

**STRATHCLYDE PENSION FUND
BOARD'S MINUTES.**

Item 2

2nd June 2021

By video conference, 26th May 2021.

Strathclyde Pension Fund Board.

- Present: James Corry (Chair) UNISON; Allison Fettes, Scottish Water; Councillor Tom Fisher, North Lanarkshire Council; Thomas Glavin, UNITE; and Stephen Kelly, UNISON.
- Apologies: Mark Dickson, Scottish Water; and Andy Thompson, GMB.
- Attending: A Wyber (Clerk); R McIndoe, Director of Strathclyde Pension Fund; J Gillies, I Jamison, R Keery and L Welsh (Strathclyde Pension Fund Office); S Tough and L Pendrich (for the Executive Director of Finance); C McNish (for the Head of Audit and Inspection); and C MacKenzie (for the Head of Communication and Strategic Partnerships).

Declarations of interest.

- 1 There were no new declarations of interest.

Appointment of Chair etc.

- 2 Richard McIndoe, Director of Strathclyde Pension Fund, advised the Board that under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Employers side and the Trade Union side were both required to nominate one of their representatives for appointment as Chair of the Pension Board and the persons nominated would be appointed as Chair of the Pension Board for alternate years.

After consideration, the Board

- (1) noted that
- (a) the Trade Union side had yet to meet to discuss their nomination for Chair; and
 - (b) the Employer's had yet to meet to discuss their nomination for Vice Chair; and
- (2) agreed to appoint James Corry, UNISON to chair the meeting.

Timetable of Board meetings and Committee meetings noted.

3 With reference to the minutes of 23rd February 2021 agreeing to look into the possibility of rescheduling the Board meetings to another day or time as they often clashed with Scottish Water Board meetings resulting in Mark Dickson, Scottish Water being unable to attend, the Clerk verbally reported on the timetable for Board meetings and meetings of Strathclyde Pension Fund Committee.

After consideration, the Board noted the timetable for Board meetings and meetings of Strathclyde Pension Fund for the remainder of the year and that they did not clash with Scottish Water Board meetings.

Oldfield Partners – Presentation noted.

4 The Board noted that Oldfield Partners would make a short presentation on the current investment environment to Strathclyde Pension Fund Committee on 2nd June 2021.

Minutes of Strathclyde Pension Fund Board noted.

5 The minutes of Strathclyde Pension Fund Board of 23rd February 2021 were submitted and noted.

Motion by Council noted.

6 There was submitted a report by the Director of Strathclyde Pension Fund regarding a motion approved by the Council on 1st April 2021 asking that Strathclyde Pension Fund Committee made a formal commitment to fossil fuel divestment prior to COP26, with the intention of divesting completely as quickly as possible, and no later than 2029; that it should continue to engage on the basis of the Responsible Investment strategy to address the impact and future of fossil fuels; and that it further considers how it can reinvest the Pension Fund Members' hard-earned money to drive a green recovery for the wider Strathclyde region.

After consideration, the Board noted

- (1) the report; and
- (2) the 3 options, as detailed in the report which would be considered by Strathclyde Pension Committee on 2nd June 2021, as a response to the Council motion.

Climate change strategy – Proposed update and amendments noted.

7 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposed update and amendments to Strathclyde Pension Fund's Climate Change Strategy.

After consideration, the Board noted that it was proposed that

- (1) the Climate Change Strategy incorporated the explicit objective of implementing an investment strategy that was consistent with achieving the goal of global net-zero emissions by 2050;
- (2) Strathclyde Pension Fund had a target of net-zero emissions across its own portfolios by 2050; and
- (3) the Strathclyde Pension Fund switch the current RAFI Global Allocation to the RAFI Fundamental Climate Transition Index when it became available.

Direct Investment Portfolio – SEP VI - Investment proposal noted.

8 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in SEP VI, advising

- (1) of the investment proposal; and
- (2) of the expected return from the fund, the main risks and the exit strategy

After consideration, the Board noted the proposal to invest £30m in SEP VI by the Direct Investment Portfolio.

Direct Investment Portfolio – Clean Growth Fund - Investment proposal noted.

9 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in the Clean Growth Fund, advising

- (1) of the investment proposal; and
- (2) of the expected return from the fund, the main risks and the exit strategy

After consideration, the Board noted the proposal to invest £20m in the Clean Growth Fund by the Direct Investment Portfolio.

Direct Investment Portfolio – Funding Affordable Homes - Investment proposal noted.

10 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in Funding Affordable Homes, advising

- (1) of the investment proposal; and
- (2) of the expected return from the fund, the main risks and the exit strategy

After consideration, the Board noted the proposal to invest £30m in Funding Affordable Homes by the Direct Investment Portfolio.

Investment Consultancy Services – Strategy and Structure – Proposed appointment noted.

11 There was submitted a report by the Director of Strathclyde Pension Fund regarding the outcome of a tendering exercise for Investment Consultancy Services – Strategy and Structure, for a 3-year contract commencing on 1st July 2021, with the option to extend for a further period of 2 years and thereafter extend for a further period of up to 2 years.

After consideration, the Board noted the proposed appointment of Hymans Robertson to provide Investment Consultancy Services – Strategy and Structure.

Investment Consultancy Services – Implementation – Proposed appointment noted.

12 There was submitted a report by the Director of Strathclyde Pension Fund regarding the outcome of a tendering exercise for Investment Consultancy Services – Implementation, for a 3-year contract commencing on 1st July 2021, with the option to extend for a further period of 2 years and thereafter extend for a further period of up to 2 years.

After consideration, the Board noted the proposed appointment of Hymans Robertson to provide Investment Consultancy Services – Implementation.

Legal service provider – Tendering exercise noted.

13 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding a tendering exercise for a legal service provider, for a 5-year contract commencing on 1st July 2021, with the option to extend for a further period of up to 2 years.

Internal Audit – Follow-up audits noted.

14 There was submitted a report by the Head of Audit and Inspection regarding the status of audit recommendations agreed by Internal Audit in relation Strathclyde Pension Fund Office.

After consideration, the Board noted

- (1) that for the period from 31st October 2020 to 2021, 4 recommendations had been partially implemented and work was ongoing to fully close these recommendations; and
- (2) that the Head of Audit and Inspection would submit further reports on the status of outstanding recommendations.

Internal audit – Annual audit report and annual governance statement 2020/21 noted.

15 There was submitted and noted a report by the Head of Audit and Inspection regarding the annual audit report and annual governance statement for 2020/21 for Strathclyde Pension Fund.

Strathclyde Pension Fund - Audit plan 2021/22 noted.

16 There was submitted and noted a report by the Director of Strathclyde Pension regarding the implementation of Strathclyde Pension Fund audit plan for 2021/22.

Training policy, practice and plan for 2021/22 noted.

17 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the proposed terms of the training policy, practice statement for Strathclyde Pension Fund Office for 2021/22, together with the training plan for 2021/22.

Audit Scotland - Annual Audit plan 2020/21 for Strathclyde Pension Fund noted.

18 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding Audit Scotland's annual audit plan for 2020/21 for Strathclyde Pension Fund, as detailed in the report.

Strathclyde Pension Fund – Investment performance noted.

19 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding

- (1) the investment performance to 31st March 2021;
- (2) a summary of the portfolio investment as at 30th April 2021; and
- (3) the outcome of the Investment Advisory Panel meeting of 13th May 2021.

Strathclyde Pension Fund - Administration Performance – Position noted.

20 There was submitted and noted a report by the Director of Strathclyde Pension Fund advising of performance and current issues within the benefits administration area of Strathclyde Pension Fund Office as at 31st March 2021.