younger members in those schemes); and the Goodwin case (which concluded that a female member in an opposite sex marriage is treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination).

Cllr Greatorex enquired as to whether the additional deaths due to Covid-19 had benefitted the funding level of the Staffordshire Pension Fund. In response, Mr Green explained that, in the short-term it probably had but, in the longer term, people’s behaviours may change and there may be other factors, such as survivorship bias and the impact of a reduction in smoking, reduced air pollution etc, which could lead to increased longevity.

In response to a question from Cllr Little concerning how Staffordshire’s Funding level of approximately 95% compared with that of other local government pension schemes, Mr Green indicated that, historically, Staffordshire’s level tended to be above the average for other local government pension schemes.

In response to a question from Cllr Greatorex in relation to exit payments, the Director of Corporate Services confirmed that discretionary compensation payments were determined by the individual employer.

RESOLVED – That Mr Green be thanked for his presentation.

21. 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 1 of Schedule 12A of the Local Government Act 1972 indicated below.

PART TWO

22. Exempt minutes of the meeting held on 25 September 2020

(Exemption paragraph 3)

RESOLVED – That the exempt minutes of the meeting of the Pensions Committee held on 25 September 2020 be confirmed and signed by the Chairman.

23. Exempt minutes of the Pensions Panel held on 14 September 2020

(Exemption paragraph 3)

RESOLVED – That the exempt minutes of the meeting of the Pensions Panel held on 14 September 2020 be noted.

Chairman