

Staffordshire Pension Fund

Annual General Meeting

13 November 2023

Tim Byford (Strategic Investment Manager)
Helen Wilson (Senior Investment Accountant)
Melanie Stokes (Assistant Director for
Treasury & Pensions)



Staffordshire
Pension Fund
Local Government Pension Scheme

Staffordshire Pension Fund

Draft Accounts for year ended

31 March 2023

Contributions and Benefits

	2021/22 £m	2022/23 £m
Contributions receivable	180.1	186.8
Transfers in	11.6	13.6
Benefits payable	(195.7)	(208.0)
Transfers out	(10.3)	(11.3)
Net additions/(withdrawals) from dealing with members	(14.3)	(18.9)

Management Expenses

	2021/22 £m	2022/23 £m
Administrative expenses	(3.0)	(2.9)
Investment management expenses	(20.9)	(18.2)
Oversight and Governance expenses	(1.8)	(2.0)
Total management expenses	(25.7)	(23.1)

Return on Investments

	2021/22 £m	2022/23 £m
Investment income	68.3	81.6
Change in the market value of investments	652.3	(217.4)
Net change in investments	720.6	(135.6)

Net assets of the Fund

	2021/22 £000	2022/23 £000
Opening net assets of the Fund	6,152.4	6,833.1
Net increase in the Fund	680.7	(178.0)
Closing net assets of the Fund	6,833.1	6,655.1

2022 Actuarial Valuation

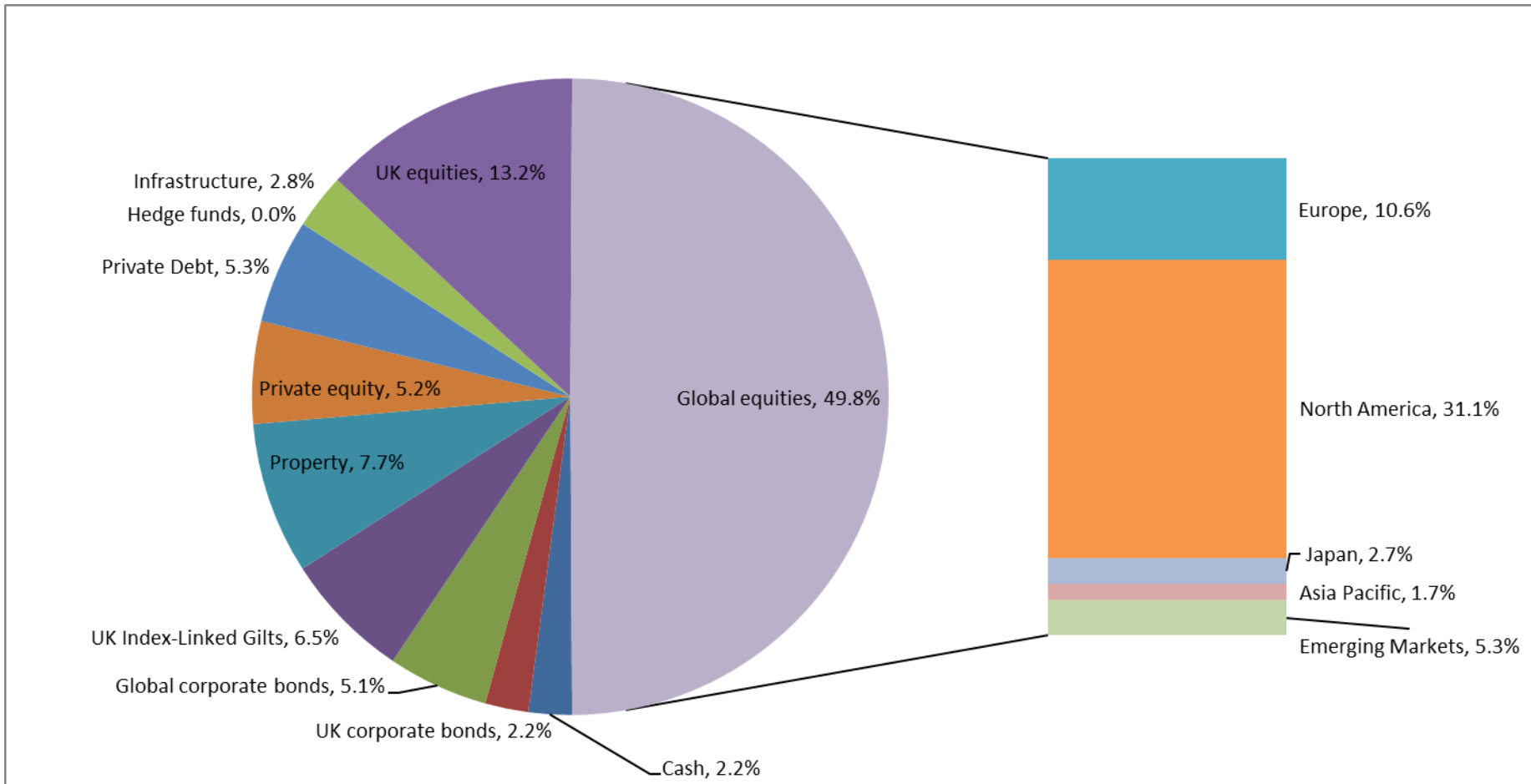
Valuation Date	31 March 2019 £m	31 March 2022 £m
Total Liabilities	5,204	5,696
Assets	5,131	6,833
Surplus/(Deficit)	(73)	1,137
Funding Level	99%	120%



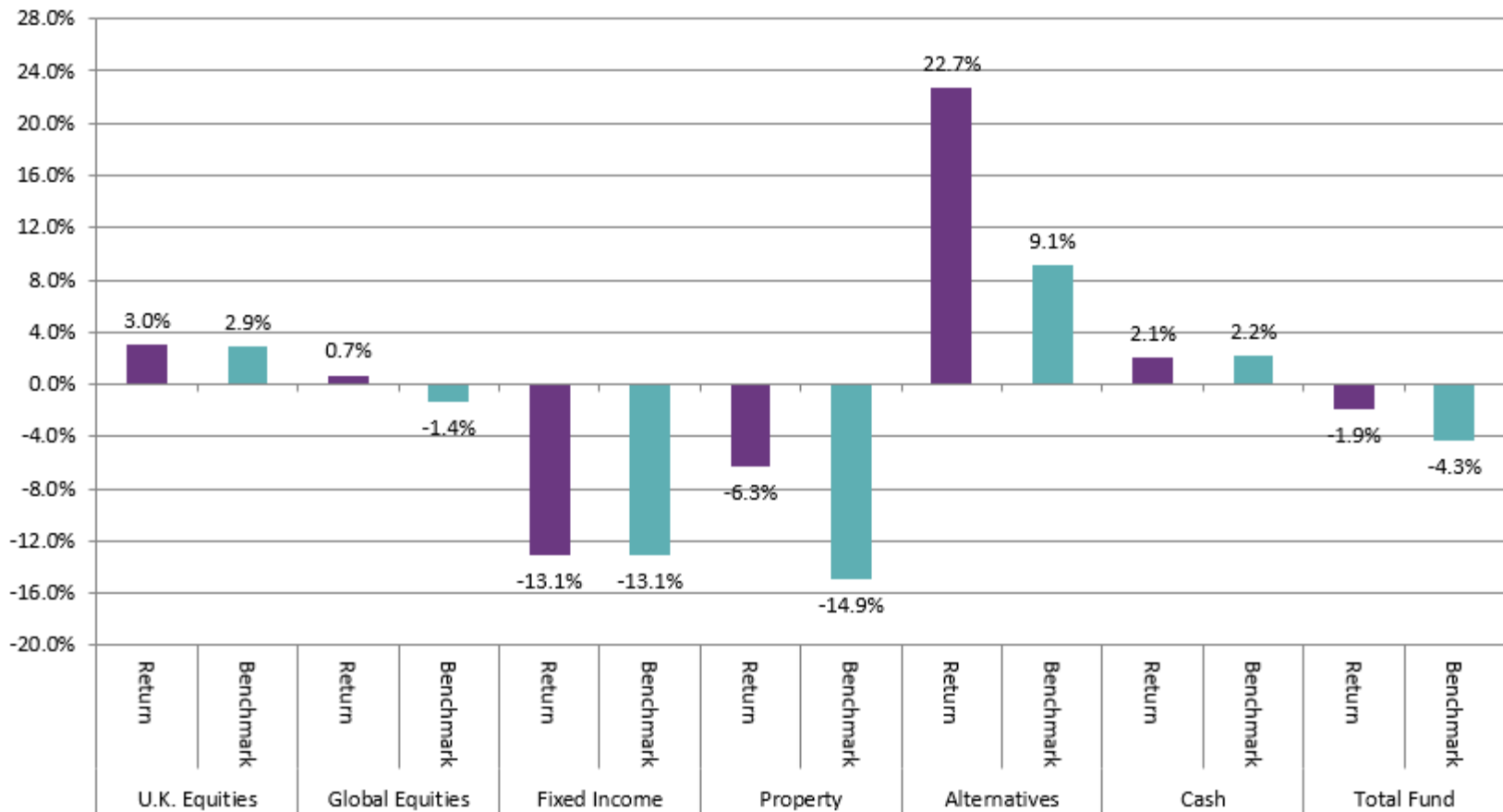
Staffordshire
Pension Fund
Local Government Pension Scheme

Staffordshire Pension Fund 2022/23 Investment Update

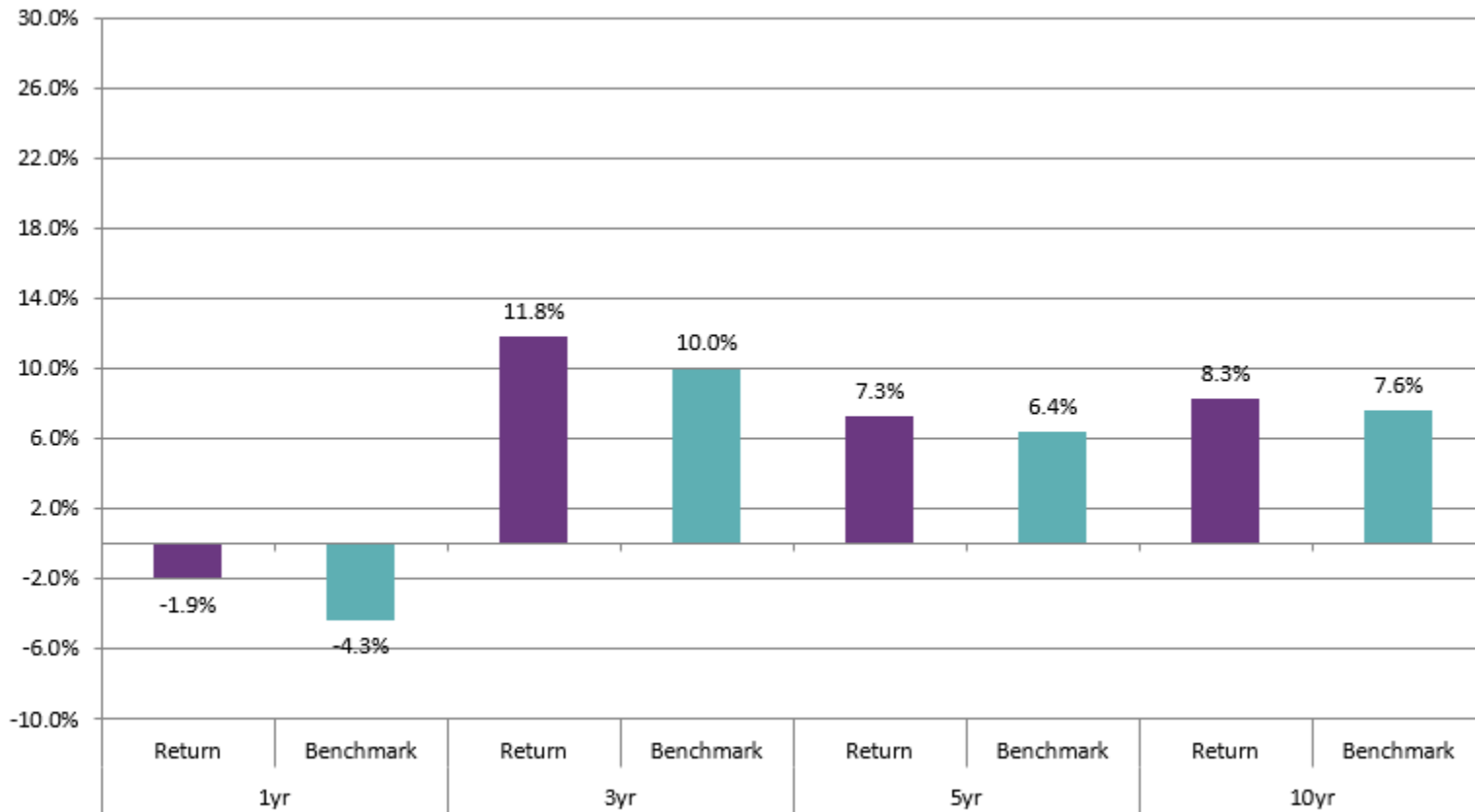
Percentage breakdown by asset class as at 31 March 2023



Asset class returns for year ended 31 March 2023

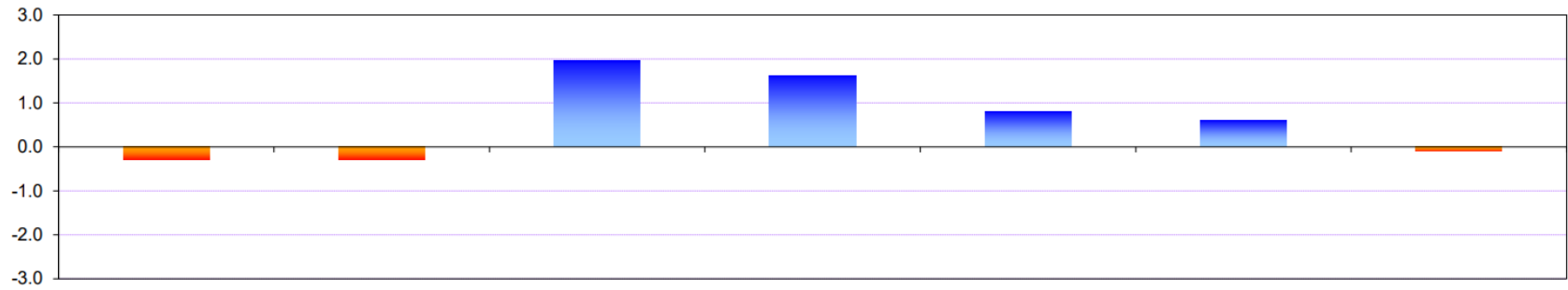


Total Fund investment return at 31 March 2023



Fund Performance at 30 June 2023 (Market Value £6.7bn)

Excess Return Analysis (%)



	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Apr 95 (p.a.)
Excess Return	-0.3	-0.3	2.0	1.6	0.8	0.6	-0.1
Portfolio Return	1.7	1.7	6.2	8.1	6.6	8.5	7.8
Benchmark Return	2.0	2.0	4.3	6.5	5.8	7.9	7.9

All returns for periods in excess of 1 year are annualised. The portfolio return is gross. □

Strategic Asset Allocation at 30 September 2023

	STRATEGIC BENCHMARK ALLOCATION (%)		ACTUAL ALLOCATION (%)	
Return Seeking	Equities	64.0	Equities	67.8
	Global active equities	19.2	Global active equities	21.8
	Global passive equities	25.0	Global passive equities	26.5
	Global factor-based equities	8.8	Global factor-based equities	8.2
	Global sustainable equities	6.0	Global sustainable equities	6.1
	Private Equity	5.0	Private Equity	5.2
	Property	10.0	Property	7.6
	Infrastructure	5.0	Infrastructure	2.8
Defensive	Fixed Income	20.0	Fixed Income	20.2
	Private Debt	5.0	Private Debt	5.3
	Corporate Bonds	7.5	Corporate Bonds	7.4
	Index-Linked Gilts	7.5	Index-Linked Gilts	7.5
	Cash	1.0	Cash	1.6

Investment activity since we last met in November 2022 (1)

- Divested stand-alone UK passive equity allocation
- Transitioned to Low Carbon LGPS Central ACS Global Multi-Factor Equity Fund
- Invested in LGPS Central All World Equity Climate Multi Factor Fund; funded by reducing allocation to legacy active global equity manager
- Responded to government consultation 'LGPS: next steps on investment'

Investment activity since we last met in November 2022 (2)

Continued commitments to LGPS Central;

- £80m to the 2023 LGPS Central Private Equity Fund
- Further £60m into the LGPS Central Core/Core Plus Infrastructure Partnership LP;
- £20m into the LGPS Central Value add/Opportunistic Infrastructure Partnership LP
- Further £20m into the JP Morgan Infrastructure Investments Fund (via the LGPS Central Infrastructure Single Asset Partnership LP)
- £50m into the LGPS Central Global Investment Grade Corporate Bond sub-fund

Direct Property portfolio

- Purchased an industrial warehouse unit at Portside, Avonmouth for £25.05m



Responsible Investment & Engagement (RI&E)



Engagement Activity

- Approved as a signatory to the updated 2020 UK Stewardship Code – for 2022 Annual Stewardship Report. This is a new standard with much more stringent criteria to be met. 12 principals covering Governance, Investment, Engagement and Exercising rights and responsibilities.



- More information on our engagement activities, alongside that of LGPS Central, the Local Authority Pension Fund Forum (LAPFF) and our investment managers, can be viewed as part of our quarterly report to the Pensions Panel. [RI&E report Q1 2023.24 \(staffordshire.gov.uk\)](https://www.staffordshire.gov.uk/ri&e-report-q1-2023-24)

Climate Change reporting during 2023

- Third Climate Risk Report from LGPS Central in March 2023
- Third Task force for Climate related Financial Disclosures (TCFD) report.
- Updated Climate Stewardship Plan
- Stewardship and engagement activity reported to Pensions Panel quarterly
- Climate Change Strategy was published in March 2022.
- The Fund set an overall net zero target of 2050 and 2030 interim targets.
- Data baseline of March 2020, updates reported annually.



Responsible Investment & Engagement (RI&E) Climate Change

2030 Climate Target	September 2022 level	Change from March 2020 (absolute/relative)
Reduce the Weighted Average Carbon Intensity (WACI)* of the Fund by 50-60% by 2030.	WACI* 122.72	-53.79 WACI* / -30.47%
Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.	6.24%	-0.15% / -2.42%
Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.	1.72%	0.89% / -34.08%
Increase the proportion of investments where carbon metrics are reported to over 95% by 2030**.	70.79%	1.59% / 2.30%

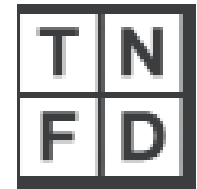
*WACI (tCO₂e/USDm revenue) is calculated by the division of the number of tons of Carbon Dioxide emitted, by the amount of US Dollar revenue (in millions) generated.

**where climate data is captured, calculated, and provided by the investee companies/managers, rather than estimated by the Fund/data provider.

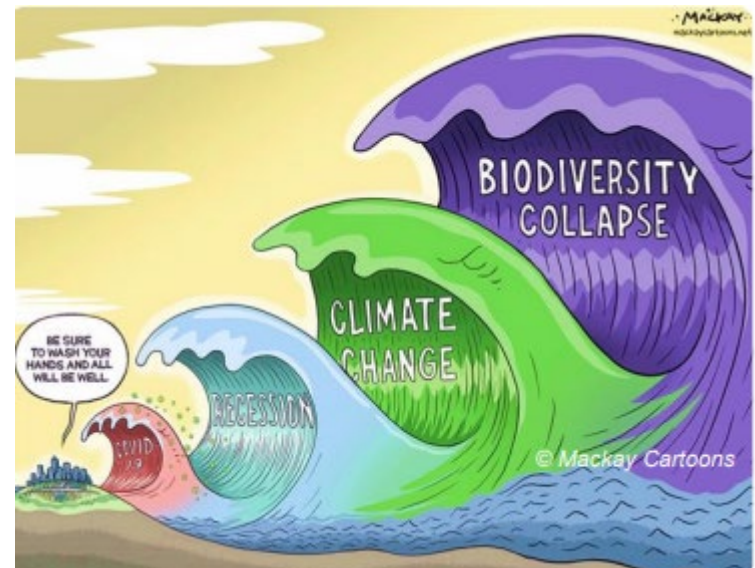
Responsible Investment & Engagement (RI&E)

What's next...

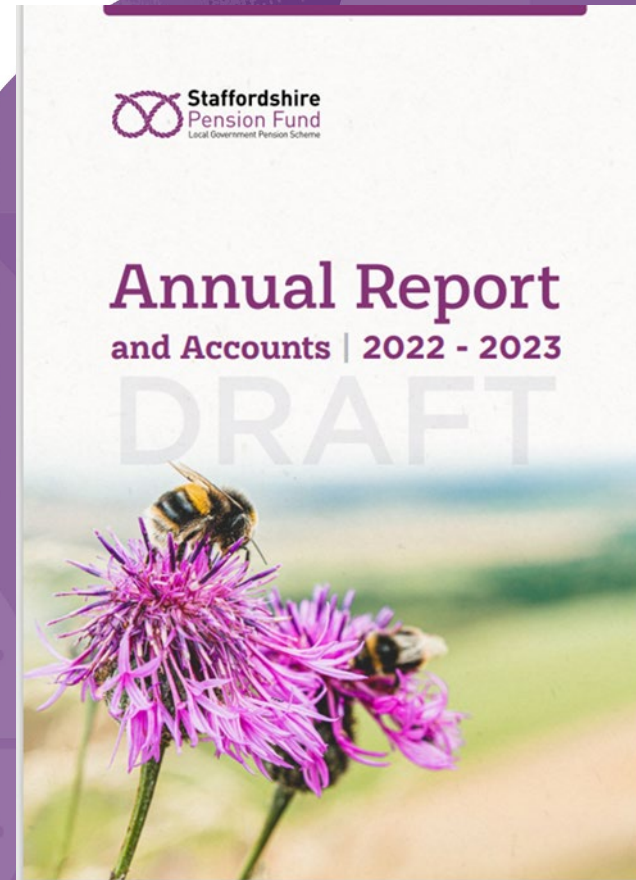
- Taskforce for Nature related Financial Disclosure (TNFD)



- Biodiversity
- Review climate targets and metrics, Scope 3 emissions data, Green revenues target?



More information on the Fund's investments and the latest accounts is available in the (draft) 2022/2023 Annual Report at www.staffspf.org.uk





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LGPS Central Limited

LGPS Central Pool Update

LGPS Central - 8 Partner Funds

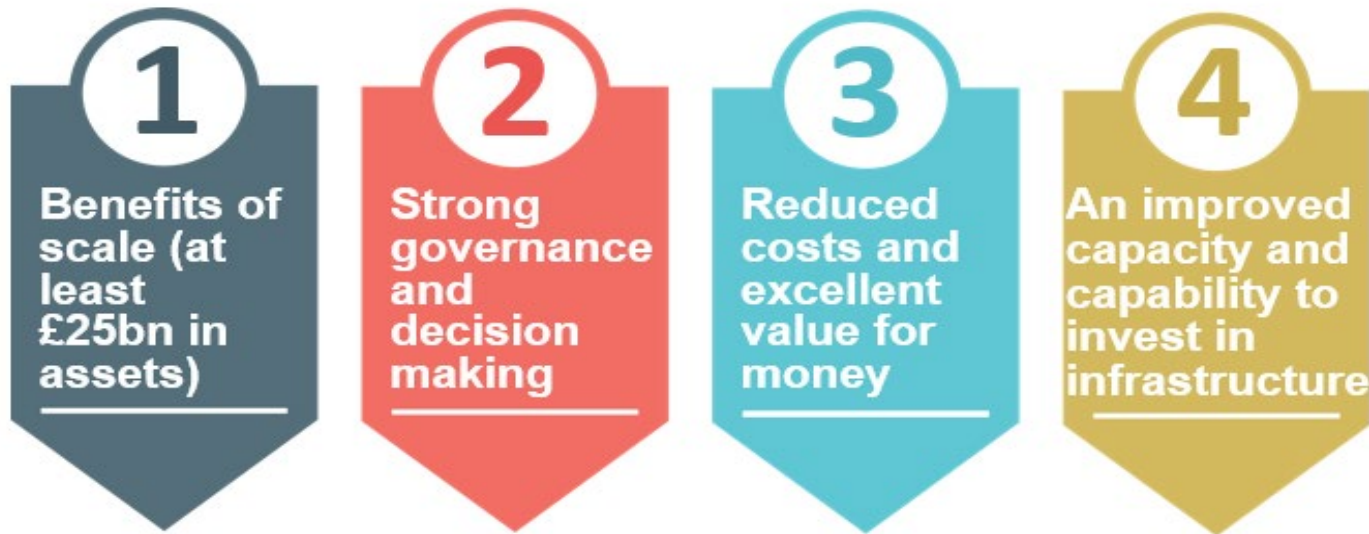


£56bn
at 31 March 2023



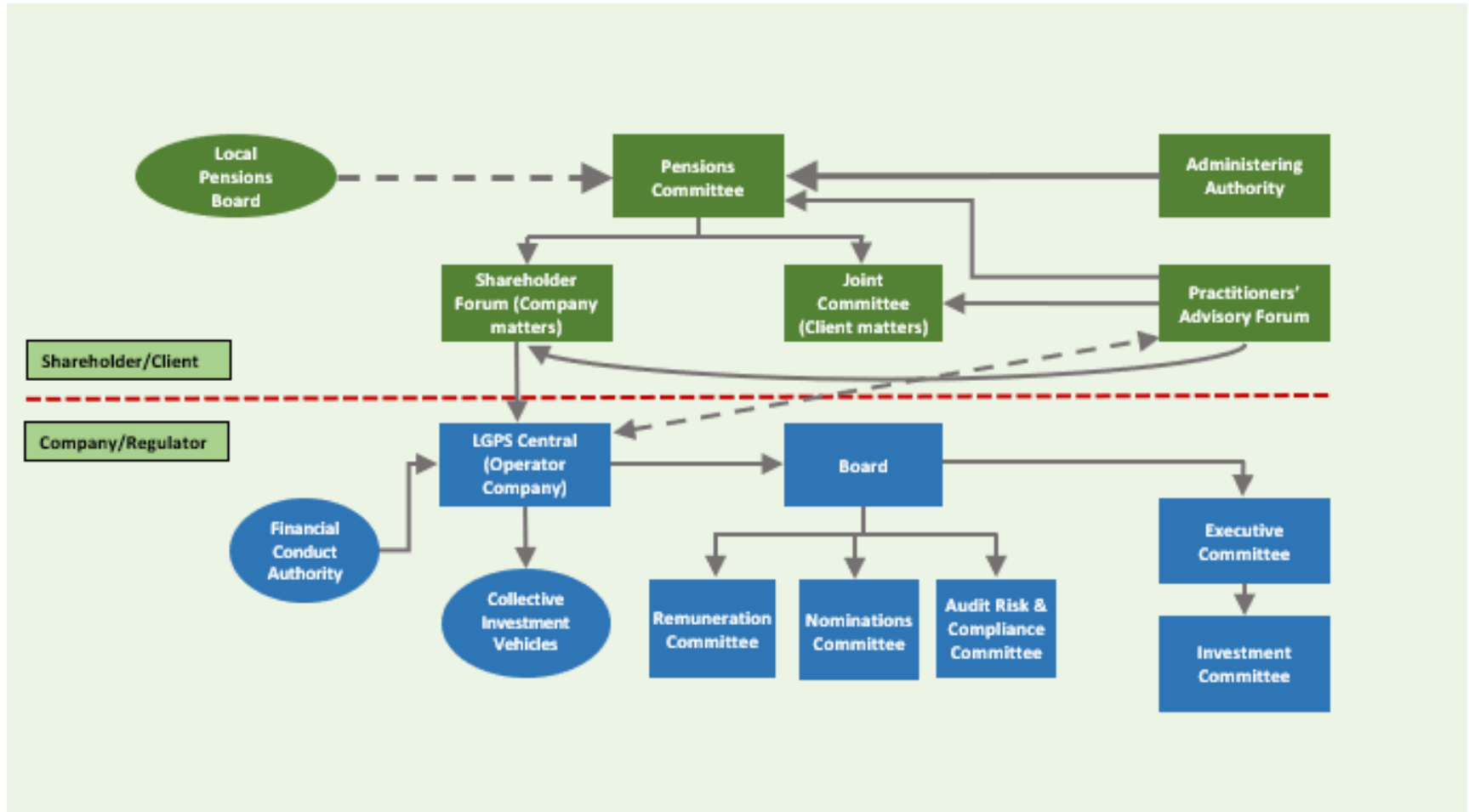
Government Criteria

A reminder of what it was all about back in 2016.....



...but has the July 2023 DLUHC consultation moved the goal posts?

Governance - LGPS Central pool



LGPS Central Ltd 2022/23



£26.4bn

Assets under our stewardship
As at 31/03/2023

£56bn

Collective assets of Partner Funds
As at 31/03/2023

47%

Pooled and advised assets
As at 31/03/2023

£326m

Projected gross savings
by 2033/34



26 Funds

Launched since 2018

Direct Property

Latest product launched

38

External managers

80

Colleagues



100%

Responsible Investment
Integrated Status

TCFD

Reports published

8

Partner Funds

Net Zero

Commitment on assets under
our stewardship 2050



**UK Stewardship
Code 2020**

Signatory

3,337

Votes at meetings
(Mar 2022 to Mar 2023)

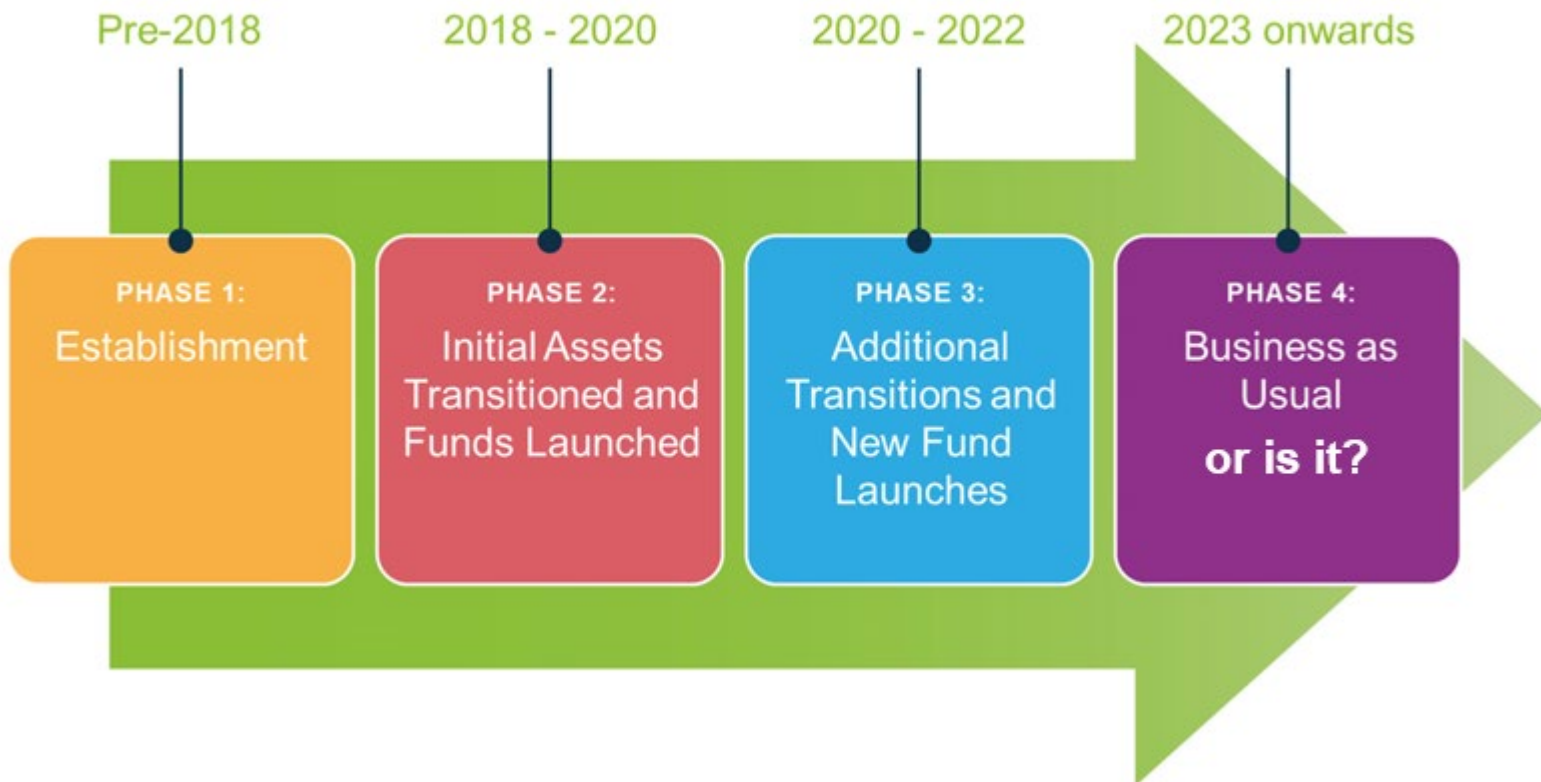
40,981

Resolutions voted upon
(Mar 2022 to Mar 2023)

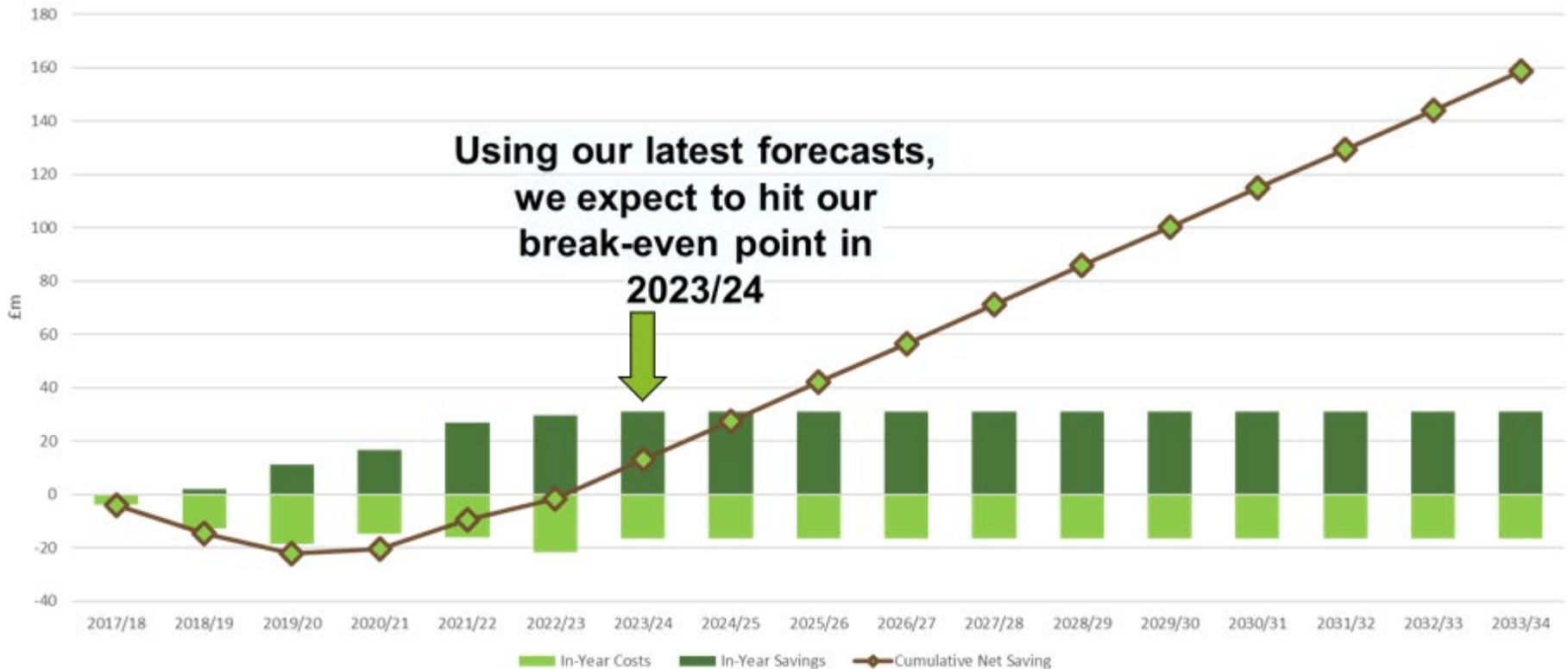
Diversity Project

Member

LGPS Central Limited Past, present and future...



Cost Savings LGPS Central pool progress to break-even...



DLUHC Consultation July 2023

LGPS: next steps on investments

- Proposing deadline for transition of all liquid assets by 31 March 2025.
- A longer-term ambition for fewer pools to maximise benefits of scale.
- The government wants to see all assets, including illiquid assets, transferred to the pools over time.
- Funds need to have a plan to invest up to 5% of assets in the UK (i.e. Levelling Up)
- A proposal for the LGPS to invest up to 10% in private equity.


Read our Consultation response: [8. Agenda Item 8 - DLUHC Consultation on Investments PC290923.pdf \(staffordshire.gov.uk\)](#)

What Staffordshire assets are currently 'pooled assets'?

Staffordshire Assets under Management with LGPS Central Limited	As at 30/06/23 £m	% of Fund
LGPS Central Global Equity Active Multi Manager Fund	666.6	9.9
LGPS Central Global Active Investment Grade Corporate Bond Multi Manager Fund	489.2	7.3
LGPS Central Global Multi Factor Equity Index Fund	248.9	3.7
LGPS Central Global Sustainable Equity – Targeted Fund	129.1	1.9
LGPS Central Private Equity (£130m committed over three funds)	8.8	0.1
LGPS Central Private Debt (£160m committed over three funds)	55.4	0.8
LGPS Central Infrastructure Fund (£220m committed over three funds)	87.8	1.3
Total	1,685.8	25.0

What else does Staffordshire plan to pool in the next couple of years?

Staffordshire Potential new allocations to LGPS Central Limited	Approx.. £m	% of Fund at 30/6/2023
LGPS Central All World Equity Climate Multi Factor Fund	300.0	4.4
LGPS Central Multi Asset Credit Fund	c340.0	5.0
LGPS Central Private Debt Partnership	c220.0	3.3
LGPS Central Infrastructure Partnership	c240.0	3.6
LGPS Central Indirect Property Fund	c60.0	0.9
Total	c.1,160.0	17.2



**We await the outcome of the
current consultation to inform
the next part of our pooling
journey!!**

**Please engage with us, please
provide us with feedback and
please continue to help us to
help you**

**Thank you.
Any questions?**