

SOUTH YORKSHIRE PENSIONS AUTHORITY

8 SEPTEMBER 2022

PRESENT: Councillor J Mounsey (Chair)

Councillors: S Clement-Jones, S Cox, A Dimond, D Fisher, M Havard, D Nevett, A Sangar, M Stowe and G Weatherall

Trade Unions: N Doolan-Hamer (Unison), D Patterson (Unite) and G Warwick (GMB)

Investment Advisors: T Castledine and A Devitt

Officers: J Bailey (Head of Pensions Administration), J Garrison (Corporate Manager - Governance), W Goddard (Financial Services Manager), G Graham (Director), G Richards (Governance Officer), S Smith (Head of Investments Strategy) and G Taberner (Head of Finance and Corporate Services)

R Elwell (Border to Coast Pensions Partnership Ltd)

Apologies for absence were received from Councillor R Bowser and Councillor B Curran

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair reminded members of the necessity to complete the Hymans Robertson Online Learning Academy modules in a timely manner, emphasising that some were overdue and therefore non-compliant with learning and development requirements.

He also reminded members of the scheduled sessions organised by the Governance Manager which could be attended either in person or virtually. If anyone needed support to complete the modules, J Garrison was happy to support members on site at the members convenience.

The Chair urged members to complete all 6 modules by Christmas at the very latest.

G Warwick, Chair of the Local Pension Board, agreed to pass the message on to members of the Local Pension Board.

Mr G Henshaw asked a question regarding the Authority's investments in South Yorkshire.

The question and response can be found in an appendix to the minutes.

3 URGENT ITEMS

The Director informed members that he had an update regarding a local development loan. This would be taken in the private part of the agenda.

It was noted that Cllr Cox may declare an interest in this item as a member of DMBC's Planning Committee.

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

RESOLVED – That item 15 'Annual Review of Border to Coast Pensions Partnership', item 16 'Independent Advisor's Appraisal' and the Urgent Item mentioned at 3 be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Members were informed that, at its meeting in July, Sheffield CC had dealt with a question on climate and Net Zero investment and a petition on divestment.

Details can be found as an appendix to the minutes.

7 MINUTES OF THE ANNUAL AND ORDINARY MEETING HELD ON 9 JUNE 2022

RESOLVED – That the minutes of the Annual and Ordinary meeting held on 9th June 2022 be agreed as a true record.

8 MINUTES OF THE STAFFING, APPOINTMENTS AND APPEALS COMMITTEE HELD ON 26 JULY 2022

The Chair welcomed T Castledine, the Authority's recently appointed Independent Investment Advisor, to his first meeting.

T Castledine responded that he was looking forward to working with members for the next three years.

RESOLVED – That the minutes of the Staffing, Appointment and Appeals Committee held on 26th July 2022 be noted.

9 Q1 QUARTER PERFORMANCE REPORT

Members considered the Corporate Performance Report for Quarter 1, 2022/23.

Headlines included:

- Customer feedback remained positive.
- Despite market conditions, a strong funding level was being maintained.
- Costs, including pay pressure, being maintained within the budget
- Cyber security accreditation maintained.

- Small increase in sickness levels.
- Delays to a small number of Corporate Strategy projects which would need to be rephased.
- Administration performance stable but remained below target.

G Taberner informed members that the Team Manager – Programmes and Performance was now in post and would be focusing on performance reporting across the organisation.

Members were reminded that the budget for 2022/23 had been approved by the Authority at its February meeting. Since then, two changes had been made that required virements between budget heads.

The first concerned the TUPE transfer of the Governance Officer from BMBC, and secondly the costs for the management of the agricultural property portfolio being charged directly to the Fund rather than the Authority operating budget. Full details were contained within the report.

In answer to a question from Cllr Dimond regarding the government's consultation on the Task Force on Climate-Related Disclosure regulations, the Director replied that a decision had not yet been made on whether the Authority would respond. The proposed regulations contained nothing unexpected or controversial and the Authority was already virtually compliant.

RESOLVED – That members:

- i) Note the report.
- ii) Approve the budget virements set out in paragraphs 4.1 to 4.20 of the report.

10 TREASURY MANAGEMENT STRATEGY STATEMENT 2022/2023

A report was considered which fulfilled the Authority's legal obligation under the Local Government Act 2003 to "have regard to" the following guidance:

- a. The CIPFA Prudential Code of Practice (2021);
- b. The CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (2021);
- c. MHCLG Statutory Guidance on Local Authority Investments (2018); and
- d. MHCLG Statutory Guidance on Minimum Revenue Provision (2018).

It was noted that the Authority would receive reports on its Treasury Management activities including, as a minimum, an annual strategy for the forthcoming year, an annual report after year end and interim updates as part of the quarterly corporate performance reports.

The annual strategy report included:

- a) The Treasury Management strategy, including treasury indicators.
- b) An Investment Strategy.

- c) To the extent that they applied in this Authority, capital plans, prudential indicators and minimum revenue provision policy statement.

RESOLVED – That members:

- i) Approve the 2022/23 Treasury Management and Annual Investment Strategy.
- ii) Approve the Treasury and Prudential Indicators for 2022/23.
- iii) Approve the Minimum Revenue Provision statement as set out in the report.

11 ADVISOR'S MARKET COMMENTARY

A Devitt provided a market commentary on recent events.

Highlights since the last update included:

- Inflation continued to be at the forefront of newspaper headlines and central bank deliberations. Figures remained high globally but it continued to be difficult to understand which would stick and which was more temporary.
- Interest rates continued to rise – the Bank of England raised its rates to 1.75%, its sixth consecutive rate rise and the largest since 1985.
- Employment numbers looked increasingly precarious as job opening fell and hiring slowdowns and layoffs picked up.
- The winter energy surge was awaited. With energy caps expected to reach up to 3x their current levels and expectations for inflation in the UK reaching the teens this was the most critical barometer of consumer sentiment for the next few months,

The following would be watched in the coming months.

- What the winter would bring in terms of energy pricing and consumer sentiment.
- Default watch – with so many businesses still on the edge following Covid, the contraction in consumer spending could send some companies into default.
- Political and currency moves – both the Euro and the Pound had reached new lows in the past quarter and tis fragility could continue for the rest of the year bringing more imported inflation and economic weakness.

The Chair thanked A Devitt for an interesting and informative report.

12 Q1 INVESTMENT PERFORMANCE REPORT

S Smith presented the Quarter One Investment Performance report.

It was noted that after an extremely volatile quarter the Fund was valued at £10.1bn at 30 June 2022.

With regard to asset allocation, the overweight position to listed equity holdings had been reduced by funding an investment in Sterling Investment Grade Credit which reduced the underweight position.

There were now two categories that were outside their tactical range – private equity and index-linked gilts, details of which were contained within the report.

Changes in net investment for the categories were included in the report and showed that the Fund was being de-risked in line with the strategic benchmark.

For the quarter to the end of June, the Fund returned -5.1% against the expected benchmark of -5.7%.

The report also contained details of the performance of Border to Coast funds.

The UK Equity portfolio showed outperformance of its benchmark for the quarter as did the Overseas Developed Market portfolio. The Emerging Market outperformed by 0.3% during the quarter but was still behind the benchmark since inception.

Members discussed the positive and negative effects of inflation and the weak pound on the Fund.

The Chair thanked S Smith for the report.

RESOLVED – That the report be noted.

13 Q1 RESPONSIBLE INVESTMENT UPDATE

Members considered the Quarter 4 Responsible Investment update.

Highlights of the quarter to the end of June included:

- The casting of nearly 6,500 votes at close to 450 company meetings.
- A continued high level of engagement activity running at almost twice the level of the same quarter in 2021.
- Maintenance of high ESG ratings where they are available.
- The setting of the first round of targets towards Net Zero.
- A significant level of stakeholder engagement around various issues but particularly around human rights.

The report contained full details of voting activity, engagement activity, portfolio ESG performance, progress to Net Zero, stakeholder interaction and collaborative activity.

RESOLVED – That members note the activity undertaken in the quarter and endorse the initial targets for reducing carbon emissions from the listed asset portfolios.

14 DECISIONS TAKEN BETWEEN MEETINGS

A report was submitted to inform members of decisions taken as a matter of urgency between meetings of the Authority.

It was noted that two decisions had been required since the last meeting.

Firstly, Border to Coast had circulated a number of shareholder resolutions for approval at the forthcoming Annual Meeting of Shareholders.

Secondly, the Director had, under delegated powers, approved the use of a market supplement to assist in recruiting to a vacant Post in the Finance Team.

Full details of both decisions were contained within the report.

RESOLVED – That members note the decisions taken between meetings of the Authority using the appropriate urgency procedures.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

15 ANNUAL REVIEW OF BORDER TO COAST PENSIONS PARTNERSHIP

A report was considered which allowed members to review the performance of the Border to Coast Pensions Partnership and the Authority's arrangement for overseeing and engaging with the work of the Partnership.

Border to Coast's CEO, R Elwell, gave an update on performance, the transition to Net Zero by 2050 or sooner and the culture of Border to Coast.

The Chair thanked R Elwell for attending the meeting.

RESOLVED – That members:

- i) Note and consider the views of the Independent Advisor Panel set out in Appendix A.
- ii) Approve the recommended actions set out in Appendix A.

16 INDEPENDENT ADVISORS' APPRAISAL

A report was submitted which gave members the opportunity to appraise the performance of the arrangements in place for independent advice in relation to investment matters.

The report gave details of the key areas of focus for the advisors which had been identified previously along with officers' comments on each area.

RESOLVED – That members agreed that they were highly satisfied with the performance of the arrangements in place for independent advice in relation to investment matters.

At this point Cllr Cox left the meeting.

17 URGENT ITEM

The Director gave an update on a recently agreed local development loan.

RESOLVED – That members note the update.

CHAIR