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SOUTH YORKSHIRE PENSIONS AUTHORITY

13 MARCH 2025

PRESENT:

Councillor Jayne Dunn (Chair)

Councillors: Donna Sutton, Roy Bowser, Simon Clement-Jones, Neil Wright, Alexi Dimond, David Nevett, Andrew Sangar and James Church

Non-Voting Co-Opted Members: Garry Warwick and Phil Boyes

Officers: George Graham (Director), Gillian Taberner (Assistant Director - Resources & Chief Finance Officer), Andrew Stone (Assistant Director – Investment Strategy), Debbie Sharp (Assistant Director – Pensions), William Goddard (Head of Finance and Performance), Jo Stone (Head of Governance and Corporate Services & Monitoring Officer), and Gina Mulderrig (Governance Officer)

Independent Investment Advisers: Aoifinn Devitt and Jonathan Hunt

Apologies for absence were received from: Councillor David Fisher, Councillor Craig Gamble-Pugh, Councillor John Mounsey and Nicola Doolan-Hamer

1 WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting including Councillor George Jabbour, Chair of Border to Coast Joint Committee.

2 APOLOGIES

Apologies were noted as above.

3 ANNOUNCEMENTS

None.

4 URGENT ITEMS

None.

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

RESOLVED: Items 20 and 21 were 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.

6 DECLARATIONS OF INTEREST

It was stated that SYPA officers may have an interest in item 21 and it was agreed that all officers except the Director, the Monitoring Officer and the Governance Officer would leave the room before the item.

7 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

The Chair reported that a motion titled 'Ethical Investment of Pension Funds' had been passed by Sheffield City Council on 5 February 2025. The Director explained that the details of the motion had been shared with SYPA and that he was drafting a response which would be shared with the Authority.

8 MINUTES OF THE MEETING HELD ON 13.02.2025

RESOLVED: That the minutes as presented for the Authority Meeting held on 13 February 2025 were a true and accurate record.

9 QUESTIONS FROM THE PUBLIC

Questions were received from Mr S Ashton, Mr Ashraf and Mr Pearson. The Director replied on behalf of the Authority.

Written copies of the questions and responses were given to the questioners.

The written replies are attached as an appendix to these minutes.

10 QUARTER 3 CORPORATE PERFORMANCE REPORT 2024/25

The Assistant Director – Resources presented the Quarter 3 Corporate Performance Report to provide a summary view of overall performance in achieving the Authority's objectives. The report brought together information on progress against the corporate strategy and provided a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy.

The Head of Finance and Performance presented the highlights of the quarter 3 forecast expenditure to the Authority drawing attention to a forecasted underspend of £312k and detailing how this would be used in the next financial year.

Members asked for further details on the overspend of £16k on the warranties and support budget. The Head of Finance and Performance explained that this was due to an adjustment from the previous financial year related to warranties on ICT equipment but that this had been offset by underspending in other budgets and that the budget had been set accurately for 2025-26 with no issues or adjustments anticipated.

Members questioned the 'at risk but achievable' status of the Progress on the Authority's Net Zero Ambition action in the Corporate Plan and whether this contradicted some of the content in the earlier responses to public questions. The Director explained that the status of this action would be continually monitored and revised as necessary.

Members asked whether the Affordable Housing manager position, currently undergoing procurement, would focus exclusively on South Yorkshire and the Director confirmed that this was correct.

Members drew attention to the 'Imbalance in cashflows' risk and the predictions that employer contributions would reduce and asked who controlled the level of contributions. The Director explained that contribution rates were certified by the actuary taking into account the overall position of the Fund. It was explained that high funding levels meant the Fund was in a position to lower employer contribution rates and balance this by using more income from the Fund, such as dividends from equity investments, to pay benefits. The Director explained that this investment strategy would see a move to focus more on income generation.

Members noted that, although 'Failure to mitigate the impact of climate change' was the highest risk on the Strategic Risk Register, it could be argued that the risk rating should be even higher. The Director explained that this risk was being monitored and that the risk level would be reassessed following the upcoming valuation and report from the actuary and be based on the latest climate analysis information.

RESOLVED: Members noted and accepted the report.

11 UPDATE ON PENSIONS ADMINISTRATION IMPROVEMENT PLAN

The Assistant Director – Pensions presented the report to update the Authority on the Pensions Administration Improvement Plan.

RESOLVED: Members noted the update.

12 ADVISER MARKET COMMENTARY

The Assistant Director – Investment Strategy introduced the Independent Investment Adviser, Aoifinn Devitt. The Independent Investment Adviser presented the Market Commentary Report for members to consider and note.

Members asked for further information on how the re-election of Donald Trump as POTUS will affect the commitment of fossil fuel companies to mitigate climate risk. The Independent Adviser explained that the re-election of Donald Trump had seen backtracking by market participants around engagement and responsible investment goals but that SYPA needed to continue to commit to their responsible investment strategy and find opportunities in the market.

Members asked what position the Independent Investment Adviser believed the Authority would be in at the end of the presidential term. The Independent Investment Adviser explained that it was important to keep working with portfolio managers to assess exposure to USD and monitor the situation and there was also the potential opportunity to align with China as an investment partner and power broker.

RESOLVED: Members noted the report.

Councillor Neil Wright left the meeting and did not return.

13 QUARTER 3 INVESTMENT PERFORMANCE REPORT 2024/25

The Assistant Director – Investment Strategy delivered the Q3 Investment Performance Report highlighting key areas of performance over the last quarter and

invited Authority members to submit any requests for amendments or additions to the next Investment Performance Report.

RESOLVED: Members noted the report.

14 QUARTER 3 RESPONSIBLE INVESTMENT UPDATE 2024/25

The Assistant Director – Investment Strategy presented the Quarter 3 Responsible Investment Update.

Members noted the update on the Indian conglomerate Grasim and their targets to reduce carbon emissions and reach Net Zero by 2040 and asked whether they were likely to renege on these targets as other companies in the industry had done.

The Assistant Director – Investment Strategy explained that cement production accounted for over 80% of Grasim’s carbon emissions and that, while cement-related industry was a major carbon emitter, there was also lot of scope to reduce emissions and increase sustainability in the sector and the performance of Grasim will be closely monitored with engagement utilised if necessary.

Members asked for clarity on the situation of financed emissions. The Assistant Director – Investment Strategy explained that financed emissions had risen in the short term but that the long term prediction is that they will continue to reduce overall.

Members asked for further information on any engagement with arms manufacturers. The Assistant Director – Investment Strategy explained that the Authority and Border to Coast had no examples of engagement with arms manufacturers but acknowledged the need to scrutinise any investment opportunities associated with the global demands of defence provision to ensure responsible investment policy was followed. The Director drew attention to the difference in responsible investment and ethical investment.

Members noted investments held with companies that were not aligned with the Paris Agreement and questioned the success in using engagement to gain assurance companies were committed to becoming net zero by 2050 and queried whether this undermined SYPA’s net zero transition commitment and posed a risk to the Fund.

The Director explained that the inclusion of engagement as part of the Responsible Investment Policies was a decision for the Authority to vote on and that alternative action, such as divestment, would be difficult for SYPA to implement independent of support from the pool and partner funds.

RESOLVED: Members noted the activity undertaken in the quarter.

15 SYPA RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW AND NET ZERO ACTION PLAN UPDATE

The Assistant Director – Investment Strategy presented the report to secure approval for the Authority’s various responsible investment policy documents following their annual review.

Members queried whether the Authority should process the results of the questionnaire regarding Responsible Investment and Environmental, Social and Governance matters in relation to SYPA's investments sent to Scheme Members before agreeing these policies in case the results inform any additions or amendments. The Director explained that the results of the questionnaire would inform the Investment Strategy which would, in turn, inform the next iteration of the policies.

Members asked for further information on the addition to the Climate Change Policy regarding how the Authority interacts with companies that do not have credible climate transition plans, for more clarity on the concept of the Authority reserving the right to act independently should collective action not result in the delivery of its objectives in terms of ESG issues and for more detail of engagement activity measurements and thresholds.

The Assistant Director – Investment Strategy explained that engagement gave the companies time limited requirements and clear consequences if the requirements were not met. The Director added that there was a pathway to exclusion if the companies failed the requirements of engagements but that the threshold was high, and the action of enforcing consequences may go against the strategy of the pool.

The Director explained that although the companies in SYPA's portfolio currently failing to meet engagement requirements (Shell and BP), constituted only 2% of its overall investments, excluding said companies could have negative impacts in the wider investment market for SYPA and would require the support of the pool and partner funds making exclusion a challenging option.

Members asked what could be added to the RI Policies to give a clearer and actionable pathway to consequences for companies that fail to comply with requirements despite engagement. Members commented that divesting from hard-to-abate companies would not have a negative financial impact on SYPA and that the legal opinion on the fiduciary duty in the context of the LGPS supported their ability to do so. The Chair agreed with the need to send a stronger message with the RI policies and implement change but added that any changes had to be realistic and actionable.

The Director advised that members could ask for amendments to the RI policies to advocate for active exclusion where engagement had demonstrably failed and that there was a need to balance the wishes of members with the reality of being to implement the policies as well as ensuring no financial detriment to the Fund.

Councillor Alexi Dimond proposed not to approve the RI policies but to ask officers to revise the policies to reflect the wishes of members as discussed in the meeting and submit for approval at a future meeting of the Authority. There was no seconder and the proposal fell.

Members proposed an amendment to the recommendation to ask officers to undertake a project looking at options for measures to take when engagement with companies had failed to produce the required outcomes, such as exclusion, to inform development of RI policies when next updated.

RESOLVED: Members

a. Approved the following revised policy documents appended to the report:

- ii. The Responsible Investment Policy (Appendix A)
- iii. The Climate Change Policy (Appendix B)
- iv. The Net Zero Action Plan (Appendix C)

b. Requested officers review the impact of SYPA advocating for active exclusion where engagement has demonstrably failed and provide the results in a report at the 18 December 2025 Authority meeting.

Councillor Dimond requested the minutes reflect that he voted against the resolution.

16 GOVERNANCE, POLICY AND REGULATORY UPDATE

The Head of Governance and Corporate Service presented the report to provide Authority members with an update on current governance related activity and regulatory matters.

RESOLVED: Members noted the updates included in the report.

17 MEMBER LEARNING AND DEVELOPMENT STRATEGY 2025/26

The Head of Governance and Corporate Service presented the report to seek Authority approval for the Members Learning and Development Strategy 2025/26.

RESOLVED: Members approved the Members Learning and Development Strategy 2025/26 and training plan set out at Appendix A of the report.

18 CONSTITUTION AND TERMS OF REFERENCE

The Director presented the report to secure approval for updates to the Constitution, which had been made to address recommendations arising from the independent governance review and to implement changes regarding the role of Clerk as approved at the Authority's meeting in December 2024.

Members asked how the Investment Advisory Panel would be impacted by the increase in pooling due to the Government's Pensions Investment Review. The Director explained that Investment Advisory Panel remained of importance in having oversight of all investment and in developing the Investment Strategy.

RESOLVED: Members:

- a. Approved the updated Constitution at Appendix A; and
- b. Approved the Terms of Reference for the Investment Advisory Panel, and the Appointments and Appeals and Staffing Committees at Appendices B to D.

19 DECISIONS TAKEN BETWEEN MEETINGS

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

RESOLVED: Members noted the decisions taken between meetings of the Authority using the appropriate urgency procedure.

RESOLVED: Items 20 and 21 were 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.

Members of the public were asked to leave the meeting.

20 BORDER TO COAST ANNUAL IMPLEMENTATION PLAN AND BUDGET 2025-26

The Director presented the Annual Implementation Plan and Budget of the Border to Coast operating company for approval.

Members discussed the report noting the positive position of the company to adapt to the changes required following the Government's Pensions Investment Review and potential issues with expansion of the pool.

The Director informed the Authority that the Minister for Pensions would be meeting with pools to discuss transition plans and requirements.

RESOLVED: Members

- a. Approved the Border to Coast Implementation Plan and Budget for 2025/26 and**
- b. Authorised the casting of the Authority's shareholder vote in favour of the implementation plan and budget.**

All SYPA officers except the Director, the Monitoring Officer and the Governance Officer left the meeting.

21 SUCCESSION PLANNING (STAFFING AND PERSONNEL)

The Director presented the report to seek approval for the arrangements to replace him on his planned retirement at the end of 2025.

Members noted the report and expressed the need to implement a wide reaching and robust communications strategy to maximise contact with potential candidates.

RESOLVED: Members

- a. Approved the arrangements for the replacement of the Director on his retirement set out in the body of this report, including the role profile at Appendix A and the appointment of North Yorkshire Council to support the recruitment process.**
- b. Approved the remuneration package for the role as a revised Grade N £131,132 - £135,146 before the 2025 pay award and delegated power to the Director to amend the Pay Policy Statement accordingly.**
- c. Approved the proposed terms and conditions of employment set out at paragraph 5.9 to 5.11.**

CHAIR