

SOUTH YORKSHIRE PENSIONS AUTHORITY

18 MARCH 2021

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

Trade Unions: N Doolan-Hamer (Unison) and G Warwick (GMB)

Investment Advisors: A Devitt and L Robb

Officers: J Bailey (Head of Pensions Administration), N Copley (Treasurer), 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)

Apologies for absence were received from D Patterson

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 Item 14 ‘Procurement of Pensions Administration Software’ and Item 15 ‘Property Debt Write-Offs’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

None.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 21 JANUARY 2021

RESOLVED – That the minutes of the meeting held on 21st January 2021 be agreed as a true record.

8 MEMBERS' SELF-ASSESSMENT

M McCarthy informed Members that the annual self-assessment exercise was about to be undertaken.

This was an important exercise for Members to determine the extent to which they felt that the support, guidance and information was in place to allow them to make informed decisions.

The questionnaire would be sent out for completion in the next few days and the results reported in due course.

9 CORPORATE PERFORMANCE REPORT Q3 2020/21

G Taberner presented the Corporate Performance Report for Quarter 3 2020/21.

It was noted that sickness absence showed a slight increase from the previous quarter but still remained low compared to the same quarter last year. There had been one positive Covid-19 related absence of six days during the quarter.

With regard to investments, at the end of the quarter, 63.1% of the Fund's assets were being managed in pooled structures provided by Border to Coast which was an increase on the previous quarter. The estimated funding level at the end of Quarter 3 was 108%.

Pensions administration performance remained stable and was likely to do so whilst remote working continued.

Three new employers were admitted during the quarter.

A table within the report detailed significant variances against the budget.

Members noted that the forecast underspend for the year before transfer to reserves was £489k at the end of Quarter 3, compared to a forecast underspend of £409k at the end of the previous quarter. As reported previously, the impact of the Covid-19 pandemic had affected progress in relation to the Corporate Objectives.

The Fund's cash balances at the end of the third quarter stood at £187m. A chart within the report showed how the balances had been invested with different counterparties, in line with the approved treasury management strategy, during the year.

Members noted that during December 2020, the limit on the HSBC Capital Account had been breached overnight as a result of recovering a deposit on 21st December in order to ensure sufficient cash would be held for the completion of two property purchases taking place on 22-23 December. The balance was reduced on 22nd December bringing it back within the limit.

Three complaints had been received during the period. One was due to delays in receiving information from an employer and the other two were due to individual system errors which had since been resolved.

The report also detailed Stage 1 and Stage 2 appeals that had been determined during the period.

Customer satisfaction levels remained high. A survey of members retiring during August to October showed that 94% of respondents were satisfied with the service received.

The Corporate Risk Register had been reviewed in January and the resulting changes were detailed within the report.

Members again discussed the risk of failing to ensure that elected Members knowledge and understanding met statutory requirements and the problem that membership changes after each local election posed.

RESOLVED – That the report be noted.

10A ADVISORS COMMENTARY

A Devitt provided a market commentary on recent events.

Highlights included:

- The divergence in vaccine roll-out between the UK and the EU may result in a divergence in economic re-openings and growth.
- The dominant mood in equity markets was one of enduring ebullience.
- Market chatter turned to rising interest rates and gilt yields as well as hints of pending inflation.
- The existential threat of Covid-19 had pushed environmental and sustainability concerns to the forefront.
- As recovery commenced, it was expected to see ongoing political agitation, dissatisfaction with incumbent governments and a desire to shift to alternative solutions for post-crisis management.
- The US economy shrank by 2.5% in 2020 while in the UK GDP dropped by 9.9%.
- Corporate earnings looked set to stage a recovery globally and market performance had been robust to date.

In answer to a question from Cllr Wright, A Devitt confirmed that she would include a section on the impact of Brexit in future reports.

The Chair thanked A Devitt for the update.

10B QUARTERLY REPORT TO 31 DECEMBER 2020

Members considered the Quarterly Report to 31st December 2020.

Members were informed that over the quarter to the end of December 2020 equity markets had been strong although had fallen back during January and February. The UK had outperformed other developed markets partly due to the resolution of Brexit. Property returns had been positive mainly due to the fact that that agricultural holdings had an uplift when the valuation was completed at the end of December.

The Fund valuation at the end of December was £9.6bn and was currently just over £9.4bn partly due to the strengthening of sterling.

The report contained an asset allocation summary. It was noted that the most significant transaction during the quarter had been the transition of index-linked gilts to the newly launched Border to Coast fund.

Overall performance of the Fund rose by 6.4% during the period which was ahead of the expected benchmark return of 5.8%; the funding level remained above 100%.

With regard to the Border to Coast funds, not including the newly launched Index-Linked Bond fund, three of the other four funds had outperformed the benchmark and matched the target return.

RESOLVED – That the report be noted.

11 RESPONSIBLE INVESTMENT Q3 UPDATE

A report was submitted which provided an update on the responsible investment activities undertaken by and on behalf of the Authority.

Charts within the report illustrated how the Authority's holdings in listed equities were voted in the period to the end of December 2020 and graphs showed the scale and nature of engagement activity undertaken.

With regard to the new rules in the US regarding investment decisions and ESG factors as detailed in paragraph 5.6 of the report, the Director informed Members that these had now been paused by the Biden administration. It was hoped that there would now be positive movements in terms of the ability of managers in the US to take ESG factors into consideration.

Members' attention was drawn to paragraph 5.10 which gave details of Border to Coast's development of their approach to identifying engagement themes in order to focus on the most financially material issues which they would be discussing with Partner Funds in the coming months. The proposed process was set out on the report.

The Director informed Members of the intention of the Authority to support the Paris Aligned Investment Initiative and the intention to adopt the Impact Investing Principles details of which were contained within the report.

Approval was also being sought for the proposed submission to the inquiry into a Just Transition being undertaken by the All Party Parliamentary Group on Local Government Pensions as detailed at Appendix A to the report.

RESOLVED – That Members:

- i) Note the Responsible Investment activity undertaken by and on behalf of the Authority.
- ii) Approve the proposed submission to the inquiry into a Just Transition being undertaken by the All Party Parliamentary Group on Local Government Pensions at Appendix A to the report.
- iii) Approve the Authority's commitment to support the Paris Aligned Investment Initiative.
- iv) Approve the Authority adopting the Impact investing Principles.

12 INVESTMENT BELIEFS

A report was submitted which sought to secure approval for an updated Statement of Investment Beliefs providing greater clarity and focus in relation to responsible investment, following the evolution of the Authority's policy position in that area.

The Statement of Investment Beliefs, which was set out in paragraph 5.1 of the report, contained a number of highlighted phrases which were supported by an explanatory statement.

Following the Authority workshop in December 2020, an explanatory statement had been created which explained what the Authority meant by responsible investment and how it would be approached, as set out in paragraph 5.4.

The Director confirmed that Border to Coast were confident that they could deliver against the statement. Feedback from Pensions for Purpose, who had facilitated the December workshop, was that it was a good statement which "showed considerable leadership in this area".

Cllr Sangar welcomed the clear statement of Investment Beliefs and added that leadership was important in the way the Authority interacted with Border to Coast as net zero by 2030 could not be delivered without them.

RESOLVED – That Members approve the Statement of Investment Beliefs as set out in the body of the report.

13 ACTION PLAN FOR NET ZERO

A report was considered which sought to gain approval for the Authority's action plan for the achievement of its Net Zero Goal.

Members were informed that the Action Plan had been developed using the Institutional Investors' Group on Climate Change Net Zero Investment Framework. This recognised that there could be no "one size fits all" route to net zero, investors like SYPA would need to focus on maximising efforts that achieved decarbonisation in the real economy. This would require a comprehensive investment strategy led approach which must not just deliver emissions reductions but also increase investment in the climate solutions needed to achieve net zero.

This needed to be seen in the context of SYPA's participation as one of 11 Partner Funds in the Border to Coast Pensions Partnership and the Authority would need to work with and gain the co-operation of the other partners and the operating company in order to achieve its goal.

The Director commented that the first step had highlighted a number of significant gaps in knowledge. The plan was to fill in those gaps as far as possible and take specific actions in parallel to make full use of the relatively short time available for the Authority to achieve net zero.

The plan would need to be developed further as the current position was better understood and this would be done as soon as information became available.

Cllr Mounsey commented that the action plan provided a comprehensive, structured and balanced way forward. Aspirations were roads to change and improve an issue but decisive actions by all concerned would lead to real impact and sustainable improvements across the world.

Members discussed engagement at length and how and when to escalate the process including the possibility of divestment, bearing in mind the possibility of unintended consequences.

RESOLVED – That Members approve the Net Zero Action plan as set out in Appendix A to the report.

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.

14 PROCUREMENT OF PENSIONS ADMINISTRATION SOFTWARE

A report was submitted which set out the result of a procurement exercise for a new pensions administration software system using the new National LGPS Framework.

RESOLVED: - That Members:

- i) Approve the award of a five-year PAS licence to the incumbent provider to take effect from February 2022.
- ii) Note the proposed actions in terms of engagement with the incumbent provider prior to the new licence coming into force as set out in section 5.14 of the report.

15 PROPERTY DEBT WRITE-OFFS

A report was considered which requested the Authority's approval to write off irrecoverable debts relating to the Pension Fund's commercial property portfolio.

Pensions Authority: Thursday 18 March 2021

RESOLVED – That Members approve the writing off of debts amounting to £239,438.40 including VAT.

The Director, on behalf of all officers, thanked Cllr Stowe for all his work over the last two years as Chair of the Authority. He had been engaged, helpful and supportive and it was very much appreciated.

The sentiments were echoed by all Members.

CHAIR