

SOUTH YORKSHIRE PENSIONS AUTHORITY

10 SEPTEMBER 2020

PRESENT: Councillor M Stowe (Chair)
Councillor J Mounsey (Vice-Chair)
Councillors: A Atkin, S Cox, A Law, A Murphy, C Rosling-Josephs,
A Sangar, A Teal, N Wright and T Yasseen

Trade Unions: D Patterson (UNITE)

Investment Advisors: A Devitt and L Robb

Officers: G Graham (Director), G Kirk (Monitoring Officer),
M McCarthy (Deputy Clerk), G Richards (Senior Democratic Services
Officer), S Smith (Head of Investments) and G Taberner (Head of
Finance and Corporate Services)

R Elwell and A Stone (Border to Coast Pensions Partnership Ltd)

C Scott and M Chaplin (LPB Observers)

Apologies for absence were received from N Doolan-Hamer and
G Warwick

1 **APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 **ANNOUNCEMENTS**

None.

3 **URGENT ITEMS**

None.

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

RESOLVED – That items 10,11,12 and 13 be considered in the absence of the public and press.

5 **DECLARATIONS OF INTEREST.**

None.

6 **SECTION 41 FEEDBACK FROM DISTRICT COUNCILS**

Cllr Law informed the Authority that he was receiving correspondence regarding Responsible Investment and climate change. It was noted that these would be discussed at the next Authority meeting.

7 MINUTES OF THE ANNUAL AUTHORITY MEETING HELD ON 11 JUNE 2020

RESOLVED – That the minutes of the Annual Authority meeting held on 11th June 2020 be agreed as a true record.

8 MINUTES OF THE ORDINARY MEETING HELD ON 11 JUNE 2020

In answer to a question from Cllr Sangar, G Graham informed members that, although there would be other items on the agenda for the next meeting, the Climate Change and Responsible Investment policies would be the substantive items.

The Chair informed the Authority that the Climate Alliance had requested to speak for five minutes at the beginning of the next meeting. This would be a statement and not a debate. Members agreed to the request.

RESOLVED – That:

- i) The minutes of the Ordinary meeting held on 11 June 2020 be agreed as a true record.
- ii) That the Climate Alliance be allowed to make a five minute statement at the beginning of the next Authority meeting on 30th September 2020.

9 ADVISOR'S OVERVIEW

A Devitt provided a market commentary on events since the last meeting.

It was noted that the US stock market continued to rise mainly driven by tech and healthcare stocks while the European stock market remained weak year to date. Gold and related stocks were soaring, perhaps in response to fears of monetary debasement as interest rates remained low and government spending surges.

At a corporate level fortunes were mixed, in what some had termed a 'k-shaped' recovery. While certain 'knowledge workers' had transitioned to a remote working regime, the service and retail industries had seen hard times and lay-offs.

Geopolitically, US/China trade tensions continued as did concerns around Hong Kong's status.

The Eurozone and UK markets were weak as negative GDP numbers loomed, while rising virus levels and volatile quarantine requirements and travel restrictions meant that certain areas were likely to see less convincing economic recoveries. The FTSE remained -20% year to date as at 26th August, while the Eurostoxx had added 6% over the past three months and was now only down 10%.

The central bank funding commitments had shored up credit markets by dampening volatility and boosting inflows, as had the commitment to keep interest rates lower. The outlook for credit markets was also bolstered by stronger earnings, as overall more visibility had entered and enabled better forecasting, although cash flows remained depressed.

The Chair thanked A Devitt for an informative presentation.

10 QUARTERLY REPORT TO 30 JUNE 2020

S Smith informed Members that since last year's performance was reported the Final Valuation at March had been restated to account for all the alternative funds March statements.

The Valuation reduced from the reported £8189.4m to £8150.2m and the performance for the year came in at -3.6% instead of -3.1%.

For the quarter to the end of June, the Fund returned 9.8% against the expected benchmark return of 9.9%

Ex-equity protection the Fund showed an outperformance of the benchmark giving a return of 11%. Asset allocations added 0.5% and the remainder was due to stock selection.

The equity protection strategy options rolled off from the 8th to the 30th April. Markets were rising strongly over the period and the value of the options decreased the value of the Fund by £83.5m. This effectively decreased the return to the Fund by 1.1%.

Members noted that the funding level as at 30 June 2020 had increased to 101.5%.

The Authority was given asset allocation updates for the following:

- UK Equities
- Index-Linked Gilts
- Private Debt
- Infrastructure Funds
- Property

Since the end of the quarter the cash balance increased by £230m due to taking money from UK equities and the cash level was currently around £365m. With the investments discussed within the report and the drawdowns expected over the financial year from existing commitments it was envisaged the cash level would reduce to around £200m by March 2021.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

11 ANNUAL REVIEW OF THE BORDER TO COAST PENSIONS PARTNERSHIP

A report was submitted 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.

Members noted that Border to Coast was already the Authority's most significant external relationship and it was important that its effectiveness in terms of delivering against the objectives set for it were being met. In order to do that the Investment

Advisory Panel had conducted the first formal annual review of the Partnership which was at Appendix A to the report.

The review, which was of all of the Partnership and not just the operating company, looked at the following areas:

- Whether the investment products were meeting the targets set for them.
- Whether the Partnership was delivering against its founding principles; and
- Whether the Authority's objectives were being addressed.

RESOLVED – That Members:

- i) Note the views of the Investment Advisory Panel set out in Appendix A.
- ii) Approve the recommended actions set out in Appendix A.

12 THE FUTURE OF THE AGRICULTURAL PORTFOLIO

A report was submitted to secure approval for a programme of work in relation to the Agricultural Portfolio.

Members were informed that the Authority was the owner of one of the largest single ownership portfolios of agricultural land in the UK. The portfolio had appeared in recent years to act as a drag on the performance of the property portfolio as a whole and members had been concerned that consideration should be given to the Authority's future position in relation to this asset class.

The Investment Advisory Panel had undertaken a "deep dive" examination of the agricultural portfolio and their conclusions and advice were set out at Appendix A to the report.

RESOLVED – That Members:

- i) Accept the advice of the Investment Advisory Panel set out in Appendix A to the report.
- ii) Approve the taking by officers of the actions necessary to implement the Panel's advice.
- iii) Request an update report on the actions taken to an Authority meeting in 12 months.
- iv) That officers investigate the possibility of developing affordable rural housing.

13 REVIEW OF THE STRUCTURE OF THE PROPERTY PORTFOLIO

A report was submitted seeking approval for the setting of allocations to the various categories of investment within the property portfolio.

Members were informed that it had been some time since these allocations had been reviewed and that given the development work on property products being undertaken

by Border to Coast it was sensible to undertake a review in order to establish the Authority's appetite for the products under development.

The Investment Advisory Panel had concluded that allowing for the previous decisions in relation to the Agricultural Portfolio it would be possible and desirable over time to gradually increase the Fund's exposure to global property.

RESOLVED – That Members:

Approve the proposed structure of the property portfolio set out in the report together with the other specific recommendations for further work.

14 INDEPENDENT ADVISORS' APPRAISAL

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

Members were reminded that the current Advisers commenced their contracts in September 2019 following a member appointment process conducted by the Staffing, Appointments and Appeals Committee. Previously the Authority in considering arrangements for independent advice had agreed, in the light of the transition of assets to Border to Coast, to adopt arrangements that brought the advisers more into the Authority's overall team rather than acting as an independent brake on the in house team. The key areas of focus were at that point identified as for the advisers to be involved in and provide input into several areas which were detailed within the report.

It was noted that from the point of view of officers the new arrangements had worked well. Members agreed that they were also happy with the arrangements.

RESOLVED – That the report be noted.

CHAIR