

# **Staffordshire Pension Fund**

## **Annual General Meeting**

### **15 November 2022**

**Melanie Stokes (Assistant Director for Treasury & Pensions)**

**Tim Byford (Strategic Investment Manager)**

**Helen Wilson (Senior Investment Accountant)**



**Staffordshire Pension Fund  
Draft Accounts for year ended  
31 March 2022**



# Contributions and Benefits

	2020/21 £m	2021/22 £m
Contributions receivable	278.9*	180.1
Transfers in	9.7	11.6
Benefits payable	(190.2)	(195.7)
Transfers out	(15.4)	(10.3)
<b>Net additions/(withdrawals) from dealing with members</b>	<b>83.0</b>	<b>(14.3)</b>

\* Includes £82.2m of employer deficit prepayments which relate to 2021/22 and 2022/23

# Management Expenses

	2020/21 £m	2021/22 £m
Administrative expenses	(2.4)	(2.9)
Investment management expenses	(18.9)	(20.9)
Oversight and Governance expenses	(1.6)	(1.8)
<b>Total management expenses</b>	<b>(22.9)</b>	<b>(25.6)</b>

# Return on Investments

	<b>2020/21</b> <b>£m</b>	<b>2021/22</b> <b>£m</b>
Investment income	58.3	68.3
Change in the market value of investments	1,289.5	652.3
<b>Net change in investments</b>	<b>1,347.8</b>	<b>720.6</b>

# Net assets of the Fund

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Opening net assets of the Fund	4,744.5	6,152.4
Net increase in the Fund	1,407.9	680.7
<b>Closing net assets of the Fund</b>	<b>6,152.4</b>	<b>6,833.1</b>

# 2022 Actuarial Valuation

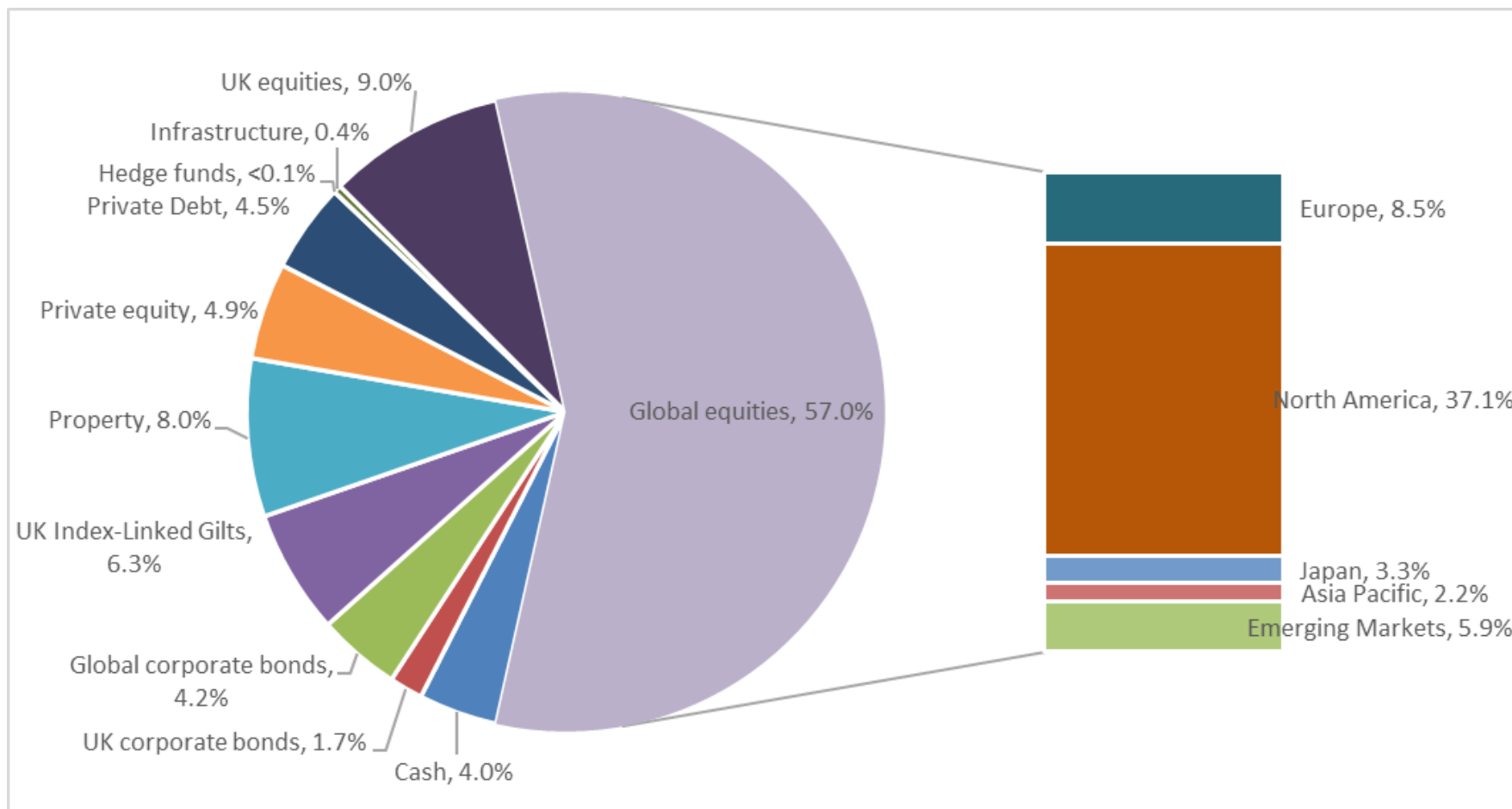
<b>Valuation Date</b>	<b>31 March 2019 £m</b>	<b>31 March 2022 £m</b>
Total Liabilities	5,204	5,696
Assets	5,131	6,833
Surplus/(Deficit)	(73)	1,137
<b>Funding Level</b>	<b>99%</b>	<b>120%</b>

# Staffordshire Pension Fund 2021/22 Investment Update

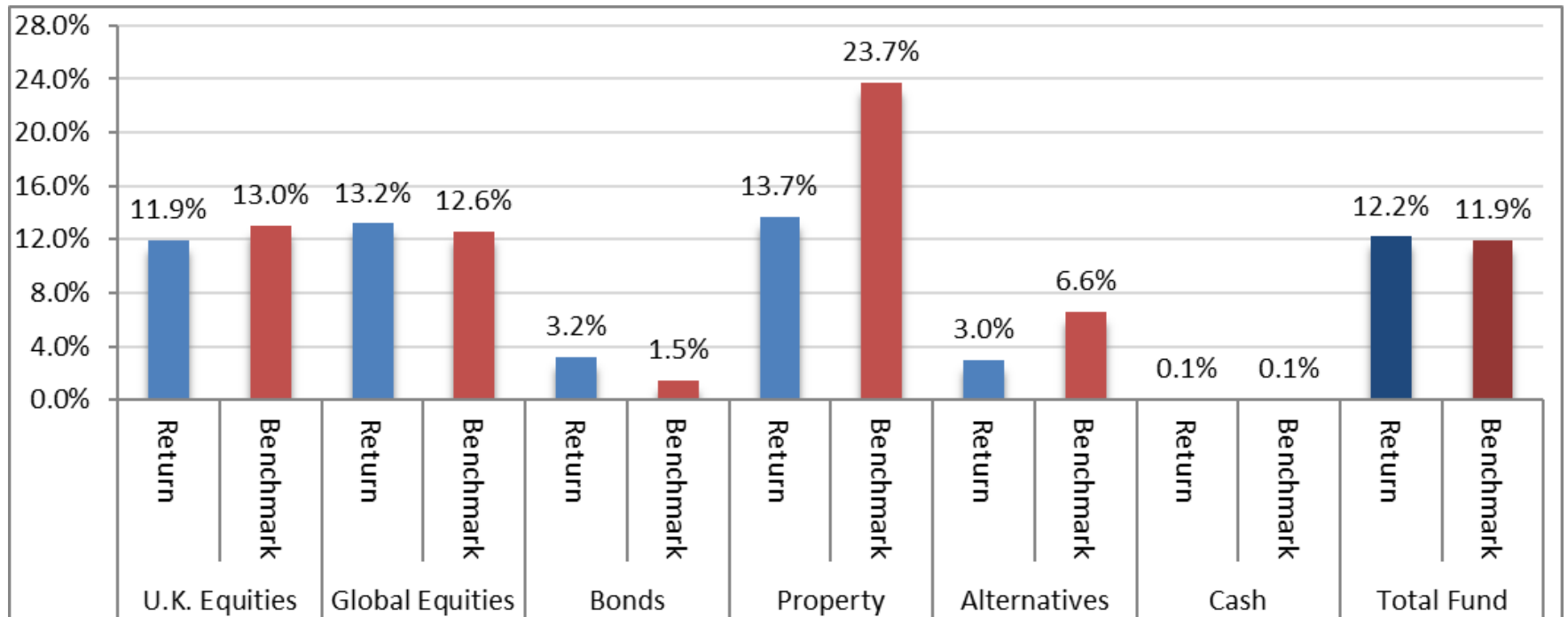




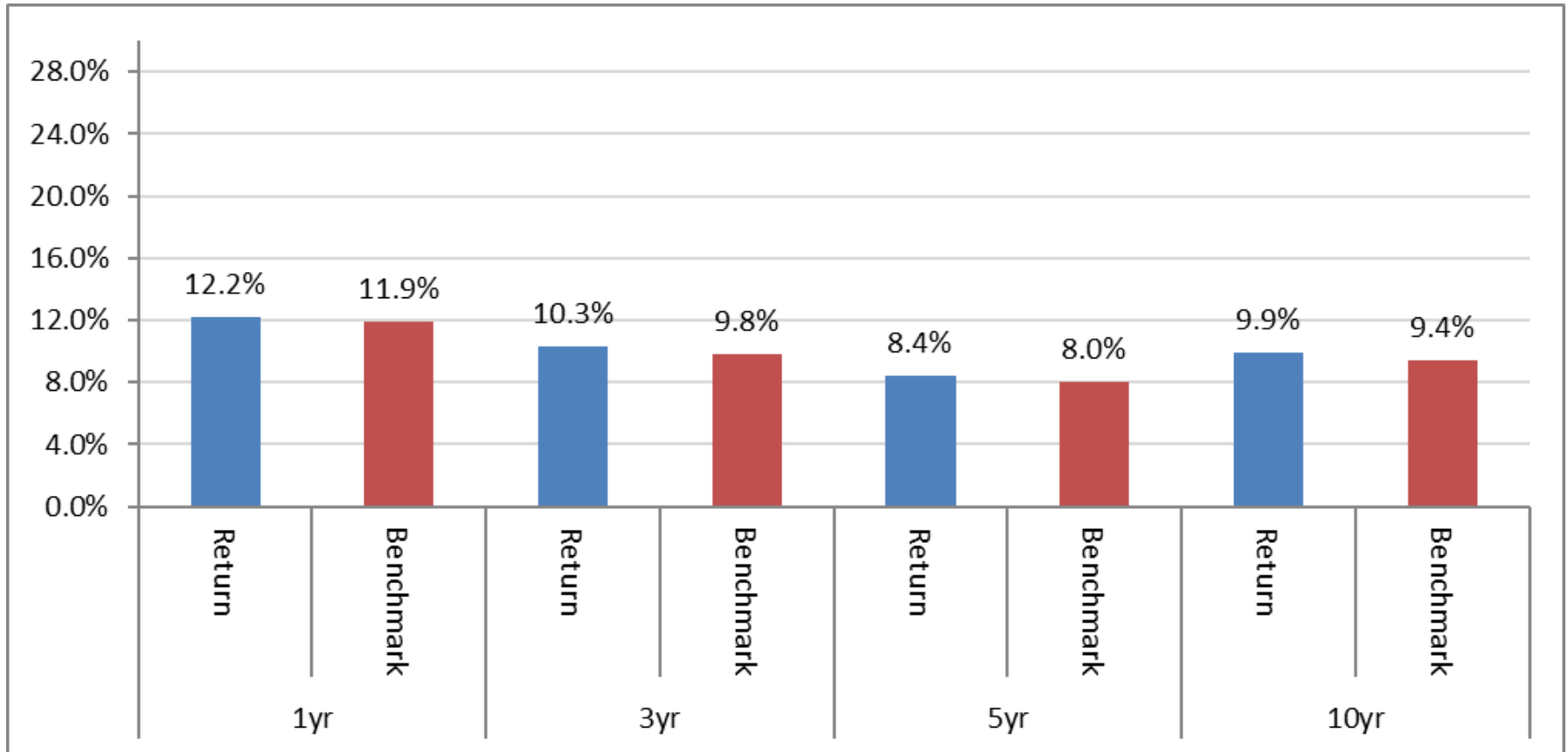
# Percentage breakdown by asset class at 31 March 2022



# Asset class returns for year ended 31 March 2022



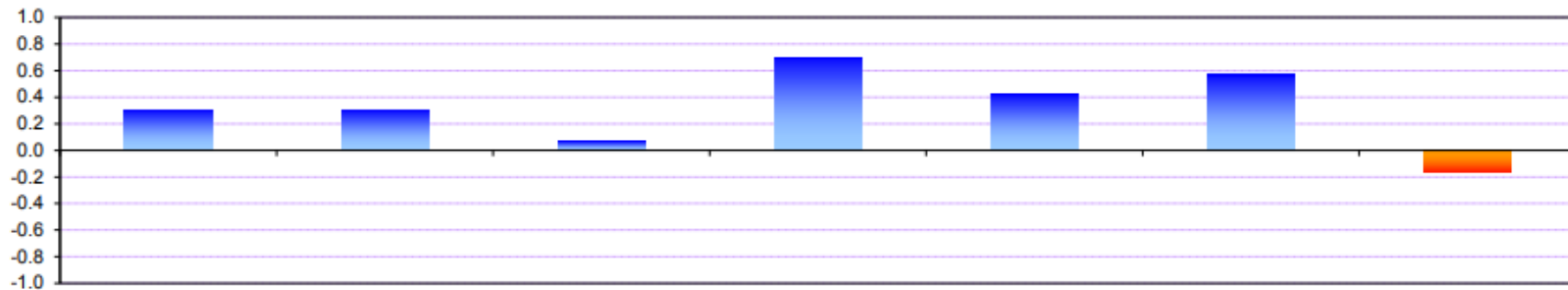
# Total Fund returns at 31 March 2022



# Fund Performance at 30 June 2022

## (Market Value £6.3bn)

Excess Return Analysis (%)



	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Apr 95 (p.a.)
Excess Return	0.3	0.3	0.1	0.7	0.4	0.6	-0.2
Portfolio Return	-6.1	-6.1	-0.8	6.7	6.9	9.5	7.9
Benchmark Return	-6.4	-6.4	-0.9	6.0	6.5	8.9	8.0

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

# Strategic Asset Allocation at 30 September 2022

STRATEGIC BENCHMARK <u>CURRENT</u> (%)	
<b>Fixed Income</b>	<b>18.0</b>
UK Index-linked Gilts	6.5
Corporate Bonds	6.5
Private Debt	5.0
<b>Equities</b>	<b>68.0</b>
UK	6.5
Global	47.0
Global Sustainable	6.0
Factor Based Investment	5.0
Private Equity	3.5
<b>Property</b>	<b>10.0</b>
<b>Alternatives</b>	<b>3.0</b>
Infrastructure	2.0
Hedge Funds	1.0
<b>Cash</b>	<b>1.0</b>

STRATEGIC BENCHMARK <u>ACTUAL</u> (%)	
<b>Fixed Income</b>	<b>16.8</b>
UK Index-linked Gilts	6.0
Corporate Bonds	6.0
Private Debt	4.8
<b>Equities</b>	<b>70.6</b>
UK	4.1
Global	53.4
Global Sustainable	4.0
Factor Based Investment	3.7
Private Equity	5.4
<b>Property</b>	<b>8.8</b>
<b>Alternatives</b>	<b>1.4</b>
Infrastructure	1.4
Hedge Funds	0.0
<b>Cash</b>	<b>2.4</b>

# Investment activity since we last met (November 2021)

- Approved a new Strategic Asset Allocation (SAA), and a medium term plan (2-3 year) on how to achieve new SAA target benchmarks.
- Moved 10% (c£650m) of the Fund from a LGIM Global Passive Equity Fund to LGIM Low Carbon Transition Fund in August 2022.
- Further commitments to Private Equity Funds (£110m to Harbourvest Global Fund 2022, \$10m to Knightsbridge KVC X).
- Further commitments to Private Debt (£45m to LGPSC Credit Partnership I and £45m to LGPSC Credit Partnership IV (pending final approval)

# Investment activity since we last met (November 2021)

- Made 4 further commitments to Infrastructure Funds taking total commitments to c£300m.
- £50m IFM Global Infrastructure Fund,
- c£25m Blackrock Global Renewable Power III,
- £25m Equitix Fund IV
- *£60m LGPSC Infrastructure Sub Fund Core/Core plus*
- *£60m JP Morgan Infrastructure Fund, via LGPSC*
- *c£40m Pantheon Global Infrastructure Fund,*
- *c£40m Brookfield Super-Core Infrastructure Partners Fund*



# Recent property transactions

## Purchases

- Invested £16.6m in the L&G Leisure Fund
- Further £15m commitment to Gresham House Residential Secure Income LP

## Sales

- Acton Gate Stafford £10.1m



**Staffordshire**  
**Pension Fund**  
Local Government Pension Scheme



# Responsible Investment & Engagement (RI&E) Engagement Activity

- Currently working on our application to become a signatory to the 2020 UK Stewardship Code – to be submitted prior to 30 April 2023.
- Worked collaboratively with LGPS Central to identify their 4 Stewardship Themes.
  - Climate change
  - Plastic
  - Fair tax payment and tax transparency
  - Human rights risks



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.

[Responsible Investment and Engagement RIE Report Quarter 1 202223.pdf](#)

# Responsible Investment & Engagement (RI&E)

## Climate Change

- Received our second Climate Risk Report from LGPS Central in March 2022 – detailing the Fund’s carbon metrics and the risks and opportunities arising from climate change.
- Published our second Task force for Climate related Financial Disclosures (TCFD) report. Seen as best practice and soon to become mandatory for LGPS Funds.
- Published updated Climate Stewardship Plan - putting into practice recommendations from the Climate Risk Report.
- Stewardship and engagement activity reported to Pensions Panel quarterly.



# Responsible Investment & Engagement (RI&E)

## Climate Change

- The Fund's first Climate Change Strategy was published in March 2022. Officers worked with Hymans Robertson to model high-level changes to the SAA to ensure that any targets were both achievable and suitably ambitious.
- The Fund set an overall net zero target of 2050 and 2030 interim targets.
- The Climate Change Strategy set a data baseline of March 2020 and progress towards net zero was demonstrated in September 2021 data – highlighted in the Fund's second Climate Risk Report.

# Responsible Investment & Engagement (RI&E)

## Climate Change

<b>2030 Climate Target</b>	<b>September 2021 level</b>	<b>Change from March 2020 (absolute/relative)</b>
<b>Reduce the Weighted Average Carbon Intensity (WACI)* of the Fund by 50-60% by 2030.</b>	<b>124.83 WACI*</b>	<b>-51.68 WACI* / (-29.28%)</b>
<b>Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.</b>	<b>5.91%</b>	<b>-0.48% / (-7.51%)</b>
<b>Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.</b>	<b>2.24%</b>	<b>-0.37% / (-14.18%)</b>
<b>Increase the proportion of investments where carbon metrics are reported to over 95% by 2030**.</b>	<b>72.73%</b>	<b>+3.53% (+5.11%)</b>

\*WACI (tCO<sub>2</sub>e/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.

More information on the Fund's investments and the latest accounts will be available in the (draft) 2021/2022 Annual Report at [www.staffspf.org.uk](http://www.staffspf.org.uk)





# LGPS Central Pool Update

# Government Criteria

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



1

Benefits of  
scale (at  
least  
£25bn in  
assets)

2

Strong  
governance  
and  
decision  
making

3

Reduced  
costs and  
excellent  
value for  
money

4

An improved  
capacity and  
capability to  
invest in  
infrastructure

**BUT DLUHC formal consultation  
still awaited....**

# 1. LGPS Central - 8 Partner Funds

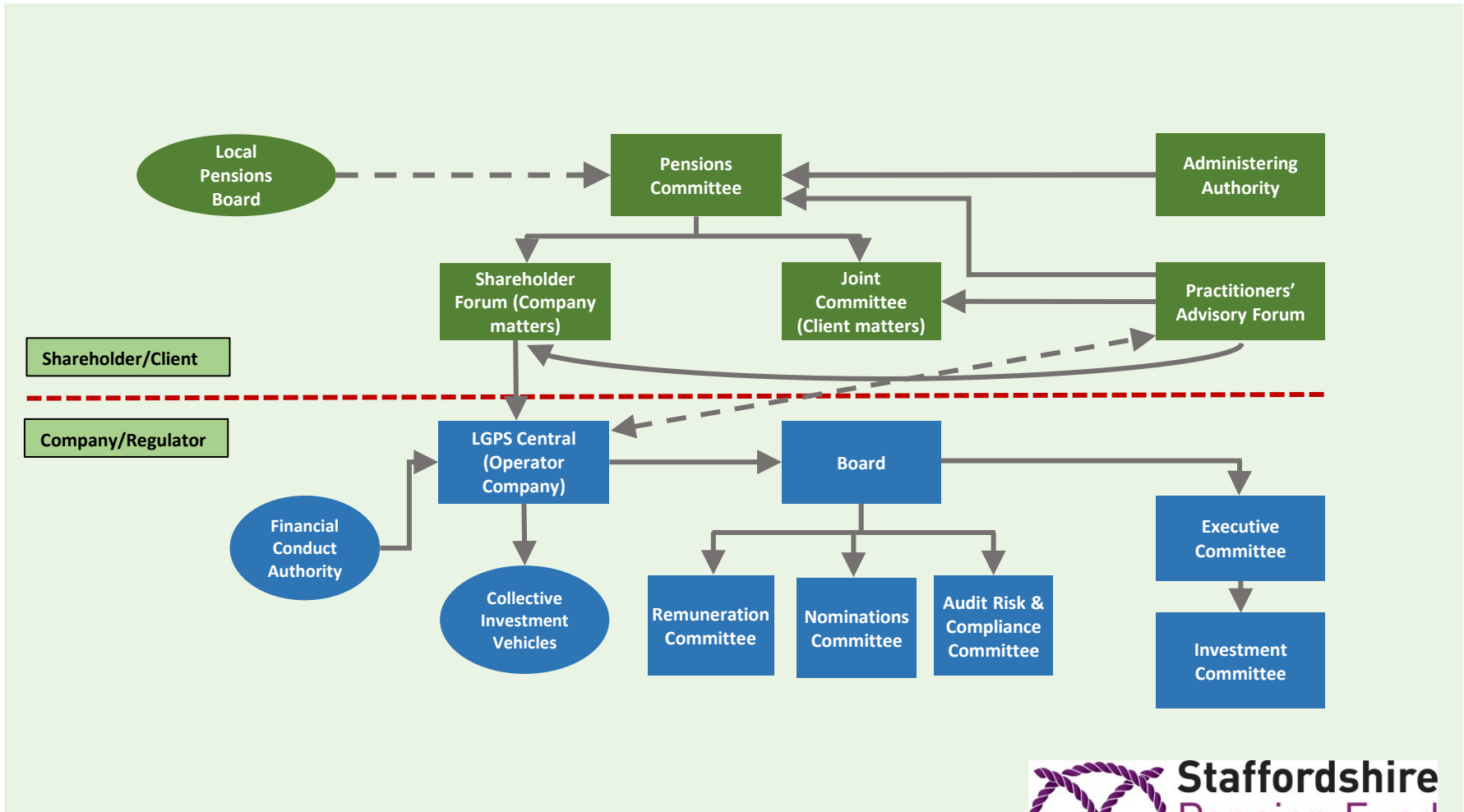


**£56bn**  
at 31 March 2022







# 2. Governance – LGPS Central pool



# 2. LGPS Central Ltd at 31 March 2022...



  
TOTAL AUM  
**£26.7**bn 

  
NUMBER OF STAFF  
**64** FTE



**16** Different  
Nationalities/  
Cultures  
REPRESENTED ACROSS  
WORKFORCE

  
WE VOTED AT  
**2,334**  
meetings  
AS PART OF OUR  
engagement  
activity



**100%**  
Responsible  
Investment  
INTEGRATED STATUS

SUPPORTING FORECASTED  
cost savings  
FOR PARTNER FUNDS BY 33/34  
**£178.3m**\*\* 

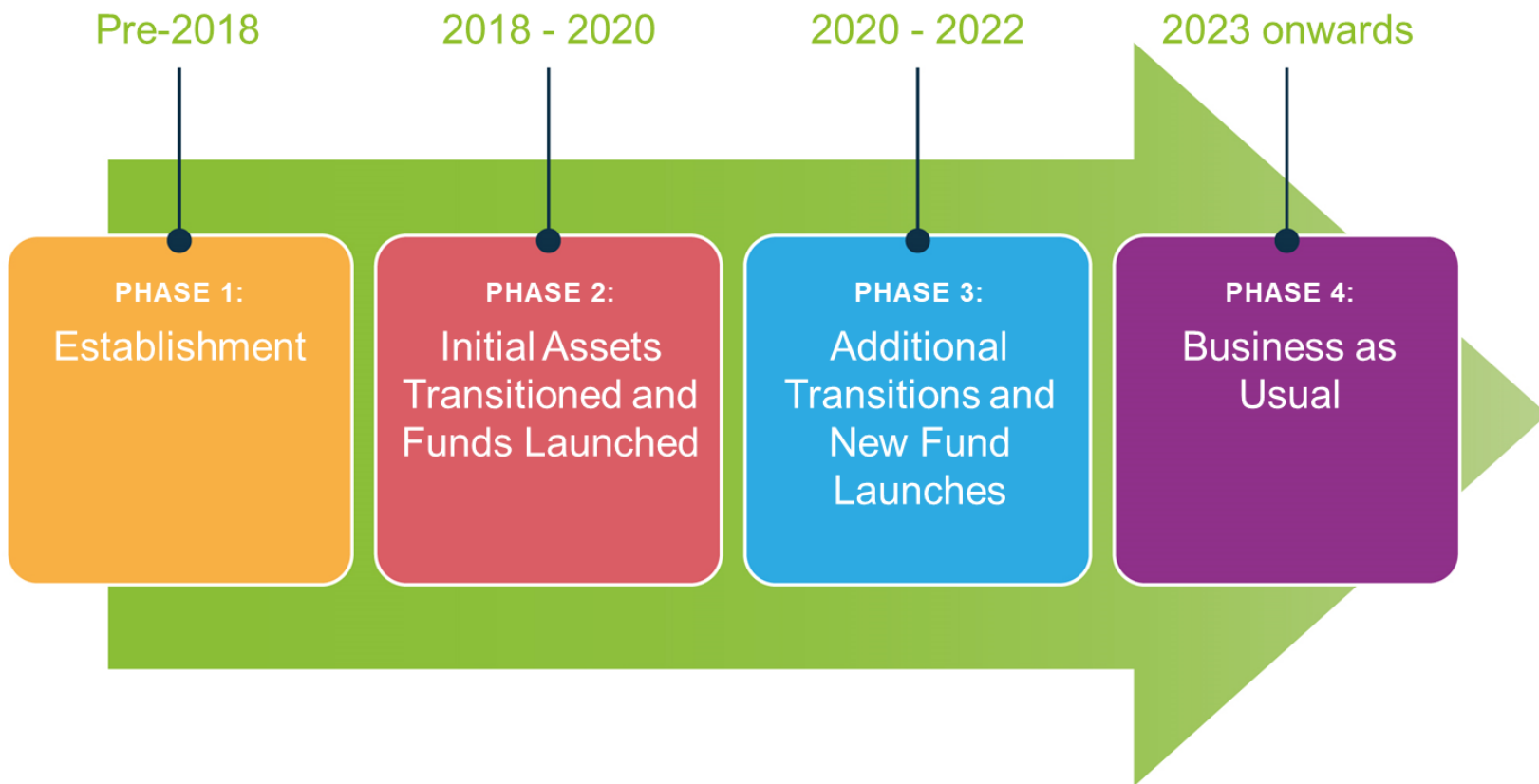


**500+**  
Cyber-attacks  
PER DAY WITH  
100% resilience

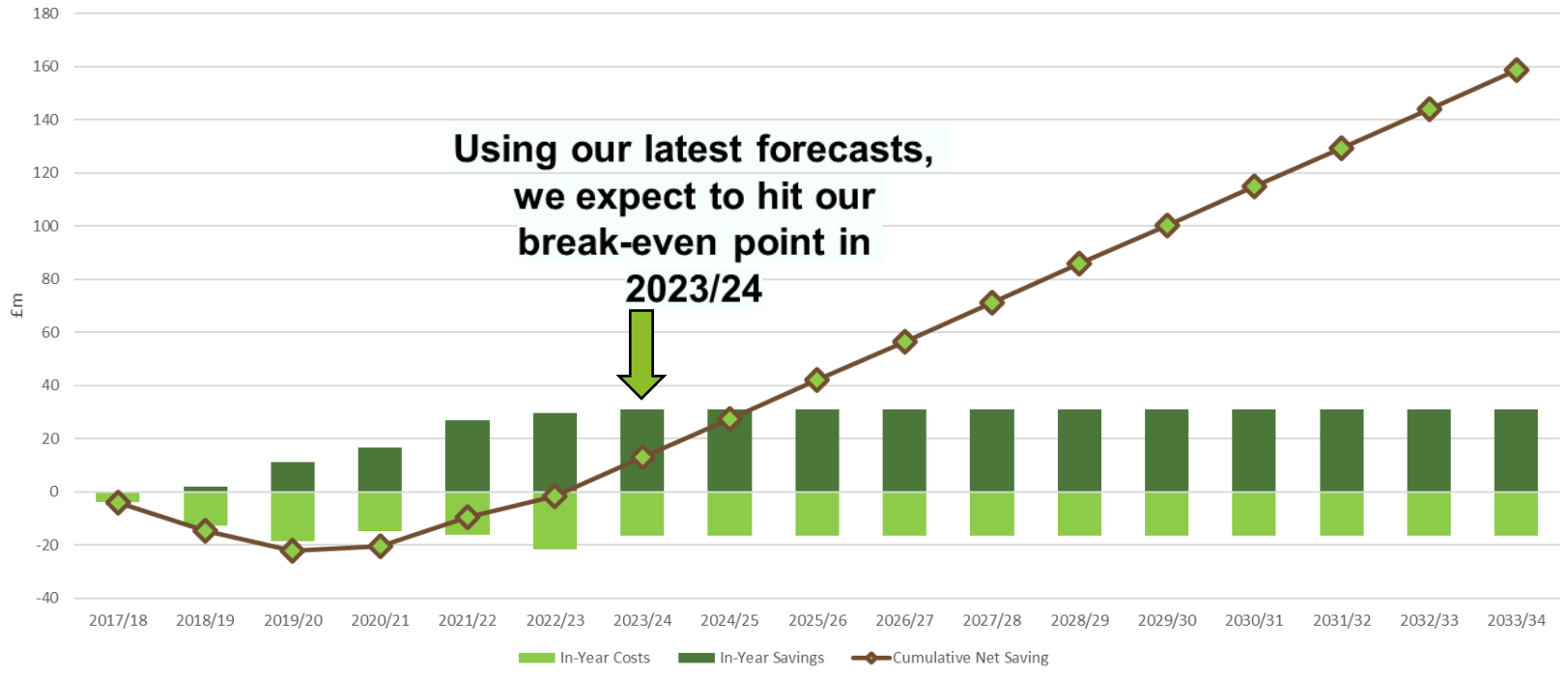
**6**  
Graduates  
ON ACTIVE PLACEMENT  
joined October 2021 

  
INVESTMENT VEHICLES  
**19**

## 2. LGPS Central Ltd The future...



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



## 4. Infrastructure

- Staffordshire Pension Fund has a short-term target allocation to Infrastructure of 5% with a longer-term target allocation of 10% (Following recent Strategic Asset Allocation review)
- Commitments of c£300m (£120m into LGPS Central products) made to date with £87.8m drawn down (reflects long lead in time to invest)
- LGPS Central Partner Funds have an average longer term target allocation to Infrastructure of just under 10%



# What do LGPS Central Limited do for Staffordshire Pension Fund?



Staffordshire Assets under Management with LGPS Central Limited	As at 30/09/22 £m	% of Fund
LGPS Central Limited Global Equity Active Multi Manager Fund	705.7	11.2
LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund	378.4	6.0
LGPS Central Limited Private Equity Primary Partnership 2018 LP (Commitment £10m)	6.7	0.1
LGPS Central Limited Private Equity Primary Partnership 2021 LP (Commitment £40m)	0.0	0.0
LGPS Central Limited Global Multi Factor Equity Index Fund	234.5	3.7
LGPS Central Limited Private Debt Partnership 2021 (Commitment £90m)	6.7	0.2
LGPS Central Limited Infrastructure Fund (Commitment £120m)	5.0	0.1
<b>Total</b>	<b>1,337.0</b>	<b>21.3</b>

# What else might LGPS Central Limited do for Staffordshire Pension Fund in 2023 and 2024???



Staffordshire Potential new allocations to LGPS Central Limited in 2023 and 2024	Approx.. £m
LGPS Central Limited Global Multi Factor Equity Index Fund	c300.0
LGPS Central Global Sustainable Active Equity Fund	c140.0
LGPS Central Limited Global Multi Asset Credit Fund	c300.0
LGPS Central Limited Private Debt Partnership	c45.0
LGPS Central Limited Private Equity Partnership	c40.0
LGPS Central Limited Infrastructure Partnership	c200.0
LGPS Central Limited Indirect Property Fund	c60.0
<b>Total</b>	<b>c1,085.0</b>



# Our pooling journey continues.....



# **Staffordshire Pension Fund Administration Update**

**Melanie Stokes**

**(Assistant Director for Treasury & Pensions)**

**John Wiggins**

**(Strategic Pensions Managers)**



## Last 12 months & looking forward

- Tendered for an externally hosted administration system provider.
- Service Standards maintained above 90% target for the majority of our key areas of activity.
- Continue to collect McCloud data
  - New Legislation applies from 01/10/2023
  - Consultation response and draft regulations and statutory guidance expected Spring 2023...not much time!
- Digital Proof of Life concept for overseas pensioners.
- Cyber Security Policy
- Planning for the Pensions Dashboard Programme go live in September 2024.

# Employer Engagement continues to be a key initiative for us

- Employer Focus Newsletter (monthly)
- Employer Focus Peer Group (quarterly)
- Fund Website – continue to make this more relevant and informative
- Webinars – for employers and employees
- My Pensions Portal (MPP) - continued support from employers in encouraging LGPS members to utilise MPP - internal MPP working group open to ideas?

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

**Thank you.**

**Any questions?**