

Minutes of the Pensions Panel Meeting held on 3 September 2021

Attendance

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

Also in attendance: Rob Birch (Observer), Carolan Dobson (Independent Adviser) and Philip Pearson (Hymans Robertson).

PART ONE

15. Declarations of Interest

There were no declarations of interest on this occasion.

16. Minutes of meeting held on 9 July 2021

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 9 July 2021 be confirmed and signed by the Chairman.

17. Dates of Future Meetings

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

- Tuesday 30 November 2021
- Tuesday 1 March 2022

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

18. Pension Fund Performance and Portfolio of Investments as at 30 June 2021

The Director for 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 June 2021.

The Panel were informed that the Fund had a market value of £6.47 billion as at 30 June 2021, its highest reported value to date.

Over the quarter the Fund returned 6.0%, which outperformed the Fund's Strategic Asset Allocation benchmark return (5.6%) by 0.4%. The best performing asset class relative to its benchmark, was Private Equity. The year to 30 June 2021 had seen the Fund produce an annual return of 19.7%, 2.9% above its strategic benchmark return. Private Equity was the main driver of returns, returning 43.1% over the year.

The Fund had outperformed its strategic benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years were 9.6% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

Cllr Sutherland commented on the excellent performance of the Fund and enquired as to its current funding level against its future commitments. In response, the Director indicated that, at its last valuation on 31 March 2019, the Fund was 99% funded but, in view of the increase in the value of the Fund's assets since that date, the funding level was now likely to be in excess of that level.

In response to a question from Cllr Sutherland concerning the Fund's current level of cash holding, the Director indicated that the Fund currently held 2.7%, well in excess of the 1.0% set out in the Fund's Strategic Asset Allocation, but this level would be reduced following several pending investments in Property and the drawdown of commitments in Private Debt and Infrastructure.

RESOLVED – That the Pension Fund investment performance and the portfolio of investments for the quarter ended 30 June 2021 be noted.

19. Responsible Investment (RI) report quarter 2 2021

The Director for 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 (CSP) (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 added that The CSP focused on the investments having most impact / of most relevance to Fund's climate risk. The companies recommended for engagement had been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics;
- Weight of the company in the portfolio;
- Likelihood of achieving change; and
- Ability to leverage investor partnerships.

The fund managers recommended for engagement had been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis;
- Size (by AUM) of the portfolio; and
- Whether the mandate is expected to be long-term.

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 also 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 Q2 2021 engagement topics included -

- Engaging with a Bank over climate change, leading to them aligning their financial activity with the Paris Agreement.
- Engagement with a Pharmaceuticals company on diversity and safety within its factories and offices.
- Engagement with an electricity company about human rights issues in its solar panel production supply chain.

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 Stewardship Report for Quarter 2 2020 (Appendix 3 to the report). The Director highlighted that LGPS Central Ltd. in collaboration with the Partner Funds, had identified four Stewardship Themes for the current three-year period (2020 – 23):

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Technology and disruptive industries

In response to questions from Cllr Atkins and Cllr Greatorex concerning engagements on human rights issues, the Panel were informed that whilst the bulk of LGPS Central Ltd.'s engagement effort was centred around the above themes, the company also regularly covered other key ESG issues such as fair remuneration, board composition, and human rights. The Director added that the Fund could ask the company to specifically include "Human Rights" in the next set of Stewardship Themes.

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 Quarterly Stewardship Report (Appendix 3), be noted.

20. 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.

PART TWO

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

21. Exempt Minutes of the Meeting held on 9 July 2021

(Exemption paragraph 3)

22. Staffordshire Pension Fund performance and manager monitoring for the quarter ended 30 June 2021

(Exemption paragraph 3)

23. Staffordshire Pension Fund revised Investment Beliefs

(Exemption paragraph 3)

24. Strategic asset allocation review and monitoring

(Exemption paragraph 3)

a) Economic and Market Update

b) Review of Position as at 31 March 2021

25. Property - Confirmation of the action of the Director of Corporate Services

(Exemption paragraph 3)

26. Global equity manager presentations

(Exemption paragraph 3)

Chairman