

Minutes of the Pensions Panel Meeting held on 9 July 2021

Attendance

Philip Atkins, OBE (Chairman)	Mike Sutherland
Mike Davies	Stephen Sweeney
Colin Greatorex	

Also in attendance: Rachel Bailye (Observer), Rob Birch (Observer), Iain Campbell (Hymans Robertson), Carolan Dobson (Independent Adviser) and Adam Porter (Hymans Robertson).

PART ONE

1. Appointment of Chairman of the Pensions Panel

RESOLVED – That Cllr Philip Atkins OBE be appointed as Chairman of the Pensions Panel.

2. Declarations of Interest

There were no declarations of interest on this occasion.

3. Minutes of meeting held on 2 March 2021

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 2 March 2021 be confirmed and signed by the Chairman.

4. Dates of Future Meetings

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

- Friday 3 September 2021
- Tuesday 30 November 2021
- Tuesday 1 March 2022

(Note: All meetings are scheduled to start at 9.30am unless indicated otherwise).

5. Staffordshire Pension Fund performance and portfolio of investments as at 31 March 2021

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 31 March 2021.

The Panel were informed that the Fund had a market value of £6.1 billion as at 31 March 2021, its highest reported value to date. Over the quarter the Fund returned 2.8%, which outperformed the Fund's Strategic Asset Allocation benchmark return (2.2%) by 0.6%. The best performing asset class relative to its benchmark, was global active equities.

The financial year to 31 March 2021 had seen the Fund produce an annual return of 26.9%, 2.5% above its strategic benchmark return. Equities were the main driver of returns, with global active equities returning 45.0% over the year and passive equities returning 39.5%.

The Fund had modestly outperformed its strategic benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years were 9.1% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

In response to a question from Cllr Greatorex as to when market growth was likely to reach its peak, Carolan Dobson indicated that market growth continued to be strong, partly due to government interventions, and that long term investment was about riding the peaks and troughs, provided that the Fund's strategic asset allocation was robust.

RESOLVED – That the Pension Fund investment performance and the portfolio of investments for the quarter ended 31 March 2021 be noted.

6. Responsible Investment (RI) report quarter 1 2021

The Director of 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, including details of their voting activity on corporate resolutions for companies held in their portfolios.

The Panel were also informed that, following the production of the Climate Risk report by LGPS Central Ltd, which was presented to the Pensions Committee in March 2021, Fund Officers had produced a Climate Stewardship Plan (Appendix 1 to the report). The plan was a working document for 2021/22, which would be updated periodically for review by the Panel as part of its RI Report. A new Climate Stewardship Plan for 2022/23 would be taken to the Pensions Committee alongside the Fund's Climate Strategy, in due course.

The Director also explained that, as the Fund appointed external investment managers, engagement with individual companies was delegated to these managers and the investment managers of pooled funds, in which the Fund invested (e.g. LGPS Central ACS Funds) and jointly as part of LAPFF. Information on manager engagements and voting was requested routinely as part of the quarterly reporting the Fund received from each of the managers. In Q1 2021 engagement topics included;

- Co-authoring a paper with policy experts on EU Agricultural Policy and Climate goals.
- Engagement with a large online shopping company on worker representation and labour practices.
- Engagement with a banking group on leadership and governance.

- Meeting with a pharmaceuticals company over succession planning.
- Meeting with an industrial supplies company to discuss carbon reporting disclosures and supply chain ESG risks.

The Director also submitted the quarterly report of the Local Authority Pension Fund Forum (LAPFF) (Appendix 2 to the report)

The Panel also received the LGPS Central Ltd Annual Stewardship Report for 2020 (Appendix 3 to the report). This report had been produced instead of the usual Quarterly Stewardship Report in Quarter 1 and was a wider document which would also be used as evidence to support the Company's Statement of Compliance with the UK Stewardship Code.

In response to a question from Cllr Greatorex as to the increase in the number of officers at LGPS central involved in responsible investment and stewardship, the Director explained that the increase had been requested by the eight partner funds as there was a recognition of the need to strengthen this area in order to collaborate more effectively within the wider industry.

In response to a question from Cllr Sutherland as to whether the voting by the external investment managers was largely in relation to the remuneration for Directors, the Director indicated that the voting covered a range of issues, not just remuneration.

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 Annual Stewardship Report for 2020 (Appendix 3), be noted.

7. 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:

8. Exempt Minutes of the Meeting held on 2 March 2021

(Exemption paragraph 3)

9. Staffordshire Pension Fund performance and manager monitoring for the quarter ended 31 March 2021

(Exemption paragraph 3)

10. Competition and Markets Authority - Investment Consultant Objectives

(Exemption paragraph 3)

11. Strategic asset allocation review and monitoring

(Exemption paragraph 3)

- a) Economic and Market Update
- b) Review of Position as at 31 March 2021
- c) Global Sustainable Equities transition outcome

12. Infrastructure
(Exemption paragraph 3)

13. Property - Confirmation of action taken by the Director of Corporate Services
(Exemption paragraph 3)

14. Manager presentation - LGPS Central Limited
(Exemption paragraph 3)

Chairman