

SOUTH YORKSHIRE PENSIONS AUTHORITY

8 JUNE 2023

PRESENT: Councillor J Dunn (Chair)
Councillor M Havard (Vice-Chair)
Councillors: R Bowser, S Clement-Jones, S Cox, A Dimond, D Fisher,
C. Gamble-Pugh, D Nevett, A Sangar and M Stowe

Non-voting Coopetes: N Doolan-Hamer (Unison) and G Warwick
(GMB)

Investment Advisors: T Castledine and A. Devitt

Officers: S. Ghuman (Deputy Clerk BMBC), G Graham (Director),
J Stone (Head of Governance & Monitoring Officer), S Smith
(Assistant Director - Investments Strategy), N. Keogh (Interim
Assistant Director - Pensions), G Taberner (Assistant Director -
Resources & Chief Finance Officer), W Goddard (Head of Finance),
B. Illidge (Communications Officer) and J. Webster (Service Manager -
Customer Services)

Apologies for absence were received from Councillor J Mounsey

1 **WELCOME AND INTRODUCTIONS**

The Deputy Clerk welcomed everyone to the meeting and oversaw the process of electing a new Chair of the Authority.

2 **APPOINTMENT OF CHAIR AND VICE CHAIR**

The Deputy Clerk invited nominations for the role of Chair, Councillor Jayne Dunn was nominated for the position by Councillor Nevett and seconded by Councillor Stowe. There being no other nominations Councillor Dunn was confirmed as Chair of the Authority for the 2023/24 Municipal Year and assumed the Chair.

The Chair invited nominations for the position of Vice-Chair. Councillor Marnie Havard was nominated by Councillor Nevett and seconded by Councillor Stowe. There being no other nominations Councillor Havard was confirmed as Vice Chair.

3 **VOTE OF THANKS TO OUTGOING CHAIR**

Councillor Cox proposed a vote of thanks to Councillor Mounsey the outgoing Chair. The Committee unanimously agreed and a letter of thanks will be issued to Councillor Mounsey.

4 **APOLOGIES**

Apologies were noted as above.

5 DECLARATIONS OF INTEREST

None

6 ANNOUNCEMENTS

None

7 QUESTIONS FROM THE PUBLIC

Questions were received from Ms Poland and Mrs Cattell. The Director replied on behalf of the Authority.

Written copies of the questions and responses were given to the public attendees and an e-mailed version will be sent to Ms Poland who was unable to attend.

The written replies are attached as appendices at the end of this pack.

8 URGENT ITEMS

None

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

Resolved: Item 26 shall be considered in the absence of Public and Press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

10 ADOPTION OF THE CONSTITUTION

The Head of Governance presented a report to secure the approval for the Authority's updated Constitution following a detailed review which had been supported by external legal advisers.

Members considered the report.

RESOLVED: a) Members approved the updated Constitution.
b) Approved the recommended future arrangements and delegations in relation to further amendments set out in Paragraph 5.5

11 MEMBERSHIP, POLITICAL BALANCE AND APPOINTMENT TO COMMITTEES

The Director delivered a report on the appointments to the Authority's Committee's for the 2023/24 Municipal Year in line with the political balance rules applying to the Authority and,

RESOLVED:

- a) To note the members appointed to the Authority by the District Councils
- b) To note the members appointed to answer questions in the meetings of the Full Council of the District Councils
- c) To approve the following appointments to Committees

Audit and Governance Committee:
Con Councillor S. Cox
Lab Councillor R. Bowser
Councillor M. Havard (Chair)
Councillor D. Nevett
LD Councillor S. Clement-Jones
Vacancy Green Councillor

Appointments and Appeals:
Con Councillor D. Fisher
Lab Councillor J. Dunn (Chair)
Councillor M. Havard
Councillor J. Mounsey
Councillor M. Stowe
LD Councillor A. Sangar

Staffing:
Con Councillor D. Fisher
Lab Councillor J. Dunn (Chair)
Councillor M. Havard
Councillor J Mounsey
Councillor M. Stowe
LD Councillor A. Sangar

12 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None

13 MINUTES OF THE MEETING HELD ON 16/03/2023

RESOLVED: That the minutes as presented for the Authority Meeting held on 16th March 2023 are a true and accurate record.

14 CORPORATE PERFORMANCE REPORT 2022/23 (Q4)

The Assistant Director – Resources and Head of Finance delivered the Q4 Corporate Performance Report for members to consider and approve.

Members raised questions around the root causes of complaints and whether the Authority was effectively managing scheme member expectations around response times. In response the Interim Assistant Director – Pensions responded that while staff do try to keep members informed of delays in processes (for example due to receipt of information from employers) and this was increasingly being automatically built into processes there is clearly a mismatch between what scheme members expect and staff's capacity to deliver particularly in the context of current workloads. The issue would be addressed more fully in the work described to address the challenges facing Pensions Administration dealt with elsewhere on the agenda.

RESOLVED: Members:

a) Approved the budget virement set out in paragraphs 5.1 to 5.3 of the report

b) Approved the transfer to and from earmarked reserves as set out in the table in paragraph 5.61 amounting to a net total transfer from reserves of £66,360

15 Q4 INVESTMENT PERFORMANCE REPORT 2022/23 (INC ADVISERS REPORT)

T. Castledine – Independent Adviser presented the Q4 Advisers Report for members to consider and note.

This was followed by the Assistant Director – Investments who delivered the Q4 Investment Performance Report.

Members sought the views of the advisers on the causes and potential impacts on the Fund of the current levels of inflation. The advisers responded that the current pattern of inflation was following a similar path to historical inflationary cycles and that these could be extremely difficult to deal with. In terms of the impact on the Fund higher inflation made real (i.e. above inflation) returns more difficult to achieve although conversely the increases in interest rates necessary in this environment had a positive impact by reducing liabilities.

RESOLVED: Members noted both reports.

16 Q4 RESPONSIBLE INVESTMENT UPDATE 2022/23

The Director presented the regular quarterly report on Responsible Investment Activity for Members to note and comment upon.

Members asked about the recent Shell AGM and how votes had been cast. The Director responded that due to the timing of the meeting this was not covered in this report but that a briefing note would be provided when the information was available. Members asked whether the Fund has different policy approaches to Israel and Palestine as opposed to Russia and Ukraine and whether there is a risk of legal action against the Authority for holding the investments in Israeli banks?

The Director replied the Fund is obliged to follow all international sanctions, as with the Russian invasion of Ukraine. The small number of investments held by the Fund in Russia prior to the war in Ukraine could not be divested due to the sanctions and so are now worthless.

The situation in Israel is materially different. There is a risk of legal action, but that could come from either side of the issue, and potentially regulatory action under forthcoming regulation in relations to Divestment Boycotts and Sanctions.

RESOLVED: Members noted the content of the report.

17 PENSIONS ADMINISTRATION PERFORMANCE STANDARDS

The Interim Assistant Director – Pensions presented a report to inform members of pensions administration performance for the year ending 31 March 2023 and planned actions over the coming months.

Members raised a number of questions on specific areas, including:

- Whether there were different levels of customer satisfaction between those who communicate with the Authority electronically and using traditional methods. In

response officers considered that the issues are more about the timescales for communication rather than the method.

- Whether members with digital accounts could track progress on their particular case. Officers responded that while clearly desirable this function was currently not available.
- Whether the Authority's processing time targets were out of line with other LGPS schemes, in which case we might be setting unrealistic expectations. Officers responded that this is indeed the case and the current targets were set before the 2014 scheme was introduced and are now clearly unrealistic and will be reviewed as part of the work identified in the report.

Resolved: Members noted the report.

18 CONSULTATION, COMMUNICATIONS AND ENGAGEMENT STRATEGY APPROVAL

The Director presented the Consultation, Communications and Engagement Strategy and introduced J. Webster - Service Manager - Customer Services and B. Illidge - Communications Officer who authored the strategy.

The Director noted that this is a statutory document and of high importance to the Authority. There are no fundamental changes but looks to move us forward in several areas as outlined in the report.

Given that the strategy is relatively static it was proposed to extend the review period to every two years.

Members raised a number of points in discussion, including:

- Whether it would be possible to provide members of the Authority with tools to help raise awareness of pensions issues. Officers would see whether anything could be done in this regard and highlighted the increasing emphasis on encouraging scheme members to engage with their pension throughout their life not just in the lead up to retirement.
- The arrangements for the Annual Fund Meeting and how to encourage attendance. Officers noted that attendance had been declining prior to the pandemic and that this was an issue common to many LGPS funds.

RESOLVED: Members approved the revised Consultation, Communications and Engagement Strategy.

19 2022 VALUATION COMPARISONS

The Director presented a report providing a comparison the Fund's 2022 valuation results with those of the other LGPS funds in England and Wales.

Members attention was drawn to the conclusion that the Fund was in a relatively strong position following the valuation.

RESOLVED: Members noted the report.

Councillor Cox left the meeting at this point to attend a previously booked appointment.

20 MEMBERS' LEARNING AND DEVELOPMENT STRATEGY

The Head of Governance delivered a report to provide members with a forward look at arrangements for 2023/24 within the Members Learning and Development Strategy and setting out a training plan to address the needs identified from the national knowledge assessment completed in 2022/23.

Officers responded to a range of detailed questions concerning topics for future training sessions and the promotion of webinars to members and whether the additional online learning modules needed to be completed by all members.

Officers also agreed to recirculate the calendar for members.

RESOLVED: Members approved the Members Learning and Development Strategy 2023/24.

21 ANNUAL REPORT OF THE AUDIT COMMITTEE

The Head of Governance presented the Annual Report of the Audit Committee in the absence of Councillor Weatherall, the outgoing Chair of the committee to allow members of the Authority to consider the annual report of the Audit Committee as part of the process of gathering assurance for the production of the Annual Governance Statement.

RESOLVED: Members noted the report and asked that thanks be passed on to Councillor Weatherall for his work on the report.

22 ANNUAL REPORT OF THE LOCAL PENSION BOARD

G. Warwick as Chair of the Local Pension Board presented the LPB Annual Report to allow members of the Authority to consider the annual report of the Local Pension Board, in line with the LGPS Governance Regulations and as part of the process of gathering assurance for the production of the Annual Governance Statement.

Thanks were extended to C. Scott the Independent Adviser to the Board and the Officers for their insights and support throughout the year.

RESOLVED: Members noted the report.

23 ANNUAL GOVERNANCE STATEMENT

The Head of Governance presented the Annual Governance Statement 2022/23 for the Boards approval.

Officers responded to detailed questions concerning changes to the appeals process and the analysis of common trends.

RESOLVED: Members:

a. **Approved the Annual Governance Statement for 2022/23 and authorise its signature by the Chair and Director.**

b. **Noted the provisional conclusion of the Head of Internal Audit which will be revised if required by the content of the Internal Audit Annual Report.**

24 MEMBERS REMUNERATION

The Head of Governance presented a report to provide Members with information regarding potential introduction of remuneration for Non-Voting Authority members, Local Pension Board members and for Independent Members of the Audit & Governance Committee.

RESOLVED: Members:

a. **Considered the introduction of remuneration for Non-Voting Members of the Authority, Members of the Local Pension Board and Independent Members of the Audit & Governance Committee and agreed to proceed with the option identified in the body of the report.**

b. **Authorised the Head of Governance to update the Members' Allowances Scheme accordingly.**

25 DECISIONS TAKEN BETWEEN MEETINGS

The Head of Governance presented a report to report on decisions taken as a matter of urgency between meetings of the Authority.

There had been one decision taken as outlined in paragraph 5.3 of the report.

RESOLVED; Members noted the decision taken between meetings of the Authority using the appropriate urgency procedures.

26 PENSION ADMINISTRATION SYSTEM

Resolved: Item 26 shall be considered in the absence of Public and Press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

The Interim Assistant Director – Pensions presented an update to Members on the outcome of the consideration of options to the Pensions Administration Systems.

RESOLVED: Members discussed and accepted the Recommendations set out in the report.

27 APPENDIX A

Questions from Members of the Public

Question from Ms C Poland

The new far right government in Israel includes ministers who have openly declared themselves to be fascists. This government has caused increased violence towards

and oppression of the Palestinian population. Many international financial organisations are moving funds out of Israel due to the ongoing instability.

In the light of this situation has the South Yorkshire Pension Authority and/or Border to Coast discussed taking investments out of Israel, especially any that are operating in the illegal settlements, such as Bank Hapoalim and Bank Leumi?

Response

The position is much more complex than the question implies and the consideration of the issues raised in the question is not one of politics but of investment risk. The nature of this risk varies both between investee companies and the assets in which investments are made (risks may be different between bonds and equities, and the investments referred to here are in bonds and not equities). SYPA as the question acknowledges works through Border to Coast in this area and subscribes to the shared policy framework agreed by the 11 partner funds and the company. The following information provided by Border to Coast sets out the various issues and considerations which are involved in dealing with issues of this sort.

Overview

We fully recognise the importance and sensitivity of any human rights issues in the Occupied Palestinian Territories (OPT). Border to Coast considers material ESG factors, including human rights violations, when analysing potential investments. The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value.

Border to Coast's Responsible Investment (RI) policy, which has been developed in conjunction with Partner Funds, does not operate any exclusions related to human rights violations. We take a holistic approach to identify all the risks a company faces and understand the materiality of these issues.

We monitor portfolios using ESG data providers across a wide range of environmental, social and governance (ESG) issues including the MSCI Global Compact Assessment, Plenitude Compass Country Risk List and RepRisk ESG incident feeds. We also monitor information from a number of other sources, including the UN Human Rights Office of the High Commissioner and NGOs. Our voting and engagement partner monitors client portfolios to pick up UN Global Compact and OECD Guidelines breaches, which includes human rights violations.

We prioritise engagement activity based on investment risk, the materiality of the issue and the probability of being able to make a successful intervention. One of our current engagement themes "Human Rights Due Diligence for Conflict Affected and High-Risk Areas" being conducted by Robeco specifically covers companies operating in Israel, Palestine and the OPT.

Companies were selected for the engagement using the UN database which classifies the involvement of 112 companies in the OPT. In addition to this, the Local Authority Pension Fund Forum (LAPFF) on behalf of Border to Coast and our Partner Funds, engaged with 17 companies in 2021 who were identified as having

“potentially problematic operations in or related to the OPT”. LAPFF continues to ask a number of companies to undertake human rights impact assessments on their operations in the OPT.

Border to Coast: Process for Screening against UN Global Compact

The UN do not keep a list of companies who breach the UN Global Compact – it is up to people/data providers interpretations. As such our approach is doing this is:

- We screen all of our companies, internal and external, for UN Global Compact compliance using MSCI. We also use other data sources to complement this.
- Our approach is to screen on a quarterly basis. However, if a company was deemed to have breached UNGC we receive an update from MSCI in real time. The RI team use MSCI review of all holdings. MSCI will flag companies as red/orange/green in terms of controversies (including suspected UNGC breaches)
- We also use RepRisk – although this is more on a case-by-case basis (we do get alerts to incidents but not UNGC breaches): This monitors if any breaches are within operations or in supply-chain
- More broadly the investment team uses Plenitude which gives a risk by country
- Robeco have a proprietary human rights Framework that also factors into our voting decisions, as noted in the above section.

For internally managed funds, this feeds into a quarterly dashboard of companies who have potentially breached UNGC, are ‘CCC’ rated by MSCI and/or are our top 5 emitters. This goes to the Head of Investment and the Portfolio Managers.

None of the companies on the list provided have been flagged by MSCI or RepRisk as potentially breaching UNGC. Some have commentary from MSCI that acknowledge human rights concerns related to their business activities on the West Bank.

We would note that the assertion that the names stocks are violating the UN Global Compact is data provider specific – so for example MSCI may not categorise a company as in breach but Sustainalytics may do.

SYPA continues to regard the issues concerned with companies operating in the Occupied Palestinian territories extremely seriously and will continue to work with Border to Coast and with the Local Authority Pensions Fund Forum to ensure that companies are made aware of these concerns and act in ways which ensure that they are not in breach of the UN Global Compact. However, the judgement on the level of risk related to individual stocks has to be a judgement for the individual fund manager who is better able to make a judgement on the circumstances of and investment risk associated with the individual company than SYPA.

Questions from Members of the Public 2

Question from Ms J Cattell

(Please note this question follows on from a question asked by Ms Cattell at a previous meeting and which was responded to after the meeting following the receipt of information from Border to Coast).

Thank you for the reply to the question I posed at the last quarterly meeting . The answer talks about the number of Arab people employed by the banks in Israel. I presume here you are talking about employment within the current borders of Israel and not about the Palestinian lands under Israeli occupation. Can you confirm this. My questions however concerned investments and business of the banks in the Palestinian settlements in contravention of international law.

As I said in my letter, Bank Leumi Le Israel, Bank Hapoalim B.M. Mizrah Tefahot and Altice all companies that are named on the United Nations list of companies linked to illegal Israeli settlements. The extensive human rights impact of settlements on the human rights of Palestinians has been well documented in successive reports of the Secretary General of the United Nations.

While companies like these continue to invest money and do business in illegal settlements, it promotes the development of those settlements and other new settlements depriving Palestinians of their land and livelihoods. Palestinians are not allowed to live in the settlements and are generally prohibited by the Israeli authorities from building homes.

Schools and businesses on their own Palestinian land. That same land that is being used to develop Israeli Settlements It is this issue of developing business in illegal settlements and the impact on the Palestinian people that I was wanting you to engage in with the companies. Any company making this sort of investments does not seem a suitable company to invest our pension fund in and at odds with SYPAs Responsible Investment policy which states that companies should have “Respect for the human rights of the communities with which they interact and their various stakeholders”

My question for this coming meeting is therefore “What engagement has been carried out or is planned concerning Bank Leumi Le Israel, Bank Hapoalim B.M. Mizrah Tefahot and Altice’s breaking of international law and human rights abuses in the illegal Israeli settlements.

Response

The following information has been provided by Border to Coast after consultation with the underlying fund managers who hold the stocks mentioned in the question. In response to the point in the previous answer about the number of Arab people employed by the banks in Israel.

The data provided is on total operations, not split by Israel and POT. It is not possible in practice for Israeli companies to split out their workforce this way since Israel does not recognise the term Occupied Territories or the Palestinian State.

In response to the second question concerning previous or planned engagement. The short answer, is that there is no update from either fund manager that holds debt instruments issued by these companies:

Ashmore (Bank Leumi Le Israel, Bank Hapoalim B.M. Mizrah Tefahot)

We have not carried out any further engagement beyond getting the information we provided in our original response.

We take Responsible Investment considerations very seriously. We seek to differentiate between factors that companies can either control or manage, and

general political, country-level, factors that are the domain of political decision-makers.

The former should be and are an integral to our ESG process and credit analysis as undertaken by our corporate debt team. Their conclusion is that the Israeli banks are managing these issues successfully in challenging circumstances. They have not been sanctioned or otherwise targeted for irresponsible behaviour. We believe they act reasonably, sensitively, and responsibly.

PIMCO (Altice):

We haven't engaged with Altice on this topic. They understand this controversy dates back several years and that Altice is not presently on any watch lists or flagged as being non-compliant with international standards on human rights and best practices, hence the lack of engagement.

CHAIR