

County Buildings, Stafford
DDI 01785 278044
Please ask for Simon Humble
Email: simon.humble@staffordshire.gov.uk

Pensions Committee

Friday 30 June 2023

10:00

Oak Room, County Buildings, Stafford

John Tradewell
Deputy Chief Executive and Director for Corporate Services
22 June 2023

Agenda

Part One

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 31 March 2023** (Pages 1 - 10)
4. **Minutes of the Pensions Panel held on 6 June 2023** (Pages 11 - 14)
5. **Appointment of Pensions Panel** (Pages 15 - 16)
6. **Staffordshire Pension Fund Investment Performance 2022/23** (Pages 17 - 32)

A report of the Director of Finance and a presentation from Portfolio Evaluation Limited
7. **Staffordshire Pension Fund Business Plan Outturn 2022/23** (Pages 33 - 50)
8. **Staffordshire Pension Fund Risk Register and Risk Management Policy** (Pages 51 - 80)

A report of the Director of Finance

9. **Staffordshire Pension Fund Communications Policy** (Pages 81 - 102)

A report of the Director of Finance

10. **Exclusion of the Public**

The Chairman to move:

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part 1 of schedule 12A of the Local Government Act 1972 indicated below'

Part Two

11. **Exempt minutes of the meeting held on 31 March 2023** (Pages 103 - 108)

12. **Exempt minutes of the Pensions Panel held on 6 June 2023** (Pages 109 - 120)

13. **Local Government Pension Scheme Regulations - Admission of New Employers to the Fund (Exemption paragraph 3)** (Pages 121 - 124)

Report of the Director of Finance

Membership	
Mike Allen (Co-Optee)	Phil Jones (Co-Optee)
Philip Atkins, OBE	Bob Spencer
Nigel Caine (Co-Optee)	Mike Sutherland (Chair)
Mike Davies (Vice-Chair)	Stephen Sweeney
Colin Greatorex	Michael Vaughan (Co-Optee)
Derrick Huckfield	Mike Wilcox
Syed Hussain	

Notes for Members of the Press and Public

Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.



Minutes of the Pensions Committee Meeting held on 31 March 2023

Present:

Attendance	
Philip Atkins, OBE	Phil Jones (Co-Optee)
Mike Davies (Vice-Chair)	Bob Spencer
Colin Greatorex	Stephen Sweeney
Derrick Huckfield	Mike Wilcox
Syed Hussain	

Also in attendance: Rob Birch, Corrina Bradley (Employer Representative) and John Mayhew

Part One

11. Apologies: Mike Allen, Nigel Caine, Mike Sutherland and Michael Vaughan

12. Declarations of Interest

There were no declarations of interest made on this occasion.

13. Minutes of the meeting held on 16 December 2022

Resolved: That the minutes of the meeting of the Pensions Committee held on 16 December 2022 be confirmed and signed by the Chairman.

14. Minutes of the Pensions Panel held on:

a) 6 December 2022

Resolved: That the minutes of the meeting of the Pensions Panel held on 6 December 2022 be received.

b) 7 March 2023

Resolved: That the minutes of the meeting of the Pensions Panel held on 7 March 2023 be received.

15. Staffordshire Pension Fund Climate Change Strategy

The Committee received a report of the Director of Finance relating to the Climate Change Strategy for the Staffordshire Pension Fund ('the Fund').

Climate Risk Report 2022

The Committee received a presentation from Basyar Salleh and Alex Galbraith from LGPS Central, relating to the Fund's third Climate Risk Report.

The presentation supported the 2023 Climate Risk report which assessed the Fund's exposure to climate-related risks and opportunities, and allowed the Fund to identify further means to manage its material climate risks. The presentation also highlighted the report's key findings and provided an overview of the Fund's progress in managing climate risk. The presentation focused on the following areas:

- Holdings, Metrics & Analysis
- Carbon Intensity
- Financed Emissions
- Weight in Clean Tech and Fossil Fuel Reserves
- Top 5 Contributors
- Climate Scenario Analysis
- Climate Stewardship Plan

The presentation concluded that the Fund had made significant progress in its responsible investment and climate change practice. The key recommendations suggested that the Fund should:

- Continue with the development of the net zero strategy;
- Continue to report against the Task Force on Climate Related Financial Disclosures Recommendations;
- Work with fund managers to understand how they assess, monitor and mitigate key climate change risks; and
- Repeat the Carbon Risk Metrics annually and the Climate Scenario Analysis every 2-3 years.

A concern was raised about the validity of the metrics being measured and how they helped the Fund to achieve the target of Net Zero. It was suggested that it would be better to compare against a portfolio of comparable companies. LGPS Central acknowledged that, whilst there would be some merit in comparing against other portfolios, they did not have the tools in place to do so at this time. LGPS Central did compare the 40-year projection of the current asset allocation under different scenarios and some further analysis was included in the full report. It was noted that there was only a limited number of ways in which metrics could be measured currently, but new processes and technologies were constantly being introduced which might help the Fund achieve its target.

It was acknowledged that whilst the LGPS Central pool was a powerful resource, there seemed to be an issue with engagement with the smaller companies within the portfolio, and it was suggested that LGPS Central should focus on the smaller companies that weren't supporting the Fund in achieving its targets. In response it was explained that within the portfolio 20% of companies created 80% of emissions, and the organisations that had been identified and engaged with were considered to be the largest polluters. It was clarified that, no matter the size of the organisation, if companies didn't meet the expectations of LGPS Central, they would be engaged with and any concerns would be escalated and, if necessary, directors and resolutions would be voted against.

In response to a question asking if there were any plans to measure other polluting actions other than carbon, it was explained that this was considered in the analysis and some information about this was included in the full report.

Task Force on Climate Related Financial Disclosures (TCFD) Report

The Committee was informed that the Taskforce on Climate-Related Financial Disclosures (TCFD) was commissioned in 2015. In 2017, the TCFD released its recommendations for improved transparency, and the TCFD Report was considered a best practice document for asset owners and institutional investors to report on climate risks. The Fund's latest TCFD Report, which presented the latest Carbon Risk Metrics Analysis, was attached at Appendix 2 to the report. The TCFD Report also described the way in which climate-related risks were currently managed by the Fund.

Climate Change Strategy

The Staffordshire Pension Fund's Climate Change Strategy (CCS) was approved by the Pensions Committee at its meeting on 11 February 2022 and set out the Fund's approach to managing the risks and opportunities presented by climate change. The CCS had no structural changes from the original version approved in February 2022 but had been updated with the latest performance against the 2030 targets. This was based on data from the 2022 Climate Risk Report and demonstrated good progress towards the 2030 targets.

In response to a query raised about developing a plan to help the Fund achieve its 2050 targets by using forward focussed data, rather than improvements made against past targets, it was confirmed that plans were in place to support this, such as the climate risk scenarios modelled by LGPS Central. LGPS Central also acknowledged that, whilst the current data was focussed on performance against historic figures, investment was being made to provide forward looking data. It was the intention that LGPS Central would be able to provide forward focussed data in the 2024 Climate Risk Report.

Climate Stewardship Plan 2023/24

The Committee was informed that the Climate Stewardship Plan aimed to focus the Fund's engagement on the investments in companies which had the most impact on the Fund's climate risk metrics. The Fund's Climate Risk Report for 2022 contained recommendations to update the Fund's current Climate Stewardship Plan (presented at Appendix 4 to the report), with the addition of one utility company. The Climate Stewardship Plan was a working document which would be updated as engagement with companies occurred, via the Fund's external partners. This activity would continue to be reported quarterly to the Pensions Panel, as part of the Responsible Investment and Engagement Report.

Resolved:

- a. That the presentation from LGPS Central Limited on the 2022 Staffordshire Pension Fund Climate Risk Report, be noted, and Messrs Salleh and Galbraith be thanked for their presentation.
- b. That the Task Force for Climate Related Disclosures Report, be noted
- c. That the Climate Change Strategy, be noted

d. That the Staffordshire Pension Fund's Climate Stewardship Plan 2023/24, be noted.

16. Staffordshire Pension Fund 2022 Annual Stewardship Report

A report of the Director of Finance relating to the Staffordshire Pension Fund 2022 Annual Stewardship Report was presented for approval by the Pensions Committee prior to submission to the Financial Reporting Council (FRC).

The Committee was reminded that in 2020 the FRC launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aimed to improve stewardship practices by setting substantially higher standards. The Fund was accepted as a Tier 1 signatory to the previous UK Stewardship Code, but signatories were required to submit a report annually that met the FRC's reporting expectations.

The UK Stewardship Code 2020 was a voluntary set of principles that set high expectations for how investors, and those that supported them, invested and managed money on behalf of UK savers and pensioners, and how this led to sustainable benefits for the economy, the environment and society. There were 12 principles for asset owners and asset managers. Those principles covered the policies, processes, activities, and outcomes of effective stewardship.

It was stipulated that the report must be reviewed and approved by the applicant's governing body, and signed by the Chair, Chief Executive or Chief Investment Officer, or equivalent, before its submission for consideration by the FRC.

Fund officer Helen Wilson and colleagues from LGPS Central were thanked for the hard work and effort that had gone into developing the Fund's 2022 Annual Stewardship Report.

Resolved: That the Staffordshire Pension Fund 2022 Annual Stewardship Report be approved, signed by the Chair (electronically) and submitted to the FRC.

17. Staffordshire Pension Fund Business Plan 2023/24

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund Business Plan 2023/24.

Progress on 2022/23 Business Plan

The disruptive impact of the Covid-19 pandemic no longer affected the service provision. The hybrid working arrangements allow officers to continue to embrace the developments that have been made in technology, and the impact these had on operational activities.

The experience, dedication and enthusiasm demonstrated across the Treasury & Pensions Team enabled the ongoing delivery of a high level of day-to-day service provision to all the Fund's stakeholders, as well as the delivery of several Key Development Activities from the 2022/23 Business Plan. These included:

- The successful collection and provision of data to the Scheme Actuary to facilitate the 2022 Actuarial Valuation at 31 March 2022 and the dissemination of results schedules to the Fund's 500+ Employers.
- The successful completion of the first Digital Proof of Life exercise. This was a new process that replaced the paper process with a digital biometric facial recognition process to confirm identity from a computer or mobile phone.
- Work undertaken between Fund officers, Investment Consultant and Pensions Panel to consider how best to implement the strategy across the various asset classes. Whilst the focus in 2022 had predominantly been on Equities, the pace of investment into Private Markets had been maintained and opportunities to invest in several funds had also been taken.

Performance Standards 2022/23

The Committee was made aware of the challenges implicit in administering the LGPS, and the regulatory complexity that brought with it. Planning for a wide range of new and changing legislation meant that there would always be more to do.

The Fund had experienced a small increase in staff turnover over the last 12 months which had not been helped by a challenging recruitment environment; a problem echoed nationally across other LGPS. However, the recruitment program had continued and whilst the level of applicants had fallen, several successful appointments had been made. The Fund had finally been able to introduce a new five pillar team structure, which would future proof the service and allow for succession planning. This had facilitated internal promotions, to a new wider Management Team.

Key Developments for 2023/24

Several areas that the Treasury & Pensions Team had identified as Key Development Activities in 2023/24 included:

- Continuing to collect retrospective data from Employers and planning for the implementation of remedial action arising from the McCloud / Sergeant judgement;
- Appointing an ISP and the undertaking of a 'data readiness' exercise ahead of the LGPS staging date for the DWP new national Pensions Dashboard;
- Tendering for a provider of Actuarial Services; and
- Continuing with the implementation of the new Investment Strategy following the review of Fund's Strategic Asset Allocation.
- Pensions Dashboard – Integrated Service Provider (ISP) and Data Readiness

Cost and Resources

The Pension Committee heard that the Fund had six main areas of 'resource/cost':

- Pension's administration and accounting (internal);
- Governance (internal and external);
- Advice from actuary and consultants/advisors (external);
- Legal support (internal and external);
- Investment management (external); and
- Custody (external).

The most expensive area was highlighted as the Investment Management Fees. Whilst this figure appeared high the return on investment demonstrated that the Fund was receiving value for money in this area.

In response to a question asking what was included in the “other expenses” costs, the Committee was informed that the cost was predominantly associated with the independent performance management fees. It was confirmed that a more detailed breakdown would be brought to the June 2023 Committee meeting.

In response to a question asking how many Fund officers worked from home, it was confirmed that 100% of the team were offered a hybrid working option, meaning they were able to work both from home and in the office at various times throughout the working week. The Committee was also informed that specific “team days” had been arranged to ensure officers were able to spend time together on a regular basis.

Resolved: That the Staffordshire Pension Fund Business Plan for 2023/24 be approved, and the key challenges, be noted.

18. Staffordshire Pension Fund 2022 Actuarial Valuation Report, Funding Strategy Statement, and Investment Strategy Statement

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund 2022 Actuarial Valuation Report, Funding Strategy Statement, and Investment Strategy Statement.

2022 Actuarial Valuation Report

Throughout late 2021 and most of 2022, the actuarial team from Hymans Robertson had attended Pensions Committee meetings to provide training and discuss the 2022 Actuarial Valuation of the Fund at 31 March 2022. Over this period, Members had approved the actuarial approach to be taken, the actuarial assumptions to be used and had received reports on the high-level results of the 2022 valuation and the funding and contribution levels for the different employer groups.

The Report on the Actuarial Valuation at 31 March 2022, attached at Appendix 1 of the report, fulfilled the requirements of Regulation 62(3) and 62(4) of the Local Government Pension Scheme Regulations 2013, in providing a document of record. It contained no fundamentally new information to that already presented by Hymans to the Pensions Committee at their meetings in September and December 2022.

Members were asked to note that the Primary Rate for the whole Fund had increased from 19.7% of pay at 31 March 2019, to 21.5% of pay at 31 March 2022, mainly due to higher inflation. This had been offset to some degree by a decrease in the Secondary Rate, which indicated the amount needed to be paid for past service liabilities, because of better-than-expected investment performance since the last valuation in 2019.

Following each triennial Actuarial Valuation, the Public Service Pensions Act required the Government Actuaries Department (GAD) to publish a report on the health of the LGPS. Using a common set of assumptions determined by the Scheme Advisory Board

(SAB), to enable consistent comparison, Hymans had recalculated the Fund's 2022 Funding position on a local funding basis (120%) which had resulted in a funding position of 128% on an SAB basis; an increase of 16% since the last valuation in 2019.

It was confirmed that the full Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022 would be published on the Pension Fund's website.

Funding Strategy Statement (FSS)

The draft FSS was published on the Fund's website and was made available to Employers and other interested parties for a period of consultation that ran from 16 December 2022 to 31 January 2023. Feedback and questions arising from the consultation were received which resulted in some changes being made to the draft FSS presented to Pensions Committee previously. The changes centred around the Fund permitting all individual academies within the same Multi Academy Trust (MAT) to be considered as pooled for contribution rate setting purposes. This would be dependent on certain criteria being met and would only be considered at the request of the MAT and agreed at the discretion of the Fund. Minor amendments to allow for this were made in Section 2 of the FSS. The final version of the FSS, incorporating the changes, was attached for the approval of the Pensions Committee at Appendix 2 to the report.

In line with best practice, once the FSS had been approved and published, it would be maintained and updated periodically as Regulation and good governance dictated.

Investment Strategy Statement (ISS)

The Committee was informed that the published ISS was kept under review, and revised from time to time, and at least every three years. The last major review of the ISS was undertaken in April 2020. This incorporated the outcome and outputs from the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation. Whilst similar in structure, the April 2023 version of the ISS, attached at Appendix 3 of the report, contained major revisions as it reflected the outcome and outputs from the 2022 Strategic Asset Allocation review and 2022 Actuarial Valuation. The April 2023 ISS also included detail about the arrangements for the Fund's transfer of assets into LGPS Central Ltd and it incorporated the Fund's Climate Change Strategy.

Members were informed that the Pensions Panel had reviewed the document at its meeting held on the 7 March 2023 and had recommended it for approval by the Pensions Committee.

Pensions Committee Members were asked to note that revisions may be needed to the ISS following the outcome of DLUHC's further consultation on Asset Pooling in the LGPS; expected sometime in early 2023. At that stage, wider consultation on the ISS may also be considered appropriate.

Resolved:

- a. That the Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022, including the Rates and Adjustments Certificate and detailing the contribution rates for individual employers, be noted.

- b. That the Staffordshire Pension Fund's Funding Strategy Statement, as amended post consultation, be approved, but that the potential for further updates, as and when regulatory change is effective and requires implementation, be noted.
- c. That the Staffordshire Pension Fund's Investment Strategy Statement be approved, but that the potential requirement for further updates, once the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) further consultation on Asset Pooling in the LGPS is known, be noted.

19. Training Needs Analysis & Training Policy 2023/24

A report relating to the Staffordshire Pensions Committee Training Needs Analysis (TNA) and Training Policy 2023/24 was presented to the Pension Committee for consideration and approval.

The Fund was required to ensure that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. In May 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated Knowledge and Skills Framework (KSF) for LGPS Committee Members and LGPS Officers. The CIPFA KSF was something that the Staffordshire Pensions Committee had adopted for several years to demonstrate good governance and commitment to training.

The CIPFA KSF identified eight core technical areas where Pensions Committee Members were expected to have a general awareness and understanding. The Fund TNA measured against the same eight core areas of:

- Pensions Legislation and Guidance
- Pensions Governance
- Funding Strategy and Actuarial Methods
- Pensions Administration and Communications
- Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards
- Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
- Financial Markets and Products
- Pension Services Procurement, Contract Management and Relationship Management.

All Pensions Committee Members, Local Pensions Board Members and Senior Fund Officers were asked to complete a TNA during February 2023. The response rate for the Pensions Committee was 67% (8 out of 12), for the Pensions Board it was 67% (2 out of 3) and for Senior Fund Officers it was 75% (3 out of 4).

2023/24 Training Plan

Where appropriate, training would be incorporated into scheduled Committee and Board meetings in June, September, December and March and two dedicated training sessions for both Committee and Board members would be held in July and November.

Based on the output of the February 2023 TNA, the training proposed for 2023/24 was planned to include the following:

- June / September 2023 - Portfolio Evaluation Limited and CEM Benchmarking – refresher training at Committee on Performance Measurement, Cost Benchmarking and Risk Management;
- July / September / November 2023 - Procurement, Contract Management and Relationship Management;
- September / November / December 2023 and March 2024 – Strategic Asset Allocation, including Investment Structure implementation, Pooling, and Financial Markets and Products; and
- October – December 2023 – Local Government Association offer 3-day Pensions Fundamentals training.

Aspire Online Learning Academy

Pensions Committee and Local Pensions Board Members had been provided with access to Hymans Robertson's online LGPS Learning Academy, ASPIRE, which covered all key areas of the CIPFA KSF. Hymans had recently refreshed ASPIRE so that it offers more but shorter learning modules.

Training Policy

The Fund's Training Policy was shared with the Committee for approval. The policy incorporated the requirements of the latest CIPFA KSF and also included a set of seven statements which the Pensions Committee formally adopted at the meeting on 25 March 2022.

Resolved:

- a. That the results of the 2023/24 Training Needs Analysis in relation to the requirements of the CIPFA Knowledge and Skills Framework, be noted.
- b. That the resultant 2023/24 Training Plan, be approved.
- c. That the Staffordshire Pension Fund's Training Policy, be approved.

20. Exclusion of the Public

Resolved: That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below.

21. Exempt minutes of the meeting held on 16 December 2022

22. Exempt minutes of the Pensions Panel held on:

- a) 6 December 2022
- b) 7 March 2023

- 23. LGPS Regulations - Debt Write-off 2022/23
(Exemption paragraph 3)**
- 24. LGPS Regulations - Admission of New Employers to the Fund
(Exemption paragraph 3)**
- 25. LGPS Central Limited 2023/24 Business Plan & Budget
(Exemption paragraph 3)**

Chair

Minutes of the Pensions Panel Meeting held on 6 June 2023

Present: Mike Sutherland (Chair)

Attendance	
Philip Atkins, OBE	Colin Greatorex
Mike Davies	

Also in attendance:

Apologies: Stephen Sweeney

PART ONE

97. Declarations of Interest

There were no declarations of interest made on this occasion.

98. Minutes of meeting held on 7 March 2023

Resolved: That the minutes of the Meeting of the Pensions Panel held on 7 March 2023 be confirmed and signed by the Chairman.

99. Dates of Future Meetings

- 5 September 2023
- 5 December 2023
- 5 March 2024

Resolved: That the dates of the future Pensions Panel meetings be noted.

100. Pension Fund Performance and Portfolio of Investments as at 31 March 2023

The Director of Finance submitted a summary of the performance of the Staffordshire Pension Fund (the Fund), together with a portfolio of the Fund's investments, as at 31 March 2023.

The Panel were informed that over the quarter the Fund had underperformed its Strategic Asset Allocation benchmark return by 0.6%. The best performing asset class relative to benchmark was listed equities, in particular global sustainable equities. The Fund had a market value of £6.6 billion as of 31 March 2023, an increase of £0.2 billion since 31 December 2022. Private Equity was the largest detractor to Fund performance over the quarter. A copy of the Staffordshire Pension Fund's portfolio of investments at 31 March 2023 was attached at Appendix 1 to the report.

Resolved: That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 March 2023 be noted.

101. Responsible Investment & Engagement (RI&E) Report Quarter 1 2023/24

The Director of Finance submitted the Responsible Investment and Engagement Report to the Panel, which included the Climate Stewardship Plan for 2022/23, the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report and the Local Government Pension Scheme Central (LGPS Central) Quarterly Stewardship Update. It was noted that the LGPS Central Annual Stewardship Report 2022 had not been received. It was agreed that this document would be circulated to the Panel and included in the agenda pack when it had been received.

The Panel heard that the Fund had recently received 'Substantial Assurance' in a 2022/23 Responsible Investment, Climate Change and Engagement Audit from Staffordshire County Council's Internal Audit service. This recognised the hard work of Officers, Advisers and colleagues at LGPS Central for putting the Fund in a good position to deliver its Strategic Asset Allocation within the framework of its Responsible Investment beliefs and Climate Change Strategy. The Panel also heard that the Fund had submitted the Annual Stewardship Report to the Financial Reporting Council and were awaiting approval. It was suggested that, if approved, this would put the Fund in the top 10% of Pension Funds within the UK for responsible investment reporting.

An updated Climate Stewardship Plan (CSP) for 2023/24 had been developed following the production of the Fund's latest Climate Risk Report by LGPS Central in March 2023. The CSP was a working document which was updated for engagement activity carried out throughout the year, with progress reported to the Panel quarterly. The CSP, attached at Appendix 1 to the report, provided information on manager engagement and voting during Q4 2022/23. In Q4 2022/23, notable managers' engagement topics included:

- Engagement with a financial services company about workplace behaviour.
- Discussions with a multinational insurance company to discuss governance and stakeholder engagement on artificial intelligence and cyber security, along with conversations around gender diversity at executive levels.
- Assessing how companies identified, assessed, mitigated, and acted on the risks or instances of modern slavery in their operations and supply chains.

LAPFF's Quarterly Engagement Report for Q4 2022/23 was attached at Appendix 2 to the report. The report highlighted the good work LAPFF did in engaging with organisations on behalf of its members. Examples of engagement from the last quarter included:

- Meeting with McDonald's to discuss management of environmental risks across its agricultural supply chain and requested publication of its water risk assessment to identify high risk areas.
- Meeting with Volvo to discuss the transition of Heavy Good Vehicles to electric.
- Attending a round table with Nestle discussing their approach to reducing Scope 3 emissions, and their focus on regenerative farming, plastics and nutrition.

The Panel were informed that LGPS Central had been asked to provide more detail on the engagements undertaken with companies highlighted in the Fund's Climate Stewardship Plan, which were derived from the Climate Risk Report that LGPS Central prepare for the Fund. As per Councillor Greatorex's request, LGPS Central had also been asked to provide specific examples, and additional evidence, that demonstrated the positive impact their engagement processes had made.

In response to a question from Councillor Greatorex regarding the voting activity of managers, in particular noting a high proportion of voting against management by Legal and General (LGIM), it was highlighted that LGIM had its own Climate Change Pledge which may result in the manager taking a firmer stance against organisations when it came to voting processes. The approach may also be more mechanistic given the passive nature of the portfolio. It was agreed that Officers would arrange a discussion with LGIM to better understand these figures, with feedback being provided to the Panel at a future meeting.

Resolved: a. That the content of the Responsible Investment and Engagement report, including the Climate Stewardship Plan (Appendix 1), the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2), and the LGPS Central Quarterly Stewardship Update (Appendix 4), be noted.

b. That the LGPS Central Annual Stewardship Report 2022 (Appendix 3) be circulated to the Panel when it had been received.

102. Competition and Markets Authority - Investment Consultant Objectives

The Panel were reminded that, at its meeting on 3 December 2019, they received a briefing paper from Hymans Robertson LLP (Hymans) advising of the findings of the December 2018 report of the Competition and Markets Authority (CMA), and their subsequent Order, in respect of the need for Pension Scheme Trustees to set annual objectives for their investment consultants. In response to the Order, the Pensions Panel continued to agree a high-level set of objectives with Hymans for each financial year, which incorporated more focussed objectives and detail on how the objectives were to be measured. The 2022/23 objectives were signed off by the Panel at the meeting in June 2022, where it was agreed that the Panel would assess, measure and report on the performance of the Investment Consultant against the objectives set, by way of a collective annual review.

Appendix 1 to the report had been annotated with comments, which reflected the Director of Finance's view as to whether the desired outcome of the 2022/23 objectives had been achieved in the short term. In the opinion of the Director of Finance, the objectives and outcomes had been considered to have been met in all cases. The Panel were asked to consider and concur with this view.

The Panel was also requested to confirm its assessment of the outstanding objective, 'Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested' at the meeting. The Panel were in agreement that the level of service and training provided was of a satisfactory level.

It was explained to the Panel that, to reflect the long-term nature of the Fund's Investment Strategy, most of the objectives for 2023/24 continued to be set at a high level. Whilst the focus of the objectives would be linked to the workplan for the year ahead, it would be the outcomes and the examples provided to demonstrate how the objectives had been achieved, which would be considered most important. The focussed objectives for the 2023/24 Financial Year were detailed in Appendix 2 to the report.

Very minor changes were proposed to the objectives for 2023/24, which reflected the fact that the workplan for 2023/24 continued to be focussed on the implementation of the recommendations from the Strategic Asset Allocation Review, and the Funds' Climate Change Strategy. The only other minor change was that the objective which related to Regulation/Legislation and incorporated Responsible Investment, had been split into two separate objectives, given one was not always directly linked to the other, and the Fund had now set clear Climate Change targets.

Resolved: a. That the Panel's concurrence with the view of the Director of Finance; that the desired outcomes from the Investment Consultant Objectives for 2022/23 have been met, where these can be considered in the short term, be noted.

b. That the Pensions Panel's assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*', be confirmed.

c. That the Investment Consultant Objectives provided in Appendix 2 to the report be approved, and the specific focus for the 2023/24 financial year be noted.

103. Exclusion of the Public

Resolved: That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

104. Exempt Minutes of the Meeting held on 7 March 2023 (Exemption paragraph 3)

105. Pension Fund Performance and Manager Monitoring for the quarter ended 31 March 2023 (Exemption Paragraph 3)

106. Economic and Market Update (Exemption paragraph 3)

107. Factor Based Investment Review (Exemption paragraph 3)

108. Strategic Asset Allocation - Quarterly update (Exemption paragraph 3)

109. Private Equity (Exemption paragraph 3)

Chairman

Pensions Committee - Friday 30 June 2023

Appointment of Members to the Pensions Panel

Recommendation

That the Pensions Committee appoints five of its Members to form the Pensions Panel.

Report of the Director of Finance

Background

1. The Pensions Panel will be appointed at the first meeting of the Pensions Committee following the annual Council meeting in each municipal year.
2. The Chairman and Vice-Chairman of the Pensions Committee will serve as the Chairman and Vice-Chairman (respectively) of the Pensions Panel.
3. The recommendation from the Chair of the Pensions Committee is that the following Members be appointed to the Pensions Panel.
 - Mike Sutherland (Chairman)
 - Mike Davies (Vice-Chairman)
 - Colin Greatorex
 - Philip Atkins, OBE
 - Stephen Sweeney

Equalities Implications

N/A

Legal Implications

The Council Constitution states that “the Pensions Committee will constitute a Pensions Panel of five members of the Committee”.

Resource and Value for Money Implications

N/A

Risk Implications

Non-compliance with constitution.

Climate Change Implications

N/A

List of Background Documents/Appendices:

N/A

Contact Details

Assistant Director: Melanie Stokes

Report Author: Simon Humble
Job Title: Democracy and Governance Officer
Telephone No.: 01785 278044
E-Mail Address: simon.humble@staffordshire.gov.uk

PENSIONS COMMITTEE – 30 JUNE 2023

Report of the Director of Finance

Staffordshire Pension Fund Investment Performance

Recommendation of the Chair

1. That the Pensions Committee note the presentation to be received from Portfolio Evaluation Limited.

Background

2. The Staffordshire Pension Fund employs Portfolio Evaluation Limited (PEL) to provide independent investment performance measurement services for the Fund's various investments. The performance metrics, which measure the percentage return of the Fund's various investments against an agreed range of benchmarks, are reported to the Pensions Panel each quarter.
3. Performance is reported at a Total Fund level, at an asset class level and at an individual investment manager level and at their meeting today, the Pensions Committee will be presented with an investment performance overview for the period ending 31 March 2023. This will help to give the Pensions Committee assurance over the work of the Pensions Panel in its role overseeing the investments of the Fund.
4. It is important to understand that whilst one Fund's performance can be measured against its own set of benchmarks, a straightforward comparison of investment returns, and the associated costs, as publicly reported by different pension funds will never be meaningful. This is because there are several variables which also need to be considered, to obtain a like for like comparison. E.g Assets under management, strategic asset allocation, implementation style, individual benchmarks etc.

Rob Salmon
Director of Finance

Contact: Melanie Stokes – Assistant Director for Treasury & Pensions
Tim Byford – Strategic Investment Manager (Treasury & Pensions)

Telephone Nos: (01785) 276330 / 278196

Equalities Implications: There are no direct equalities implications.

Legal Implications: The legal implications are covered in the body of the report.

Resources and Value for Money Implications: There are no resource and value for money implications.

Risk Implications: Risk is inherent in investment and covered in the appendix to this report.

Climate Change Implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.

Portfolio Evaluation Ltd
Staffordshire Pension Fund
Investment Performance Overview Periods to March 31st 2023

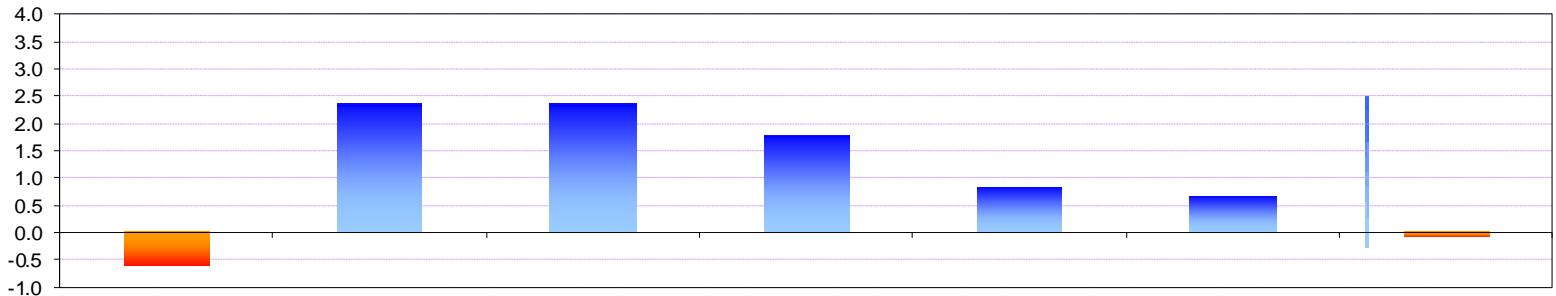
Overview of Today

- Market Review
 - Asset class results
 - Themes
 - Market trends and developments

- Evaluation of the Staffordshire Pension Fund results
 - Total Fund results (short and long term)
 - Attribution of 1 and 3 year periods
 - Results focus on periods ended 31st March 2023.

Total Fund Results – Ending March 2023

Excess Return Analysis (%)



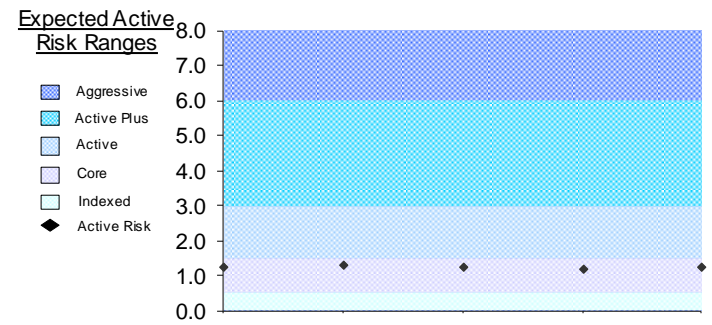
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	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Apr 95 (p.a.)
Excess Return	-0.6	2.4	2.4	1.8	0.8	0.7	-0.1
Portfolio Return	2.9	-1.9	-1.9	11.8	7.3	8.3	7.8
Benchmark Return	3.5	-4.3	-4.3	10.0	6.4	7.6	7.9

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

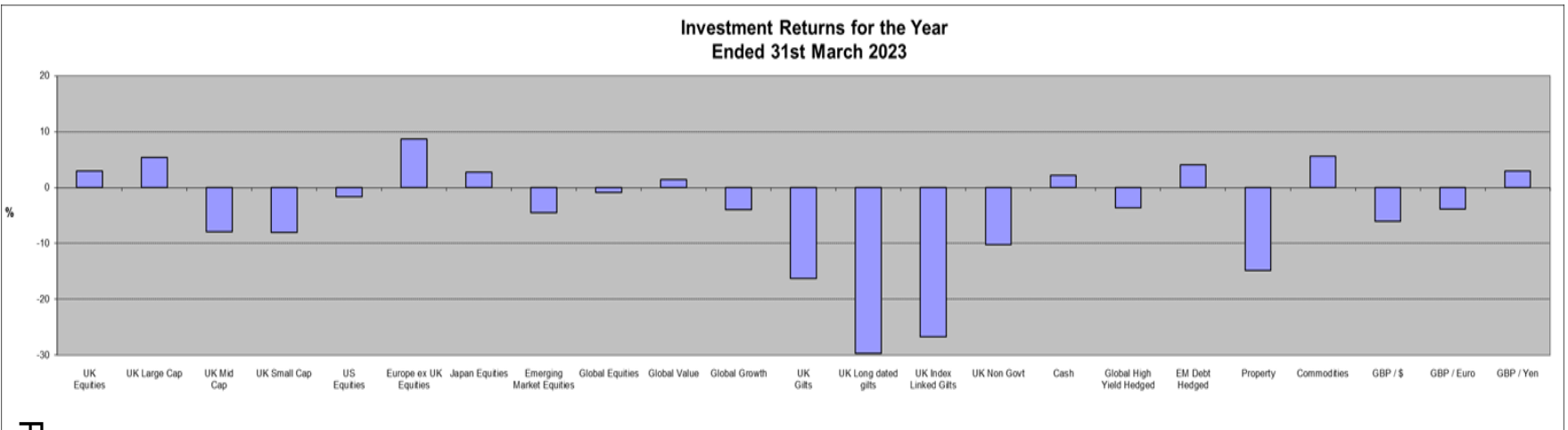
- The Fund outperformed the benchmark over the year.
- The Fund (and benchmark) had a negative return over the year.
- Medium and longer term returns in excess of cash, inflation and probably actuarial required return.
- Positive real returns generated by the Fund over all medium and long term time periods.
- Risk profile consistent with mixed asset class Fund.
- Active risk consistent with some active and passive management asset allocation decisions and benchmark constituents.
- Volatility higher over short and medium term. Reflects market volatility due to market fall that occurred because of COVID, inflationary impact and subsequent market condition.
- Active risk has remained stable.

Ex-Post Active Risk Analysis (%)

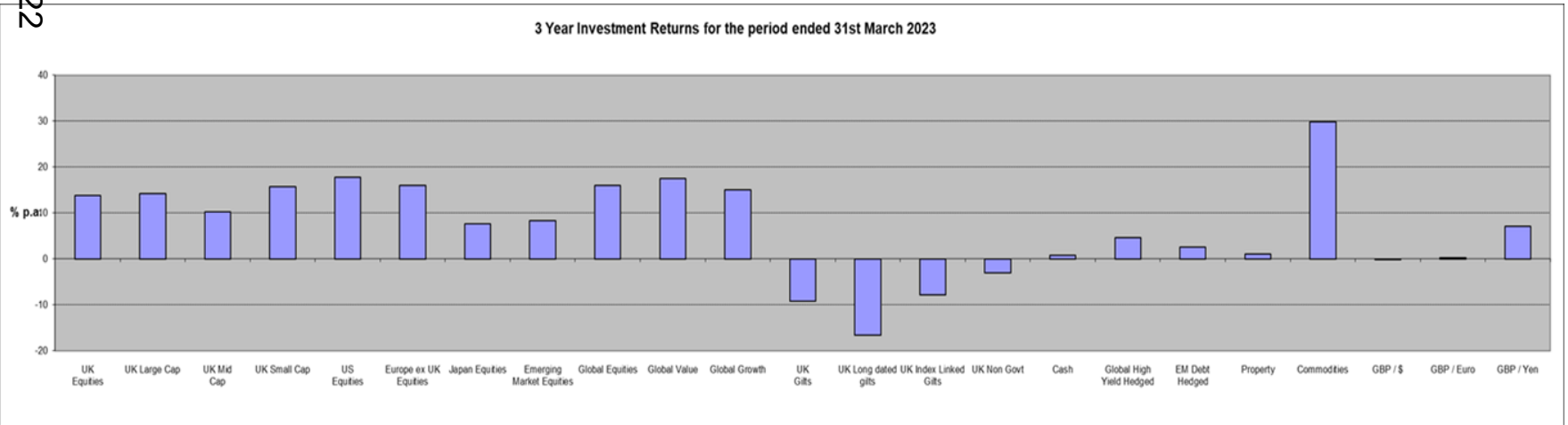


	1 Yr	3 Yr	5 Yr	10 Yr	Apr 95
Active Risk	1.2	1.3	1.2	1.2	1.2
Portfolio Risk	9.9	9.0	9.5	8.0	7.8
Benchmark Risk	10.2	9.0	9.2	7.9	7.6

Market Results – Periods Ended March 31st 2023



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Client Trends

- Fund activity;
 - Growth in investments within 'Alternative Asset Classes' including Infrastructure and Private Debt.
 - Investment in ESG strategies
 - A significant number of Funds have redefined their strategies towards Growth assets, Income and Capital protection etc.
 - Clearer recognition of purpose of assets but different placements used by different funds.
 - Often seeing Private Equity move from Alts to Growth.

- Local Government Pension Scheme Pooling
 - Transitions have typically occurred in active strategies including equities and bonds
 - In recent year more SRI / Climate Funds and 'alternative assets' vehicles.

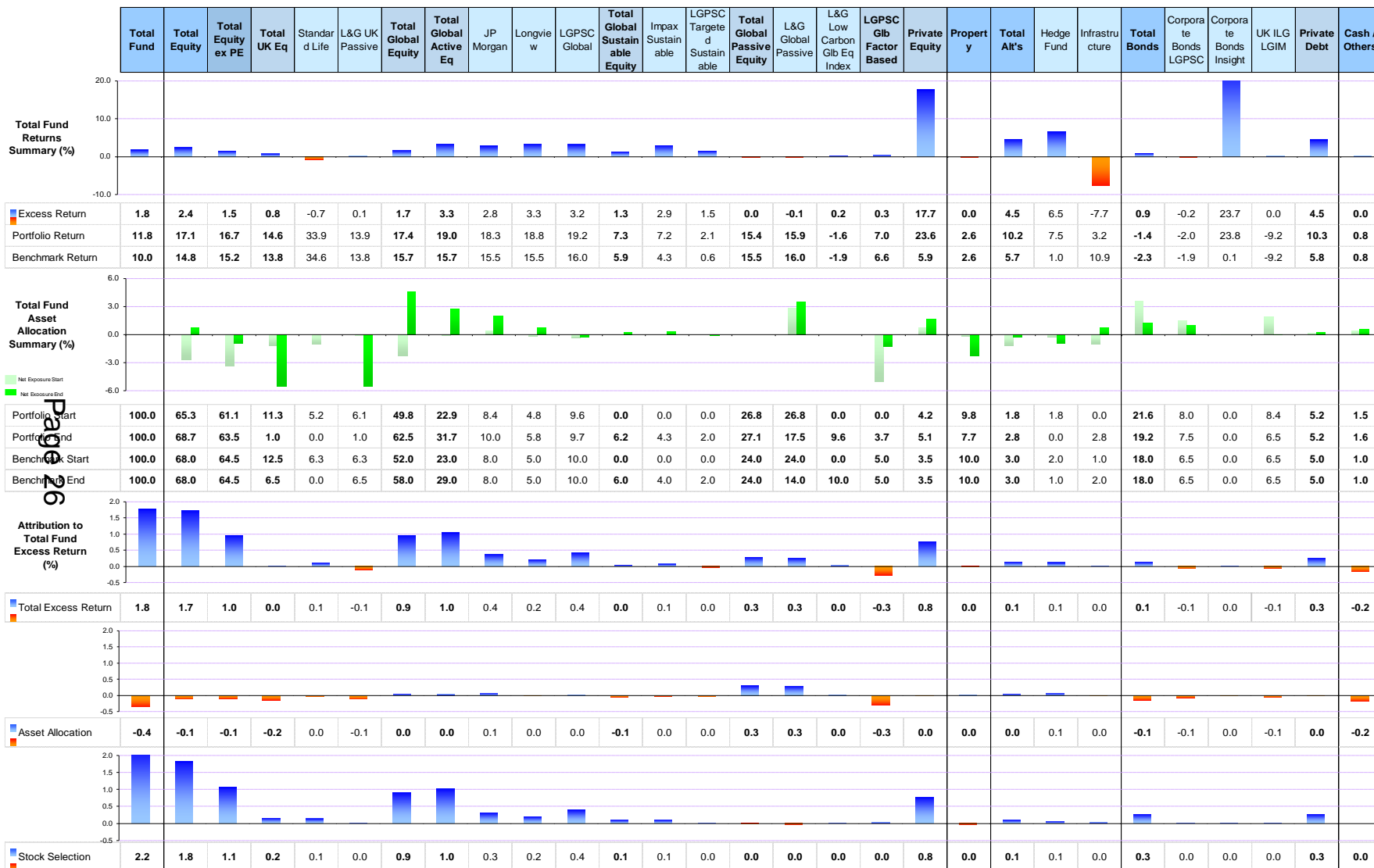
Investment Management Developments at the Fund

- Primary activity has been;
 - Investment in LGPSC Targeted Sustainable Fund from 25th January 2023.
 - Investment into Gresham House BSIF II from 22nd February 2023.
 - Investment into LGPS Central Credit Partnership IV LP.
 - Investment into Brookfield Super-Core Infrastructure Partners,
 - L&G Low Carbon Transition Global Equity Index Fund.
 - Significant reduction in exposure to LGIM UK equity passive vehicle and L&G Global Passive Funds

Attribution to Total Fund Excess Return Analysis - Year Ending March 2023

	Total Fund	Total Equity	Total Equity ex PE	Total UK Eq	L&G UK Passive	Total Global Equity	Total Global Active Eq	JP Morgan	Longview	LGPS Global	Total Global Sustainable Equity	Impact Sustainable	LGPS Targeted Sustainable	Total Global Passive Equity	L&G Global Passive	L&G Low Carbon Gbl Eq Index	LGPS Gbl Factor Based	Private Equity	Property	Total Alt's	Hedge Fund	Infrastructure	Total Bonds	Corporate Bonds LGPS	UK ILG LGIM	Private Debt	Cash / Others	
Total Fund Returns Summary (%)																												
Excess Return	2.4	2.2	1.7	0.1	0.1	2.1	3.9	2.0	7.8	2.2	6.7	6.6	1.5	0.1	-0.1	0.2	0.4	11.9	8.6	13.6	2.0	11.9	-0.1	-1.9	0.0	2.5	-0.1	
Portfolio Return	-1.9	1.1	0.8	3.0	3.0	0.7	2.7	0.6	6.3	1.3	5.8	5.7	2.1	-2.1	-1.0	-1.6	1.0	6.6	-6.3	22.7	4.7	24.3	-13.1	-10.8	-30.4	9.7	2.1	
Benchmark Return	-4.3	-1.1	-1.0	2.9	2.9	-1.4	-1.1	-1.4	-1.4	-0.9	-0.9	-0.9	0.6	-2.2	-0.9	-1.9	0.6	-5.4	-14.9	9.1	2.8	12.3	-13.1	-9.0	-30.4	7.3	2.2	
Total Fund Asset Allocation Summary (%)																												
Portfolio Start	100.0	71.2	66.5	6.1	6.1	60.4	30.1	9.7	5.3	11.2	3.9	3.9	0.0	26.7	26.7	0.0	3.6	4.8	8.0	0.3	0.0	0.3	16.7	5.9	6.3	4.6	3.7	
Portfolio End	100.0	68.7	63.5	1.0	1.0	62.5	31.7	10.0	5.8	9.7	6.2	4.3	2.0	27.1	17.5	9.6	3.7	5.1	7.7	2.8	0.0	2.8	19.2	7.5	6.5	5.2	1.6	
Benchmark Start	100.0	68.0	64.5	6.5	6.5	58.0	29.0	8.0	5.0	10.0	6.0	4.0	2.0	24.0	24.0	0.0	5.0	3.5	10.0	3.0	1.0	2.0	18.0	6.5	6.5	5.0	1.0	
Benchmark End	100.0	68.0	64.5	6.5	6.5	58.0	29.0	8.0	5.0	10.0	6.0	4.0	2.0	24.0	14.0	10.0	5.0	3.5	10.0	3.0	1.0	2.0	18.0	6.5	6.5	5.0	1.0	
Attribution to Total Fund Excess Return (%)																												
Total Excess Return	2.4	1.6	1.1	-0.2	-0.2	1.3	1.1	0.2	0.4	0.3	0.2	0.3	-0.1	0.2	0.2	0.1	-0.1	0.5	0.8	-0.2	-0.1	-0.2	0.1	-0.1	0.2	0.1	0.1	
Asset Allocation	-0.1	0.0	0.0	-0.2	-0.2	0.2	0.0	0.1	0.0	0.0	-0.1	0.0	-0.1	0.2	0.2	0.0	-0.1	0.0	0.1	-0.3	-0.1	-0.3	0.1	0.0	0.2	-0.1	0.1	
Stock Selection	2.4	1.6	1.1	0.0	0.0	1.1	1.1	0.2	0.4	0.2	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.5	0.7	0.1	0.0	0.1	0.0	-0.1	0.0	0.1	0.0	

Attribution to Total Fund Excess Return Analysis – 3 Years Ending June 2023



Attribution to Total Fund Excess Return - Periods Ended March 2023

- The Fund has outperformed its benchmark for the year ended March 2023.
- Outperformance from the majority of managers and portfolios.
- The positives impacting the Fund were primarily
 - Private Equity outperformed
 - Equities excluding private equity outperformed
 - Alternatives had a high return
 - All active equity mandates outperformed
 - Property had a high excess return despite having a negative return. due to being underweight and stock selection.
 - Manager / stock selection drove excess return.
- The negative contributors were very few.
 - LGPS Central Corporate Bond Fund underperformed

Attribution to Total Fund Excess Return – 3 Years Ended March 2023

- The Fund has outperformed its benchmark for the 3 years ended March 2023 by 1.8% per annum (despite all the restructuring)
- Outperformance driven by the contribution to excess return due to;
 - Private Equities
 - All active equity managers outperforming.
 - Private debt outperformed
 - Alternative assets have outperformed but as the investment program is new and therefore the contribution to excess return is small.
- Bonds were a neutral contributor.
- The LGPSC Global Factor Based portfolio outperformed its benchmark but was a negative contributor to the Fund's excess return because its benchmark was lower than the benchmark of the Total Fund.

SCC Returns relative to PEL LGPS Universe Data Periods Ended March 2023

- Please note that the Fund has a higher equity weighting than the average LGPS Fund.
- Above average fund returns consistently
- Returns averages are below;

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Return History SCC & PEL LGPSC Universe			
Years	SCC	Average	Weighted
Ended 31/03/23			Average
% p.a.	% p.a.	% p.a.	% p.a.
1	-1.9	-0.8	-0.3
3	11.8	10	10.1
5	7.3	6.2	6.1
10	8.3	7.5	n/a
20	8.9	8.5	n/a
25	6.7	6.5	n/a

Fund and Portfolio Summary - Periods Ending March 2023

	Benchmark	Incep Date	Market Value (£m)	Market %	QTR			YTD			1 Year			3 Year			5 Year			10 Year			Since Incep		
					PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER
Total Return Seeking inc Prv Debt	Multi Asset Class Index	Mar-19	5,604.6	84.5	2.8	3.4	-0.6	1.0	-1.8	2.8	1.0	-1.8	2.8	15.3	12.6	2.7							9.3	7.6	1.7
Combined Equity Inc Private Equity	Multi Equity Asset Class Index	Mar-19	4,557.6	68.7	3.7	4.1	-0.4	1.1	-1.1	2.2	1.1	-1.1	2.2	17.1	14.8	2.4							9.9	8.5	1.4
Combined Equity Ex Private Equity	Multi Equity Asset Class Index	Apr-08	4,216.9	63.5	4.6	4.1	0.5	0.8	-1.0	1.7	0.8	-1.0	1.7	16.7	15.2	1.5	9.1	8.9	0.2	9.6	9.6	0.1	8.7	8.9	-0.2
<i>Total UK Equity</i>	<i>FTSE All Share Index</i>	<i>Apr-15</i>	<i>66.1</i>	<i>1.0</i>	<i>3.1</i>	<i>3.1</i>	<i>0.0</i>	<i>3.0</i>	<i>2.9</i>	<i>0.1</i>	<i>3.0</i>	<i>2.9</i>	<i>0.1</i>	<i>14.6</i>	<i>13.8</i>	<i>0.8</i>	<i>4.9</i>	<i>5.0</i>	<i>-0.1</i>				<i>5.2</i>	<i>5.3</i>	<i>-0.1</i>
L&G UK Equity Fund	FTSE All Share Index	Dec-15	66.1	1.0	3.1	3.1	0.0	3.0	2.9	0.1	3.0	2.9	0.1	13.9	13.8	0.1	5.1	5.0	0.1				6.8	6.6	0.1
<i>Total Global Equity</i>	<i>SCC Global Equity</i>	<i>Dec-14</i>	<i>4,150.8</i>	<i>62.5</i>	<i>4.7</i>	<i>4.2</i>	<i>0.4</i>	<i>0.7</i>	<i>-1.4</i>	<i>2.1</i>	<i>0.7</i>	<i>-1.4</i>	<i>2.1</i>	<i>17.4</i>	<i>15.7</i>	<i>1.7</i>	<i>10.2</i>	<i>9.9</i>	<i>0.4</i>				<i>10.8</i>	<i>10.8</i>	<i>0.0</i>
<i>Total Global Active Equity</i>	<i>SCC Global Active Equity</i>	<i>Mar-19</i>	<i>2,103.7</i>	<i>31.7</i>	<i>5.0</i>	<i>4.4</i>	<i>0.6</i>	<i>2.7</i>	<i>-1.1</i>	<i>3.9</i>	<i>2.7</i>	<i>-1.1</i>	<i>3.9</i>	<i>19.0</i>	<i>15.7</i>	<i>3.3</i>							<i>10.7</i>	<i>9.7</i>	<i>1.0</i>
JP Morgan Global Equity Fund	MSCI AC World Index Net	Dec-09	662.4	10.0	3.9	4.4	-0.5	0.6	-1.4	2.0	0.6	-1.4	2.0	18.3	15.5	2.8	9.8	9.7	0.1	10.9	10.3	0.6	11.1	10.4	0.7
Longview Global Equity Fund	MSCI AC World Index Net	Dec-09	382.6	5.8	4.4	4.4	0.0	6.3	-1.4	7.8	6.3	-1.4	7.8	18.8	15.5	3.3	11.4	9.7	1.8	13.6	10.3	3.3	14.2	10.4	3.8
LGPSC Global Active Equity Fund	FTSE All World Index	Feb-19	645.3	9.7	5.7	4.3	1.3	1.3	-0.9	2.2	1.3	-0.9	2.2	19.2	16.0	3.2							11.1	10.0	1.1
<i>Total Global Sustainable Equity</i>	<i>SCC Global Sustainable Equity</i>	<i>Apr-21</i>	<i>413.4</i>	<i>6.2</i>	<i>5.8</i>	<i>4.5</i>	<i>1.3</i>	<i>5.8</i>	<i>-0.9</i>	<i>6.7</i>	<i>5.8</i>	<i>-0.9</i>	<i>6.7</i>										<i>7.3</i>	<i>5.9</i>	<i>1.3</i>
Impax Global Sustainable Equity Fund	MSCI All Country World Index	Apr-21	283.8	4.3	5.7	4.5	1.2	5.7	-0.9	6.6	5.7	-0.9	6.6										7.2	4.3	2.9
LGPSC Targeted Sustainable Fund	FTSE All World Index	Jan-23	129.6	2.0	2.1	0.6	1.5																2.1	0.6	1.5
<i>Total Global Passive Equity Fund</i>	<i>SCC Global Passive Equity</i>	<i>Dec-15</i>	<i>1,798.9</i>	<i>27.1</i>	<i>4.7</i>	<i>4.7</i>	<i>0.0</i>	<i>-2.1</i>	<i>-2.2</i>	<i>0.1</i>	<i>-2.1</i>	<i>-2.2</i>	<i>0.1</i>	<i>15.4</i>	<i>15.5</i>	<i>0.0</i>	<i>10.0</i>	<i>10.0</i>	<i>0.0</i>				<i>11.9</i>	<i>11.8</i>	<i>0.1</i>
LGPS Global Equity Fund	FTSE All World Index	Dec-15	1,159.5	17.5	4.3	4.3	0.0	-1.0	-0.9	-0.1	-1.0	-0.9	-0.1	15.9	16.0	-0.1	10.3	10.3	-0.1				12.1	12.1	0.0
LGPS Low Carbon Global Equity Index Fund	Solactive L&G Low Carbon Transition Global Index	Aug-22	639.4	9.6	5.2	5.1	0.1																-1.6	-1.9	0.2
LGPSC GIB Multi Factor Based Equity	SciBeta GL 6 Fact Equal Weight	Jan-21	248.2	3.7	1.5	1.4	0.2	1.0	0.6	0.4	1.0	0.6	0.4										7.0	6.6	0.3
Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Oct-14	340.7	5.1	-6.5	2.5	-9.0	6.6	-5.4	11.9	6.6	-5.4	11.9	23.6	5.9	17.7	20.7	3.5	17.3				19.8	2.0	17.8
Colliers UK Property Fund	MSCI UK Monthly Property Index (GBP)	Oct-94	513.7	7.7	-0.7	0.2	-0.9	-6.3	-14.9	8.6	-6.3	-14.9	8.6	2.6	2.6	0.0	3.0	2.7	0.3	7.9	7.1	0.7	7.5	7.3	0.1
Combined Alternative Assets	SCC Total Alternatives Index	Jul-11	185.1	2.8	-0.7	1.7	-2.4	22.7	9.1	13.6	22.7	9.1	13.6	10.2	5.7	4.5	7.0	4.3	2.7	7.2	2.6	4.7	7.3	2.2	5.1
Hedge Fund	SONIA 3 Month	Dec-14	1.8	0.0	0.0	1.0	-1.0	4.7	2.8	2.0	4.7	2.8	2.0	7.5	1.0	6.5	3.4	0.9	2.5				2.5	0.8	1.8
Infrastructure Fund	UK CPI+3.5%	Feb-21	183.3	2.8	-0.8	2.0	-2.8	24.3	12.3	11.9	24.3	12.3	11.9										3.2	10.9	-7.7
Total Defensive exc Priv Debt	SCC Def Index ex Priv Debt	Mar-19	1,031.8	15.5	3.1	3.6	-0.5	-17.1	-18.7	1.6	-17.1	-18.7	1.6	-4.1	-5.0	0.9							-3.0	-3.3	0.3
Total Bonds inc Private Debt	SCC Total Bonds	Mar-19	1,276.9	19.2	2.0	3.4	-1.4	-13.1	-13.1	-0.1	-13.1	-13.1	-0.1	-1.4	-2.3	0.9							-0.7	-1.0	0.3
Total Bonds Ex Private Debt	SCC Total Bonds ex PD	Dec-14	928.7	14.0	3.6	3.8	-0.2	-21.2	-20.2	-1.0	-21.2	-20.2	-1.0	-5.7	-5.4	-0.2	-2.8	-2.3	-0.5				0.2	0.3	-0.1
LGPS Central Corporate Bond Fund	LGPS Client Specific	Mar-20	496.2	7.5	2.4	2.6	-0.2	-10.8	-9.0	-1.9	-10.8	-9.0	-1.9	-2.0	-1.9	-0.2							-0.7	-0.5	-0.2
L&G UK Index Linked Gilt Fund	FTSE Over 5 Years Index Linked Gilt Index	Feb-10	432.5	6.5	4.9	4.9	0.0	-30.4	-30.4	0.0	-30.4	-30.4	0.0	-9.2	-9.2	0.0	-4.1	-4.1	0.0	1.6	1.6	0.0	4.4	4.4	0.0
Private Debt Fund	SONIA +5%	Jun-16	348.2	5.2	-2.1	2.2	-4.3	9.7	7.3	2.5	9.7	7.3	2.5	10.3	5.8	4.5	9.5	5.8	3.7				8.6	5.7	2.9
Central Cash Fund	UK Cash	Dec-14	103.0	1.6	0.8	0.9	-0.1	2.1	2.2	-0.1	2.1	2.2	-0.1	0.8	0.8	0.0	0.6	0.7	-0.2				0.5	0.6	-0.1
Total Fund Net	Multi Asset Class Index	Apr-17	6,636.4	100.0	2.82	3.47	-0.66	-1.96	-4.31	2.35	-1.96	-4.31	2.35	11.70	10.02	1.68	7.14	6.44	0.70				6.44	5.87	0.57
Total Fund	Multi Asset Class Index	Apr-95	6,636.4	100.0	2.87	3.47	-0.61	-1.94	-4.31	2.38	-1.94	-4.31	2.38	11.79	10.02	1.77	7.26	6.44	0.82	8.29	7.64	0.66	7.82	7.90	-0.08

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

Fund and Portfolio Summary (alternative assets ex property) - Periods Ending March 2023

	Benchmark	Incep Date	Market Value (£m)	Market %	QTR			YTD			1 Year			3 Year			5 Year			10 Year			Since Incep			
					PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	
Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Oct-14	340.7	5.1	-6.5	2.5	-9.0	6.6	-5.4	11.9	6.6	-5.4	11.9	23.6	5.9	17.7	20.7	3.5	17.3				19.8	2.0	17.8	
<i>LGPS Central Private Equity Fund</i>	MSCI World Index +2.0% (lagged by 1 quarter)	Sep-19	15.7	0.2	-2.0	2.5	-4.5	3.1	-5.4	8.4	3.1	-5.4	8.4	20.2	5.9	14.3							11.4	5.0	6.4	
LGPS Central PE Primary Partnership 2018 LP	MSCI World Index +2.0% (lagged by 1 quarter)	Sep-19	7.8	0.1	-1.7	2.5	-4.2	3.4	-5.4	8.7	3.4	-5.4	8.7	20.3	5.9	14.4							11.5	5.0	6.4	
LGPS Central PE Primary Partnership 2021 LP	MSCI World Index +2.0% (lagged by 1 quarter)	Jan-23	0.1	0.0	6.8	2.5	4.3															6.8	2.5	4.3		
Lazard Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Apr-17	0.5	0.0	-16.7	2.5	-19.2	-45.7	-5.4	-40.4	-45.7	-5.4	-40.4	-17.3	5.9	-23.2	-9.9	3.5	-13.4				-9.5	2.9	-12.4	
Knightbridge Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Apr-17	35.1	0.5	-15.0	2.5	-17.5	-15.6	-5.4	-10.2	-15.6	-5.4	-10.2	26.5	5.9	20.6	24.5	3.5	21.0				19.6	2.9	16.7	
Partners Group Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Apr-17	37.5	0.6	-2.9	2.5	-5.4	0.8	-5.4	6.2	0.8	-5.4	6.2	20.2	5.9	14.3	18.5	3.5	15.0				16.1	2.9	13.2	
Capital Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Apr-17	31.5	0.5	2.1	2.5	-0.4	29.5	-5.4	34.9	29.5	-5.4	34.9	16.9	5.9	11.0	15.4	3.5	11.9				15.3	2.9	12.3	
Harvest Private Equity Fund	MSCI World Index +2.0% (lagged by 1 quarter)	Apr-17	228.2	3.4	-6.8	2.5	-9.3	9.5	-5.4	14.9	9.5	-5.4	14.9	24.2	5.9	18.3	20.8	3.5	17.3				19.2	2.9	16.3	
Infrastructure Fund	UK CPI +3.5%	Feb-21	183.3	2.8	-0.8	2.0	-2.8	24.3	12.3	11.9	24.3	12.3	11.9									3.2	10.9	-7.7		
BlackRock GRP Fund III	UK CPI +3.5%	Feb-21	12.5	0.2	8.3	2.0	6.3	45.9	12.3	33.6	45.9	12.3	33.6										16.4	10.9	5.5	
IFM Global Infrastructure Fund	UK CPI +3.5%	Apr-22	57.4	0.9	-0.6	2.0	-2.7	14.8	7.8	7.0	14.8	7.8	7.0										14.8	7.8	7.0	
Equitix Fund VI	UK CPI +3.5%	Aug-21	22.4	0.3	1.2	2.0	-0.9	20.6	12.3	8.3	20.6	12.3	8.3										6.6	11.4	-4.8	
Pantheon GIF IV	UK CPI +3.5%	Jan-22	5.0	0.1	-6.7	2.0	-8.7																-14.8	8.8	-23.6	
LGPS Central Core/Core Plus Infrastructure Fund	UK CPI +3.5%	Apr-22	26.1	0.4	-6.8	2.0	-8.8																10.3	7.8	2.5	
LGPS Central Infrastructure JP Morgan Fund	UK CPI +3.5%	Jan-23	60.0	0.9	-0.1	2.0	-2.1																-0.1	2.0	-2.1	
Brookfield Super-Core Infrastructure Partners	UK CPI +3.5%	Jan-00	N.A.	N.A.																						
Gresham House BSIF II	UK CPI +3.5%	Jan-00	N.A.	N.A.																						
Private Debt Fund	SONIA +5%	Jun-16	348.2	5.2	-2.1	2.2	-4.3	9.7	7.3	2.5	9.7	7.3	2.5	10.3	5.8	4.5	9.5	5.8	3.7				8.6	5.7	2.9	
Hayfin Private Debt Fund	SONIA +5%	Jan-17	102.6	1.5	1.4	2.2	-0.7	6.2	7.3	-1.0	6.2	7.3	-1.0	7.7	5.8	1.9	8.3	5.8	2.5				9.3	5.7	3.6	
Highbridge Private Debt Fund	SONIA +5%	Jan-17	96.7	1.5	-4.7	2.2	-6.9	18.1	7.3	10.9	18.1	7.3	10.9	11.8	5.8	6.0	11.4	5.8	5.7				11.8	5.7	6.1	
Alcentra Private Debt Fund	SONIA +5%	Jan-17	77.6	1.2	-0.9	2.2	-3.1	3.0	7.3	-4.3	3.0	7.3	-4.3	10.4	5.8	4.6	8.4	5.8	2.7				7.8	5.7	2.1	
Barings Private Debt Fund	SONIA +5%	Aug-21	29.6	0.4	1.88	2.17	-0.29	8.26	7.25	1.01	8.26	7.25	1.01										7.51	6.43	1.08	
<i>LGPS Central Credit Partnership Total Fund</i>	SONIA +5%	Jul-21	41.7	0.6	-7.04	2.17	-9.20	65.14	7.25	57.89	65.14	7.25	57.89										43.85	6.91	36.93	
LGPS Central Credit Partnership I LP (HR Fund Investments)	SONIA +5%	Jul-21	16.0	0.2	80.91	2.17	78.74	-83.40	7.25	-90.65	-83.40	7.25	-90.65										-77.50	6.91	-84.41	
LGPS Central Credit Partnership II LP (LR Fund Investments)	SONIA +5%	Nov-21	9.9	0.1	-195.84	2.17	-198.01	-358.35	7.25	-365.61	-358.35	7.25	#####											-311.83	6.91	-318.74
LGPS Central Credit Partnership IV LP (Real Assets)	SONIA +5%	Dec-22	15.7	0.2	-1.54	2.17	-3.70																-1.54	2.17	-3.70	

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

Summary

- The Fund, for periods ended March 2023, outperformed its benchmark over most periods.
- The Fund has outperformed the PE LGPS Information Service average return over the one, three, five year, ten and twenty year periods.
- The outperformance over the year was due to primarily to the performance of the equity assets, most notably Private Equity and active Global Equities.
- The Fund continues to transition assets to LGPSC Central due to Pooling.
- Total risk remains low and active risk is at a level that is consistent with the structure of the Fund. Risk has increased over recent year due to the impact of the pandemic, inflationary issues and bond yields.

PENSIONS COMMITTEE – 30 JUNE 2023

Report of the Director of Finance

**STAFFORDSHIRE PENSION FUND BUSINESS PLAN
2022/23 OUTTURN**

Recommendation of the Chairman

1. That the Pensions Committee approves the outturn position of the Staffordshire Pension Fund Business Plan for 2022/23.

Background

2. At the beginning of each financial year, the Pensions Committee is asked to approve an annual Business Plan for the Staffordshire Pension Fund. This report details the final outturn position for the financial year 2022/23 and summarises the key achievements against that Business Plan, provided in Appendix 2.
3. With hybrid working arrangements now the norm, we continued to embrace the developments that have been made in technology, and the impact these have on our operational activities. And so once again, it is extremely pleasing to be able to report good achievement against the 2022/23 Business Plan; this is detailed in Appendix 2.
4. Where we have made progress with development activities, some of these have now been re-classified as 'business as usual' activities and several 'key development' activities which require further work, or ongoing activity, have been carried forward into the 2023/24 Business Plan.
5. As well as continuing with a high standard of service delivery, key achievements during 2022/23 include:

(i) Pensions Administration Team

- Completion of the 2022 Triennial Actuarial Valuation – this meant resources had to be directed to process all leavers, deaths, and aggregation cases. The Fund received positive feedback from the Scheme Actuary on the quality of data submitted.
- Change to Management Structure - with effect from 1 January 2023, a new 5 pillar structure was put into place which allows for succession planning across the wider Pensions Service. Ongoing recruitment was also required throughout the year, to support changing resource needs, increased workloads and to allow us to respond to projects, given retirement is still a popular option.
- My Pensions Portal (MPP) – more scheme members are using smartphones or tablets to access their pension information and it is

important that the Fund adapts its communication platform to increase member engagement. Scheme members can now log on to their individual accounts to run estimates, view statements, payslips and update their personal information.

- Pensions Website – we continue to review and improve our website as this is the main point of reference for our scheme members, employers, and key stakeholders. The Fund is currently working with the County Council’s communications team to further improve the website.
- Digital Proof of Life – the Fund has successfully completed its first biometric recognition exercise via Crown Agents Bank, for its pension recipients living overseas. 87% of those requested to take part have now moved to this new process rather than the previous paper life certificate exercise.
- Communication – the Fund continues to explore various mediums to deliver communication to our scheme members and employers. Our first member webinar for scheme members employed by Staffordshire County Council is planned for 5 July 2023.

(ii) Pensions Investment Team

- Annual Stewardship Report – this was developed in line with the requirements of the Financial Reporting Council’s UK Stewardship Code and was submitted to the FRC following approval by Pensions Committee in March.
- Climate Change Reporting - the Fund continued to report in line with the requirements of the Task Force for Climate Related Financial Disclosures (TCFD) and following receipt of a Climate Scenario Analysis Report from LGPS Central Ltd, was able to provide an updated Climate Change Strategy, which demonstrated progress against the Fund’s climate change targets.
- Investment Strategy – the implementation of the Fund’s Strategic Asset Allocation, in line with the Pension Fund’s Climate Change Strategy continued at pace, with investment approved into a low carbon passive index and a second global sustainable equity portfolio.

Audit

6. There have been three Staffordshire Internal Audit Service reviews across the Teams throughout the year:
- (i) the Pensions Administration System Audit, which is a non-routine audit requested to review the changes to our processes as a result of the implementation of the new ‘hosted’ administration system. The Final Audit report is yet to be issued at the time of writing;

- (ii) the annual Pensions Administration Audit is pending completion at the time of writing; and
 - (iii) the Pension Fund Responsible Investment, Climate Change & Engagement Audit, which was undertaken following the conclusion of the work on the Fund's Climate Change Strategy and which received a 'substantial' assurance rating.
7. Despite the level of engagement required, Audit reviews are welcome, particularly when they receive a 'substantial assurance' rating as this provides the Committee and the Management Team with the assurance that the necessary controls are in place. The reviews also re-affirm the hard work and effort of the Teams, and their ongoing commitment to the Fund, despite the increasing complexities of delivering the service and hybrid working.
8. As well as Audits being carried out on the LGPS Central pool (as part of the wider Audit Assurance Framework developed by the Auditors of the 8 Partner Funds that make up LGPS Central) it is anticipated that the Company itself, LGPS Central Limited, will continue to receive an unqualified AAF 01/20 Internal Control Report for 2022/23.
9. As part of best practice, the Investment Team also reviews the control reports of the Fund's global custodian and the multiple managers that the Fund's assets are invested with. Additional information is sought from management about any controls that give cause for concern in terms of any possible impact on the Fund.

Pensions Administration – Service Standards

10. The Pensions Administration Team's Service Standards for 2022/23 are attached at Appendix 3.
11. The Committee are asked to note the consistent level of performance versus the standards over the last three years and the number of performance targets achieved in 2022/23. A summary of the position is as follows:
- 2020/21 shows that a 90% performance target was achieved in 12 of the 15 published standards.
 - 2021/22 shows that a 90% performance target was achieved in 13 of the 15 published standards.
 - 2022/23 shows that a 90% performance target was achieved in 12 of the 15 published standards.
12. The three published standards where the performance target was not quite achieved in 2022/23 were: 4. Estimate Deferred Benefits (89%); 5. Actual Retirement Benefits (88%); and 9. Notify Deferred Benefits (88%). Given these were only marginally below the 90% target and Management has no concerns over the fundamental processes in place, the underperformance

is assumed to be as a result of several things including a small increase in volume or the timing of annual leave, for example.

Ongoing workloads and impact on Service Standards

13. Whilst the Service Standards for 2022/23 are excellent once again, and something of which the Teams should be extremely proud, it is important to remind the Committee, that the Scheme continues to become ever more complex and the number of Employers and their arrangements for continuing to participate in the Scheme are in themselves becoming more creative as a result. As in previous years old challenges remain and new ones are presented.
14. One ongoing issue is the McCloud remedy project. As a reminder to the Committee this will rectify the age discrimination that was introduced with the 2014 CARE scheme, when only those within 10 years of retirement were afforded full protection. An update of the latest position is summarised in the bullets below:
 - 2022/23 saw the Systems & Data team requesting final data from scheme employers for the c70,000 scheme members in scope;
 - Software providers continue to work with the Department for Levelling Up, Communities and Housing (DLUHC) and the LGPS Actuaries, to ensure that the appropriate changes to administration systems have been made;
 - DLUHC published a consultation and draft legislation on the McCloud remedy on 30 May 2023, which closes on 30 June 2023;
 - Regulations are expected to be in force on 1 October 2023;
 - Once all the above are in place, a substantial exercise will need to be carried out to validate and load historic data and test member benefit calculations to ensure a member would not be better off in the final salary scheme. Having done all that, it is anticipated that very few scheme members will be affected.
 - Annual Benefit Statements for 2024/25 must also include any McCloud underpin calculations.
15. Long anticipated changes in regulations and guidance will also have an impact on workload that needs to be accommodated:
 - We still await further details on the Good Governance Review;
 - We still await further details on Asset Pooling in the LGPS; and
 - We still await the Pensions Regulators new Single Code of Practice, which we were assured would be laid before Parliament in the summer of 2023.
16. We have just received confirmation that the changes to the Government's Pensions Dashboard Programme means that the original, connection dates determined for LGPS Funds to connect to the dashboard's ecosystem by 30 April 2024 have now been delayed until 31 October 2026. Despite this, the Fund will continue with its plans to cleanse scheme member data and appoint an Integrated Service Provider (ISP) to enable system connection prior to the go live deadlines.

17. Finally, on a positive note, the Fund will shortly be undertaking a project known as Enhanced Admin to Pay (EA2P) which will interface the set up and the payment of new pensions and dependants' payments by removing the need for manual intervention. It is hoped that this will result in significant resource savings.

Other considerations

18. Not all administration processes are benchmarked but most are usually complex and time-consuming areas of work for example:
- Combining pension records for re-joining members known as aggregation.
 - Concurrent employment cases.
 - Data cleansing.
 - Software upgrades & testing ICT infrastructure.
 - Record maintenance, including year-end member data.
 - Issue of Annual Benefit Statements.
 - Attending retirement sessions and sessions to support members being made redundant.
 - Communication projects for example Academy training sessions.
 - Introducing new software to Employers for the monthly transmission of data to the pension system and onboarding (i-Connect).
 - Pensions Increase exercise.
 - Admitting new Employers to the Fund and agreeing Admission Agreements.
 - Production of HR costing data for Employers.
 - Regulatory and legal support to Employers and the monitoring of Employee and Employer Contributions.

Pensions Administration Team Resource

19. Due to the complex nature of the LGPS, recruiting experienced team members is always difficult and so the focus continues to be on training and 'growing our own'. Over the last 12 months the number of team members has remained stable and whilst several experienced members of the Team have retired or left for pastures new, through successful recruitment we have managed to appoint some new and very enthusiastic team members.
20. Clearly, if we are to maintain our Service Standards going forward and successfully manage both the McCloud exercise and the Pensions Dashboard Programme there is a need to continue to recruit even more new team members. Fortunately, we have seen an increase in applicant numbers recently and we are more hopeful of increasing our staffing numbers going forward, as opposed to simply maintaining the status quo.
21. The Teams are now working on several projects which utilise the additional functionality of the updated Administration System. These include the ongoing review and streamlining of processes where possible and an increased self-service offering through the My Pension Portal.

22. Whilst there is inevitably a direct cost implication of any increase in staff numbers, this will always be proportionate and measured. The process of recruiting 1 or 2 entry grade team members, with their training on the more routine activities being delivered by more experienced team leaders, will ultimately facilitate the release of resources, at a more senior level, to work on more complex cases and project work.
23. Despite the difficulties of recruiting over the last couple of years, we do still feel that continuing to recruit in this way is the right approach. Our aim is to deliver a cost-effective service that continues to prepare us to face any new challenges upfront. And, whilst we will endeavour to ensure that performance against published service standards does not decline significantly, we acknowledge that this may become challenging over the next 2-3 years. However, our focus will remain on delivering a service to the end user i.e., the Scheme Member, that is not sub-standard, nor in direct contravention of the Pensions Regulators Disclosure requirements.

Pensions Investment Team

24. As well as undertaking their day-to-day accounting and contract monitoring activities, the investment team were kept busy during the year with several projects:
 - Submitting the first Annual Stewardship Report to the Financial Reporting Council, in line with the UK Stewardship Code's increased requirements. This report was approved by the Pensions Panel on 31 March 2023 and the outcome of the approval process by the FRC is pending.
 - Continuing to implement the recommendations from the Strategic Asset allocation review, carried out by Hymans Robertson in 2022. This sees a move away from public equity markets into asset classes across private markets.
 - Continuing involvement in the development of the LGPS Central pool and engagement with the various Officer Working Groups, to ensure the right products are being developed and available for the Fund to invest in.
25. In 2022/23, the Fund's total investment return was -1.9% versus its strategic investment benchmark return of -4.3%, an outperformance of +2.4%. Whilst this was significantly less than the investment returns across markets in 2021/22, it demonstrates how investing in a diversified portfolio helps to limit the impact of changing economic conditions on the Fund.
26. The Fund's longer-term annualised investment performance numbers, at 31 March 2022, remain in excess of 8%, which is well ahead of the long-term investment return assumptions used by the Actuary in the triennial valuation.

27. The Committee will receive a presentation from the Fund’s independent performance measurer, Portfolio Evaluation Limited, on the detail of the Fund’s investment performance in 2022/23, at today’s meeting.

Pension Fund Budget and Costs

28. At previous Pensions Committee meetings, Members were asked to note that instead of solely setting an annual budget and relying on budget monitoring to manage costs, the Committee should also place reliance on cost comparisons, benchmarking and trends, where these are available, to ensure that value for money is consistently delivered.
29. The headline budget reported to Pensions Committee for 2022/23, as part of the Business Plan versus the headline Actual Outturn position is provided in the following table. A comparison to 2021/22 is also provided.

	2021/22	2022/23
	£000	£000
Initial Budget forecast	22,120	28,950
Actual Outturn position	25,650	23,574
Under (Over) spend	(3,530)	5,376

30. The £5.4m headline budget ‘underspend’ in 2022/23 is attributable to a decrease in expenditure on Investment Management Fees and vacant property costs during the year. Budgeting for this area of expenditure is particularly difficult. The fact that this area was the reason for the budget overspend in each of the previous two financial years saw the budget being reviewed and increased for 2022/23. Paragraph 38 onwards provides more detail.
31. The tables that follow break the Actual Outturn position down into more detail, as per CIPFA’s reporting classification in the annual accounts. They also provide comparisons to previous years’ expenditure and income, to highlight any significant changes or trends.
32. The following table shows this year’s **Administration Costs** compared to the last two years:

	2020/21	2021/22	2022/23
	£000	£000	£000
Pensions administration	2,314	2,897	2,784
Legal costs	53	65	54
Other costs	90	46	120
Income	(39)	(53)	(42)
Total Administration Costs	2,418	2,955	2,916

33. Total administration costs have decreased from 2021/2022 by around £0.04m. This is mainly due to a decreased cost of the Pensions Administration ‘Altair’ software system, following the recent tender.

34. Using the latest data available (for 2021/22), we can compare the cost per scheme member of our Pensions Administration Team to 21 LGPS Funds that also use the CIPFA benchmarking service. (The 2020/21 costs are provided in brackets for reference).

2021/22	Administration Costs per scheme member	
	SPF	Average
CIPFA benchmarking - pensions administration	£20.89 (£19.65)	£20.79 (£31.95)

35. The Fund's administration costs in 2021/22 were very similar to the group average. Also, when looking at similar authorities (County Councils), administration costs for Staffordshire Pension Fund are generally comparable. The slight increase in cost from 2020/21 is due to an increase in staffing costs, for reasons that are well documented and understood.
36. The following table shows this year's **Oversight and Governance Costs** compared to the last two years:

	2020/21	2021/22	2022/23
	£000	£000	£000
Audit Fees	89	43	51
Actuarial Advice	71	197	234
Investment Oversight fees	253	292	329
LGPS Central costs	1,046	1,064	1,158
Other	172	205	199
Total Oversight & Governance costs	1,631	1,801	1,971

37. Total Oversight and Governance costs have increased in 2022/2023. Actuarial fees have increased, reflecting the work for the 2022 Triennial Actuarial Valuation and Investment Oversight fees have increased because of the ongoing implementation of the Fund's Strategic Asset Allocation. LGPS Central governance costs have also increased which is proportionate to the general increases in the LGPS Central budget.
38. The following table shows this year's **Investment Management Costs** compared to the last three years:

	2020/21	2021/22	2022/23
	£000	£000	£000
Investment managers	15,971	16,942	15,192
Property costs	2,890	3,842	3,337
Custody costs	56	71	72
Other	23	39	86
Total investment costs	18,940	20,894	18,687

- 39. Investment Managers' fees have decreased overall in 2022/23. Private Equity fees were c£2.2m less, due to lower performance fees payable than in 2021/22, following write downs in some funds during the year. Vacant property costs have also decreased by c£0.5m relative to 2021/22, as the sector continued its post-pandemic recovery, with lettings of vacant property and the collection of unpaid rents.
- 40. Asset values fell in 2022/23, with the market value of the Fund's assets hitting a recent low of £6.3bn at 30 September 2022, due to markets falling on the back of inflationary pressures, interest rate rises and fears of a recession. Improving market conditions resulted in an increased market value of £6.6m by the 31 March 2023. However, the following table shows that investment management fees, as a percentage of assets under management, have reduced, predominantly for the reasons outlined in the previous paragraph.

	2020/21	2021/22	2022/23
	£000	£000	£000
IM Fees	15,971	16,942	15,192
Fund value at 31/3	6,125,859	6,830,486	6,653,800
Average Fee level (%)	0.26	0.25	0.23

- 41. Over the last couple of years, the Fund has seen the impact of increasing its investment in private market asset classes, principally private debt, in the cost benchmarking data (see following paragraphs). Due to the outcome of the recent Strategic Asset Allocation review, where further allocations will be made to private market asset classes (private equity, private debt, infrastructure and property) over the next few years, the investment management costs of the Fund are expected to rise further.
- 42. Over the long-term, however, as the economies of scale from asset pooling are achieved, it is anticipated that these costs will stabilise. As always, the costs are largely dependent on the Fund's Strategic Asset Allocation and should always be justifiable on a 'net return' basis.

Cost Benchmarking

- 43. To seek further reassurance about cost, Staffordshire Pension Fund continues to take part in a benchmarking exercise with international company CEM Benchmarking. CEM benchmark 400+ global pension funds with total assets of £15 trillion to help institutional investors better understand their costs versus peers and the wider market.
- 44. The results of the 2021/2022 benchmarking exercise were reported to the Pensions Committee by CEM on 16 December 2022. CEM grouped Staffordshire Pension Fund with 16 LGPS and international funds ranging in size from £4.0bn to £12.4bn (a median size of £7.1bn versus the Fund's total value of £6.5bn at that time). After adjusting for asset mix, the Fund's costs of 56.9 basis points (bps) (or 0.569%) was 4.6bps (0.046%) above the benchmark of 52.3bps (0.523%).

45. The Fund's costs are above benchmark predominantly because of the way in which it invests in private market asset classes and in particular Private Equity. Many of the Fund's investments use a 'Fund of Fund' approach, where there are multiple layers of fees payable. However, Private Equity has been a strong performing asset for the Fund over the recent years and has delivered returns well above its benchmark return. This illustrates the point that whilst cost is an important consideration, it must be viewed versus any outperformance it delivers.
46. Measuring trends is also important and the Fund's costs have increased from 55.8bps, in 2014/15, to 56.9bs in 2021/22. Over this period, the Fund has increased its allocation to private market asset classes, which has had the effect of increasing the Fund's cost of investing on these assets since 2015. This has been offset to some degree by the cost of investing in global equities reducing significantly over the same period; in part due to the impact of LGPS asset pooling.

Rob Salmon
Director of Finance

Contact: Melanie Stokes,
Assistant Director for Treasury & Pensions
Telephone No. (01785) 276330

Background Documents: None

Equalities implications: There are no direct equalities implications arising directly from this report.

Legal implications: There are no direct legal implications arising from this report.

Resource and Value for money implications: Resource and value for money implications are considered in the report.

Risk implications: There are no direct risk implications the report does contain some actions to address risks identified in the risk register.

Climate Change implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.

Area of Service	Key Development Activity	Progress
LGPS Pensions Administration	Review / Implement any recommended actions arising from the external review of Additional Voluntary Contribution providers	Substantially complete Recommendations from external provider received and actions substantially complete, including rationalisation of AVC offering and updated SPF website. Additional complications because of Shared Cost AVC's and provider Lifestyle Plan naming conventions still being addressed.
	Commence a Living as Stated / Address Tracing Exercise to improve the accuracy of deferred pensioner & pensioner membership data	Redefined for 2023/24 Award initially planned via Norfolk Framework but Tracing Services expired in 2022. Reintroduction of Framework planned in 2023/24 where approach will be split into 2 activities which will also take account of requirements for Pensions Dashboard readiness.
	Following the collection of retrospective data from Employers, continue to plan and implement required remedial actions arising from the McCloud / Sergeant judgement (& possibly Goodwin	Partially achieved and ongoing in 2023/24 DLUHC McCloud consultation response for LGPS still pending. Internal Project team set up and significant progress made. Affected members identified. Final data collection from Employers ongoing. Testing of software providers calculation routines and interface to upload data to member records ongoing.
	Evaluate viability of using Digital Proof of Life for Overseas Pensioners prior to undertaking tender	Achieved Proof of Concept delivered with first live biometric exercise successfully undertaken in January 2023.
	Review Pensions Services staffing levels and structure to future proof and address succession planning	Achieved (but with ongoing recruitment requirements) New 5 pillar team structure in place with effect from 1 January which considers succession planning across the wider service. Ongoing recruitment required to support changes in resource / caseload and to respond to projects. e.g. McCloud & Pensions Dashboard.
2022 Actuarial Valuation	Agree timing of key decision-making milestones & detailed delivery plan with Actuary (plus appropriate Training)	Achieved 2022 Actuarial Valuation of the Fund is complete.

Area of Service	Key Development Activity	Progress
	Collaboratively work with Actuary and Employers to ensure all valuation work and the processing of data is carried out in a timely, informative, and efficient way	Achieved 2022 Actuarial Valuation of the Fund is complete.
Pensions Administration System	Review task design in Altair for Deaths & Concurrency	Achieved Internal processes reviewed following implementation of externally hosted Administration System. Several minor changes made.
	Review use of interactive dashboard in Altair	Achieved Internal review undertaken alongside functionality of Insights reporting tool following implementation of externally hosted Administration System
	Review use of Altair Insights and Disclosure reporting in Altair	Achieved Review of Insights functionality and reporting capability undertaken to ascertain ongoing use in Disclosure reporting.
	Understand implications of Pensions Dashboard and data requirements	Partially achieved and ongoing in 2023/24 Good understanding of requirements including systems, data and reporting. Awaiting launch of framework to select Integrated Service Provider (ISP) to enable system connection and go-live in September 2024
Governance	Following receipt of recommended guidance etc, implement actions from Scheme Advisory Board's Good Governance Project, as identified in September 2021 Gap Analysis	Partially achieved Gap Analysis presented to Pensions Committee in September 2021. Still Awaiting further implementation Guidance from DLUCh / CIPFA / SAB
	Develop a Cyber Security Policy	Substantially achieved Staff and Committee training undertaken. Project Team working with Council's Cyber Security Officer to document / implement the framework established to assess and manage cyber risk. Policy in draft form and needs to reflect BC/DR plans. Review of Cyber Risk to form part of wider review of Risk Register.

Area of Service	Key Development Activity	Progress
	Provide Founder Member support for the Norfolk Framework for Legal Services and Tender for an appropriate external Legal Services provider once the framework is live.	Partially achieved SPF acted as founder member and provided input into LGPS Legal Services Framework which went live on 16 January 2023. Scope of external legal requirements to be defined and tender to be undertaken in 2023/24.
Communications – Scheme Members	Set-up a My Pensions Portal (MPP) Working Group	Achieved Working group met regularly to determine potential improvements from using MPP and draw up a list of priorities.
	Promote and encourage the use of Member Self Service / My Pension Portal (MPP) to Retired Scheme Members (with the aim of issuing the majority of P60s and payslips electronically)	Redefined for 2023/24 Review of project undertaken by MPP working group with recommendation to target membership based on demographics. E.g., rising 55's, new retirees.
	Consider feasibility of running Member Webinars and/ or use of video content on website e.g. for MPP	Partially achieved and ongoing into 2023/24 Several member webinars delivered on request in 2022/23. Format and content to be further developed in 2023/24
	Review range of Member Communications i.e. Active and Deferred Scheme Member newsletters and InContact for Pension Scheme Members	Achieved Review undertaken which resulted in less reliance on use of regional communication templates. Moved to BAU activity 2023/24 onwards.
	Tender for printing contract for Member Communications	Achieved Direct award through Norfolk Framework after internal benchmarking exercise.
The Pensions Regulator (TPR)	Review compliance with TPR <i>Single Code of Practice</i> as applicable to the LGPS	Deferred to 2023/24 as Single Code not yet published
Pension Fund Investment	Appoint Independent Investment Advisor to Pensions Panel	Partially achieved Appointment on hold until supplier issues resolved.
	Implement recommendations from Strategic Asset Allocation Review across liquid Asset Classes (i.e.,	Partially achieved and ongoing into 2023/24

Area of Service	Key Development Activity	Progress
	Equities and Bonds) focussing on any implications for the Climate Change Strategy	as changes to the implementation strategies and recommended changes within the different asset classes are considered.
	Re-apply to Financial Reporting Council for Tier 1 UK Stewardship Code signatory status	Achieved Application pending approval by Pensions Committee on 31 March prior to submission to FRC before 30 April 2023.
	Understand the implications for the LGPS as a result of the Department of Work & Pensions - Taking action on climate risk: improving governance and reporting by occupational pension schemes (likely to apply from 2023)	Partially achieved and ongoing into 2023/24 Compliance to date achieved in collaboration with LGPS Central through TCFD reporting on assets but greater focus now required on impact on liabilities.
Area of Service	Resource Intensive – Business as Usual Activity	Period
LGPS Pensions Administration	Review Pensions Services staffing levels and structure	1 April – 30 September
	Finalise Year end data	1 April - 30 July
	Publish Deferred Annual Benefit Statements	1 May – 31 August
	Publish Active Annual Benefit Statements	1 July – 31 August
	Maintain high level of KPIs / Service Standards	Ongoing – monthly reporting
	Record Keeping Data Integrity Checks and continual improvement in quality of data across the Scheme generally	Ongoing
Pensions Administration System	Continue to implement i-Connect with a range of smaller / larger Employers to achieve an overall target as close to 100% of Active Fund Membership data being submitted monthly	Ongoing
	Continue to develop new working practices with Third Party Payroll Providers following the introduction of i-Connect	Ongoing

Area of Service	Key Development Activity	Progress
Governance	Continue to review published policies e.g. Administration Policy	Ongoing
	Further develop Employer Administration policies / guides / practices and promote such to relevant Employers e.g. Ill-Health Retirement	Ongoing
	Annual review of Employer Covenants. Use of internal monitoring process, Hymans online funding tool, HEAT, financial metrics etc	Ongoing
	Assess the impact of any Regulatory Changes and communicate such to all interested parties and stakeholders **	Ongoing
Communications with Members and Employers	Continue to review and refine website content	Ongoing
	Continue to develop the role of the Employer Focus Peer Group and the Employer Focus Newsletters	Ongoing
	Continue to develop a series of regular / shorter virtual Employer Practitioner Workshop(s) e.g., Breaches, Ill-health retirement, IDRP & targeted workshops for different Employer Groups	Ongoing
	Review Employer compliance with Administration Strategy	Ongoing
The Pensions Regulator (TPR)	Continually review compliance with The Public Service Scheme <i>Code of Practice 14</i> and Public Service Regulatory Strategy in relation to Disclosure of Data	Ongoing
	Maintain Improve common and conditional data scores	Ongoing
	Maintain and review Breaches Log and improve reporting to tPR	Ongoing

Area of Service	Key Development Activity	Progress
Pension Fund Investment	Produce Pension Fund Annual Report and Accounts in line with CIPFA's updated guidance	1 April – 30 September
	Annual Review of Climate Change Strategy, Task Force for Climate Related Financial Disclosure (TCFD) Reporting and Climate Stewardship Plan	1 December – 31 March
	Monitor processes, reconcile data and report performance impact following asset transitions into LGPS Central e.g., Global Sustainable Equities, Multi-Asset Credit	Ongoing

**Including but not limited to: McCloud, Deemed Employers, Exit Payment Cap, Further Reform and LGPS Asset Pooling



PENSIONS COMMITTEE – 30 JUNE 2023

Report of the Director of Finance

**STAFFORDSHIRE PENSION FUND RISK REGISTER
& RISK MANAGEMENT POLICY**

Recommendations of the Chairman

1. That the Pensions Committee notes the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented in Appendices 2 and 3 respectively.
2. That the Pensions Committee notes the content and recommendations of the Local Pensions Board review of the Staffordshire Pension Fund Risk Register, attached at Appendix 1, and considers asking the Local Pensions Board to continue to play an active role in the ongoing review process.
3. That the Pensions Committee approves the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 4.

Background

4. CIPFA Guidance recommends the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management is being increasingly recognised as an element of good corporate governance and it is widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund. The Risk Register also forms a key part of the Pension Fund's Risk Management Policy attached for approval by the Pensions Committee at Appendix 4.
5. At their meeting in June 2022, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and asked the Local Pension Board to continue to undertake a regular detailed review of the identified risks and the process for maintaining the Risk Register and report back on any areas of concern. It was also agreed that the Pensions Committee would continue to carry out an annual review of the high level and emerging risks identified from the Fund's Risk Register.

Risk Register

6. Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in several key documents, such as the Funding Strategy Statement and the Investment Strategy Statement.
7. The Risk Register brings together all the Fund's risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration, and Investment.

8. The detailed risk register matches high-level risks, under each of the 4 areas of activity, to the Fund's high-level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a Red – Amber - Green (RAG) rating.
9. Controls that are currently in place to mitigate risks and additional sources of assurance are then considered to provide a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.
10. Officers review the risk register every quarter, focusing in on the detail of one of the 4 areas, along with a review of any emerging risks. As part of their review, Members of the Local Pensions Board have attended the review meetings and taken an active role in the discussions. The Board's comments on the Risk Register and the review process are attached at Appendix 1. The Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

Summary and review of high-level risks

11. A summary of the high-level risks associated with the objectives is attached at Appendix 2. This summarises the highest score of the detailed risks associated with each of the high-level risks and provides a summary of the controls and sources of assurance currently in place. This is intended to give the Committee an overview of the main risks the Pension Fund needs to consider and the controls in place to mitigate them.

Emerging risks

12. As part of the annual review it was agreed that the Pensions Committee would review emerging risks to the Fund. It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. Several transitional areas are reflected in Appendix 3; this provides more detail on the emerging risks perceived to be faced by the Pension Fund. The same scoring process and assignment of RAG ratings has been applied.

Risk Management Policy

13. The Pension Regulator's Code of Practice recommends that a Pension Fund has a Risk Management Policy in place and that this is reviewed periodically. The risk management policy covers key areas such as:
 - The Fund's attitudes to, and appetite for risk;
 - Aims;
 - Risk measurement and management; and
 - Responsibility

The updated Risk Management Policy for the Staffordshire Pension Fund is attached for approval at Appendix 4.

Rob Salmon
Director of Finance

Contact: Melanie Stokes, Assistant Director for Treasury & Pensions
Telephone No. (01785) 276330

Background Documents:

CIPFA-Managing Risk in the Local Government Pension Scheme,
The Pensions Regulator Code of Practice,
Staffordshire Pension Fund Investment Strategy Statement
Staffordshire Pension Fund Funding Strategy Statement
[Staffordshire Pension Fund - Finance and investments \(staffspf.org.uk\)](http://staffspf.org.uk)

Equalities implications: There are no direct implications arising from this report.

Legal implications: The legal implications are considered in the body of his report.

Resource and Value for money implications: The main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

Risk implications: The main topic of this report is risk assessment.

Climate Change implications: There are no direct implications arising from this report.

Health impact assessment screening: There are no direct implications arising from this report.

Staffordshire Pension Fund Risk Register

Report by the Local Pensions Board to the Pensions Committee

30 June 2023

Observations of the Local Pensions Board

1. The Risk Register is a robust and comprehensive register of risks that faces the Pension Fund.
2. The procedure for reviewing the Register is carried out regularly with each risk being evaluated and updated as required.
3. The Officer Working Group that conduct these reviews have ownership of the individual risks and the whole Register and take their responsibility seriously.
4. The Board considers that there is value in continuing to attend meetings of the Officer Working Group.

Background

The Pensions Committee at its meeting on 7 July 2017 decided to ask the Local Pensions Board “to undertake a more detailed review of the Pension Fund Risk Register and report back to the Pensions Committee on any issues or areas of concern arising from the review.” The Board has continued to carry out that task and reports as follows.

‘The Pensions Board agreed to continue to conduct its review through individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register was discussed in line-by-line detail. They observed each risk being evaluated on both a qualitative and quantitative basis and the RAG rating either being amended or maintained.

The Pensions Committee at its meeting in June 2022, accepted the content and recommendations of the Board’s review of the Pension Fund Risk Register carried out during 2021/22 and requested the Board to continue to play an active role in the ongoing review process.

The Board continues to believe that the Officer Working Group manages the whole process through an appropriate procedure, has ownership of both the individual risks and the whole register and take their responsibility seriously’.

Appendix 2

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Governance					
1 To meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure	Failure to meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting	12	Fund objectives are defined, reviewed annually and approved by Pensions Committee as part of a comprehensive Performance Management Framework which includes KPI's and Risk Register	Reports to Pensions Committee and Pensions Board, Total Performance Management Framework	9
1.1 To ensure the Fund has an appropriate governance structure	Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest	16	Governance is implemented in accordance with the Governance Policy Statement which sets out the roles and responsibilities of all parties. Officers monitor and are aware of changes to regulations.	Governance Policy Statement, Pensions Board, DCLG.	12
1.2 To ensure that all Elected Members and officers have appropriate Knowledge and skills	Failure to ensure that Elected Members and Senior Managers have the required skills or qualifications to perform their function effectively, and are supported by an ongoing programme of training	16	Adoption of CIPFA Training and Skills Framework, Training policy, Training Log	Training records log, Pension Board, Qualifications and experience of senior officers, MPCs, appointment process.	6
1.3 To ensure the Fund has appropriate financial, investment and actuarial advice	Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisors	16	Services of several advisors are procured, contracts in place and performance monitored.	Attendance and reports to Pensions Committee, Panel and Board. Procurement team and regulations.	9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
1.4 To ensure assets are safeguarded and properly accounted for and reported upon.	Failure to have appropriate custody arrangements in place for liquid markets and illiquid investments (Inc. property)	12	Custodians with high credit ratings are in place, their records monitored against managers records. Stocklending subject to strict controls and reported to pensions panel.	Custodian agreements, Audit assurance, Collateral in place for all stocklending. Legal Services hold records (Property).	10
1.5 To ensure that the Fund makes all information it is required to make available to stakeholders and that the information is easy to understand. To meet best practice standards wherever possible	Failure to publish all documents required by legislation including statutory accounts and annual report and key documents comprising Governance Strategy, ISS, FSS. Communications Policy	12	Key documents list is maintained and all key documents are completed, reviewed regularly and published	Documents published, regulations, CIPFA guidance, TPR codes of practice, Pensions Board, Pensions Committee, Internal Audit, external audit	9
1.6 To comply with all legislation relating to Local Government Pensions.	Failure to adhere to relevant statutory regulations including updates to LGPS	20	Regular review and reporting of changes, training of staff and implementation of changes.	Pensions Board, Pensions Committee, Audit and Audit report and LGA	15
1.7 To ensure the Fund has a risk register that is comprehensive, linked to objectives and regularly reported and reviewed	Failure to have comprehensive risk management arrangements, including a Fund risk register in place; failure to regularly review, update, and identify controls to mitigate significant risks, including risk of fraud, and management assurance arrangements to ensure key controls are operating effectively and consistently	16	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.)	Risk register exists and is regularly reviewed and updated. Pension Committee report. Pension Board	9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
1.8 Participation in LGPS Central Pool of Funds	Failure of Pool to have proper Governance arrangements in place.	12	Joint Committee, Shareholders Forum and Practitioners advisory forum exist, have clear terms of reference and defined membership. CIPFA guidelines. FCA regulation. Company law. LGPS Central company and pool risk register exist - LGPS Central Joint Committee review company risk register	Staffordshire members regularly attend meetings of Joint Committee, Shareholders Forum and Practitioners Advisory Forum, and that decisions are reported back to Pensions Committee. Audit Assurance Framework	4

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Investment					
<p>2.1 The <u>actual</u> return of the Funds 'neutral' and / or 'tactical' Strategic Asset Allocation is capable of exceeding the return assumption (i.e. the Discount Rate / AOA) of the Actuary used in the triennial valuation.</p>	<p>Failure of the Strategic Asset Allocation (SAA) to meet the level of return underpinning the setting of contribution rates as determined in the valuation OR to take more risk than the level of risk assumed by the Actuary in setting contribution rates</p>	15	<p>Strategic Asset Allocation is set to meet the assumptions used by the actuary. Ensuring the Actuary and Investment Consultant understand each others assumptions. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy. Use of Stabilisation policy</p>	<p>Pensions committee reports from Actuary and consultant. Pensions Board</p>	8
<p>2.2 The return of the 'actual / tactical' Strategic Asset Allocation (determined by the Pensions Panel) exceeds the return of the 'neutral' Strategic Asset Allocation</p>	<p>The actual/ tactical investment strategy (determined by the Panel) fails to exceed the return of the neutral SAA</p>	12	<p>Actual/ tactical SAA position is monitored, updated and reported to Pension Panel quarterly. Performance measurer reports.</p>	<p>Pensions Panel receives quarterly SAA report/ Valuation. Pensions Board. Fund Performance report.</p>	8

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.	Failure of active managers to deliver outperformance (net of fees)	20	Active managers are appointed through robust competitive process. Their performance is regularly reviewed and reported to the Pension Panel and in the Annual Report. Termination of managers contracts is carefully considered and reported to Pensions Panel. Asset class correlation, Managers strategies are understood to ensure overlap is minimised. This is understood by those responsible for the strategic asset allocation.	Consultant advice, manager meetings, Performance measurer, Panel reports, manager presentations.	15
2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	Failure to understand the relationships between asset classes, managers and their correlations to each other.	20	FRC UK Stewardship Code complied with. All fund managers signed up to UNPRI. RI report to Panel each quarter detailing managers voting and company engagement. Member of LAPFF and LGPS	Quarterly strategic review, Consultant comments, Pension Panel, Pension Board	12
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	Failure to take account of RI factors in investment decisions	12	Central	Policy in ISS, Pension Board. Manager reports. Member of LAPFF	10

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
2.6 To minimise fee levels and total expense ratios consistent with performance targets i.e. active / passive	Failure to minimise manager fees and expenses commensurate with performance target	9	Competitive tender process, monitoring and benchmarking of fees. Transparent reporting of fees.	CEM benchmarking, Total expense ratio, Peer Benchmarking, CIPFA rules, Audit, Pension Committee, Pension Board, advisors views taken account of.	6
2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly	12	Cash flows of the fund are monitored and understood. The fund operates on a liability aware basis.	Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel.	9
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	20	Budgets in place and monitored, cost sharing mechanism in place, other members of staff aware how to do all roles and are aware of work of LGPS central. Transition plans, senior management of LGPS Central, Shareholders Forum, Joint Committee and Practitioner Forum.	Programme Board, Staff Strategy and planning meetings, Shareholders Forum, Joint committee and Practitioners Forum. Reports to Pensions Committee	16

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Funding					
<p>3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term</p>	<p>Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term</p>	<p>15</p>	<p>Plan and monitor cashflows regularly, Appropriate Treasury management strategy, Treasury staff are qualified and trained, review of cashflows from actuarial valuation.</p>	<p>Cashflows exist and are monitored, Treasury Management Strategy report to Pension Panel, Audit, Actuarial valuation report to Pensions Committee</p>	<p>10</p>
<p>3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)</p>	<p>Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)</p>	<p>16</p>	<p>Actuarial Valuation by an independent Actuary, using prudent assumptions, monitoring of funding level in between valuations, Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions.</p>	<p>Actuarial report, No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis, Report to Committee, Pension Board, Pension Fund Annual Accounts, Funding Strategy.</p>	<p>16</p>
<p>3.3 To ensure the long term cost efficiency of the scheme</p>	<p>Failure to set contribution rates that ensure the long term cost efficiency of the scheme</p>	<p>16</p>	<p>Stochastic modelling of various financial scenarios demonstrates improved funding outcome from the valuation, Actuary certified funding strategy.</p>	<p>No issues identified by GAD, Funding Strategy Statement, Pension Board</p>	<p>12</p>

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
3.4 It is desirable that contributions are as stable as possible	Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency)	16	Use of Stochastic models to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers;	12
3.5 It is desirable that contribution rates are affordable commensurate with risk and meeting the funding objective	Failure to set contribution rates that are affordable to employing bodies such that it disrupts their services or pushes them into receivership (commensurate with achieving solvency and long term cost efficiency)	16	Funding Strategy and Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions), Consultation with Employing bodies	Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Responses from employers to consultation on Funding Strategy.	12
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	Failure to identify, monitor and reflect the unique characteristics of employer's liabilities, for example maturity in setting contribution rates, including those employing bodies getting close to having no active members	20	Monitor data to ensure Actuary receives accurate scheme data, Report from the Actuary takes account employer characteristics	Reports produced for the Pensions Regulator, Actuarial statement of data quality and club VITA report, Acceptable Audit reports, Outcome and consistency of valuation reports	15
3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the Fund	Failure to protect the fund from an employer failing to pay any amounts due including contributions or cessation payments	15	Valuation identification, Covenant reviews, Bonds/Guarantees in admission agreements, Cessation valuations carried out whenever an employing body leaves the fund	Valuation risk analysis, Active member numbers reviewed annually, Standard Admission agreements include requirements for bonds/guarantees, Cessation valuation completed by Actuary.	12

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
3.8 To ensure ceding employers are protected from transfers	Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers	12	FSS includes appropriate policy on transfers out taking account of the existing funding level and amends transfer values accordingly	Documented in the Funding Strategy Statement	8
3.9 To ensure that the Strategic Investment Strategy meets the actuarial assumptions	Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term	0	SEE SEPARATE INVESTMENT SECTION	n/a	0

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Administration					
4.1 Deliver a consistently high level of performance and customer service	Failure to deliver a consistently high level of performance and customer service	20	Performance reports presented to Pensions Committee and in the Annual Report and compared with benchmarking comparisons, internal control systems, schemes of delegation, Appropriate staffing levels, internal data checks, Actuarial data checks, Finance system.	Pensions Committee, Pension Board, Internal and external Audit reports, Management review, Actuarial certification.	16
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times		Aquila Heywood AXIS / Altair system, Structured ICT control procedures, ICT control processes and mirror backup, schemes of delegation.	ICT audit reviews, Internal testing, Audit.	
4.3 To Communicate to our key stakeholders in a clear informative style	Failure to Communicate to our key stakeholders in a clear informative style	12	I here is a Communication strategy in place, Regular communications with employees, Web site for employers Employees, publicly available	Pensions Board / Committee reports Communications Strategy and regular review, All major communications subject to accessibility checks, Internal management review.	9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	Failure to comply with regulatory codes of practice and legislation.	20	Internal technical specialists, guidance from professional advisers, local and national working group, Staff Training, leadership and management, Administration strategy, TPR requirements	Audit, Regular Altair software updates encompass most regulatory changes, Employer sanction process and TPR breach reporting, Management controls.	15

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Governance						
1.1 To ensure the Fund has an appropriate governance structure	1.1 Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest	Failure to review Governance standards against suitable benchmark (Government guidance e.g. Code of practice 14)	16	Officers monitor and are aware of various governance standards and changes within them.	DLUHC, tPR, SAB, LGA,	12
1.6 To comply with all legislation relating to Local Government Pensions.	1.6 Failure to adhere to relevant statutory regulations including updates to LGPS	Failure to know about legislative change	20	Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisors	Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds, Heywoods. Monthly reviews of LGA bulletins	15

1.6 To comply with all legislation relating to Local Government Pensions.

1.6 Failure to adhere to relevant statutory regulations including updates to LGPS

Failure to train staff as required by the legislative change

Ensure staff are trained in changes as required.

Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training.

16

12

Investment

2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure of SPF/LGPS Central to ensure managers in the same asset class are complimentary

Active managers in the same asset class are complimentary. Investment advisors review managers/funds in each asset class periodically.

Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee. Investment advisors produce a suitability report prior to investment. Performance measurer report. LGPSC 3 yearly reviews.

16

12

2.3 To achieve performance above the return of the ‘neutral / tactical’ strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure of SPF/LGPS Central to consider whether active managers can add value and whether the benchmark and target level of performance allows sufficient scope to deliver their target

16

Active managers are appointed where it is clear they can add value and their benchmark and performance target allow them scope to deliver

Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee/Pensions Panel/Pensions Board. LGPSC 3 yearly reviews.

12

2.3 To achieve performance above the return of the ‘neutral / tactical’ strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure to report asset manager performance to the Pension Panel or to include annual (and longer term) performance in the Annual Report

16

Asset manager performance is reported regularly to the Pension Panel and in the Annual Report

LGPS Central performance reports, Performance measurer, Pension Panel reports, Pension Board. Audit. Investment Consultants.

12

2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other

2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.

Failure of SPF/LGPS Central to consider and address the impact of manager correlation

16

Managers strategies are understood to ensure any strategy overlap is minimised

Manager fit is understood on appointment, Manager monitoring, Consultant comments, Performance measurement, Joint Committee, PAF-IWG, Investment advisors, 3 year review of LGPS central products

12

2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other

2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.

Failure to consider and address any systemic risk factors across the fund

20

Macroeconomic factors are understood, Manager awareness of global trends and potential risk areas, The fund has a long term investment strategy, diversification of investments

Quarterly strategic review, meetings with managers, Consultant comments, LGPS Central/Manager presentations to Pension Panel, Pension Board. PAF IWG.

12

2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.

2.5 Failure to take account of RI factors in investment decisions

Failure to comply with the FRC UK Stewardship Code

10

FRC UK Stewardship Code (Tier 1 signatory to 2016 code), as are all fund managers, working towards becoming signatory of 2020 revised code

2016 Investment regulations, ISS, LGPS Central, managers contracts contain clause.

10

2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA

2.7 Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly

Impact of changes in inflation and its effect on liabilities is not taken into account when setting 'neutral' SAA

12

Cash flows of the fund are monitored quarterly and understood. The fund operates on a liability aware basis.

Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel. Considered as part of the SAA. Asset Liability Modelling. Regular strategy and

9

2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central

2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance

Risk of SPF/LGPS Central losing key personnel and knowledge.

16

Ensure other members of staff know how to do all roles and are aware of work on going, including within LGPS Central

planning meetings to schedule work and priorities, generic job descriptions, succession planning, PAF-IWG

12

<p>2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central</p>	<p>2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance</p>	<p>Failure to have appropriate transition arrangements in place to ensure the continued security of assets and efficient and cost effective transfer of assets into LGPS Central.</p>	<p>20</p>	<p>Transition manager is appointed by LGPS central/SPF</p>	<p>Procurement through LGPS transition framework. Assistance of Transition Advisor if appointed. Custody records and investment team reconciliations and LGPS Central Custodian. PDLG. External and internal audit working group assurance of transitions.</p>	<p>12</p>
<p>2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central</p>	<p>2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance</p>	<p>Regulatory Changes in relation to asset pooling impacting LGPS Central or SPF</p>	<p>10</p>	<p>Regulatory change is monitored and consultations are responded to.</p>	<p>DLUHC, Pensions Committee, Hymans, cross pool working groups.</p>	<p>10</p>
<p>Funding</p>	<p>3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)</p>	<p>Failure to procure an Actuary to carry out an independent valuation of the Fund in accordance with regulations</p>	<p>15</p>	<p>Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.</p>	<p>Actuarial report produced by independent actuary, Pension Board, GAD. Current Actuary appointed until 2024.</p>	<p>12</p>

3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)

3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)

Failure to monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities

16

Consider monitoring funding position during the inter valuation period, on a desktop basis or commission interim valuation for certain employers. Actuary statement in Annual Accounts.

Report to Committee, Pension Board, Pension Fund Annual Accounts, External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Acces to hymans online funding tool and internal covenant monitoring system.

16

Administration

4.1 Deliver a consistently high level of performance and customer service

4.1 Failure to deliver a consistently high level of performance and customer service

Non payment of payroll, payrolls not updated correctly for annual revaluations. Potential impact on up to 40,000 pensioners

20

Internal monthly process controls for Altair and BACS.

Internal and external audit

16

4.1 Deliver a consistently high level of performance and customer service

4.1 Failure to deliver a consistently high level of performance and customer service

Failure to monitor workloads, or backlogs or benchmark staff numbers

Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers

Review of KPIs by Pensions Committee / Board, Review of published benchmark returns. Implementation of new management structure in Jan 23

20
20

16

4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times

4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times

Failure to protect against increased physical or cyber threats

SCC and partner ICT policies and procedures, Mirror server operation, special environmental controls SCC ICT Policies, internal access controls and Altair security roles Firewall and anti virus controls. Business Contingency and DR Plans

ICT Audit, DR Testing reviews. GDPR Impact assesment statement for MPP, evidence of current security arrangements held by software provider and security certification levels. Cyber framework and policy being developed

15

4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times

4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times

Failure of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes.

16

Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement.

Software reporting. Regulation amend and SAB guidance. Software changes for calculations developed by Heywoods to match relevant regulatory requirements as currently in place.

16

Failure to appoint an intergrated service provider (ISP) and supply quality information to the National Pensions Dashboard Programme

16

Data Quality checks, Actuarial assesment of data quality, software solution.

Club Vita, CIPFA Benchmarking, NFI

9

4.4 Ensure administration compliance with regulatory codes of practice and legislation.

4.4 Failure to comply with regulatory codes of practice and legislation.

LGPS regulation changes in relation to fair deal, McCloud & Goodwin. Processing and funding issues (see duplicated on funding tab)

20

Systems updated and adequate staff resouce and training in place

KPIs maintained at previous levels

15



Staffordshire Pension Fund

Risk Management

Policy

Issue Date 1 July 2023



Risk Management Policy

Introduction

This is the Risk Management Policy for the Staffordshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Staffordshire County Council ("the Administering Authority").

Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Investment Strategy Statement. It is an essential element of good governance in the LGPS. The Fund will aim to comply with the CIPFA Managing Risk publication and the Pensions Act and Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Risk Management Policy details the risk management strategy for the Fund, including the following key areas:

- The Fund's attitudes to, and appetite for, risk;
- Aims;
- Risk measurement and management; and
- Responsibility.

The Fund's attitudes to, and appetite for, risk

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance;
- improve financial management of the Fund;
- better manage change programmes and projects;
- minimise the risk and effect of adverse conditions on the Fund;
- identify and maximise opportunities that might arise;
- minimise threats; and
- support innovation and continual improvement in a changing environment.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund, at a strategic and operational level.

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Some risks can be mitigated by putting in place a simple control process whereas other risks will remain at a high level, despite any mitigating controls being put in place. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the

action to be taken in relation to any risk will be its potential impact on the Fund's objectives, considering the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to emerging risks; and
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided.

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring and the way in which the contribution rate strategy and the investment strategy combine to deliver those outcomes (the method used by the Fund's Actuary is sometimes referred to as stochastic modelling, but there are others). The primary reason for the high variability (risk) in outcomes derives from the high proportion of the Fund invested in growth assets, in particular equities. However, in the long term this is expected to deliver returns that are commensurate with the risk, and this helps to keep employer contributions lower than they would otherwise be. It also relies upon the strong covenant of the major employing bodies in the Fund which allows for a long-term perspective to be taken.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

Aims

In relation to understanding and monitoring risk, the Administering Authority aims to:

- raise awareness of the need for risk management by all those connected with the management and administration of the Fund (including Officers, Pensions Committee Members and the Local Pensions Board);
- integrate risk management into the culture and day-to-day activities of the Fund;
- anticipate and respond positively to change and emerging risks;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- identify control and review sources of assurance already in place to mitigate against risk and highlight areas requiring improvement; and
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk.

Risk measurement and management

Identifying Risks

Risks to the Fund are identified in a number of ways:

- Monitoring performance against the Fund's Annual Business Plan;
- Recommendation and findings of auditors and other professional advisors;
- Feedback from Local Pensions Board, employers and other stakeholders;
- Meetings of senior officers and staff involved in the management of the Fund; and
- Meetings with other organisations, regional and national associations and professional groups.

Risks are regularly reported to the Pensions Committee / Panel as part of routine quarterly reporting. There is a separate Risk Register, which has been developed to categorise risk across 4 main areas of focus:

- Funding
- Administration
- Governance
- Investment.

The Pension Fund has a set of high-level objectives which cover all key aspects of the Fund under each of these areas. The greatest risks to the Fund are therefore those associated with not meeting the high-level objectives. The risk register details the risks associated with not achieving the Fund's objectives as a series of sub risks against those high-level objectives. This ensures a comprehensive coverage of all areas of the Fund.

The detailed Risk Register matches high level risks, under each of the 4 areas of activity, to the Fund's high-level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a **Red – Amber - Green (RAG) rating**.

Controls that are currently in place to mitigate risks, together with additional sources of assurance are listed and these are then taken into account to give a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.

Management and reporting of Risk Management

Officers review emerging risks and one of each of the four distinct areas quarterly, together with risks where the review date is imminent. These reviews allow current controls to be assessed and analysed to ensure they are still in place and relevant. It also gives the opportunity to identify areas for improvement and additional controls

required. New and emerging risks are also discussed at these reviews and added into the Risk register.

The Pensions Committee have requested that the Local Pensions Board (LPB) take an active role in reviewing the Risk Register alongside Officers. Members of the LPB work with Officers, at the quarterly meetings, to drill down into the detailed risks and gain an understanding of the controls in place and the various sources of assurance. Any areas of concern are brought to the attention of the Committee at their next meeting. An annual review of high-level risks is undertaken by the Pensions Committee, irrespective of the work of the LPB.

It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. The consideration of emerging risks will also form part of the Pensions Committee's annual review.

In addition to looking at the risks on the Risk Register, the LPB reviews the Fund's risk management process. It reports as part of its annual statement if it is satisfied that the Fund is adequately monitoring and managing risk. The LPB reports suggested improvements and areas of concern in the risk management of the Fund.

Risks associated with specific areas of the Fund are discussed as part of relevant Officers regular team meetings. Emerging risks in particular are highlighted as part of this process.

The Administering Authority's Internal Audit Service review the Fund's processes, including Governance, Administration and Investments, considering the associated risks and analysing the controls in place. They give an opinion to Officers of the Fund as to the effectiveness of current controls and advise on any improvements required.

Responsibility

This Risk Management Policy applies to all members of the Pensions Committee, Pensions Panel and the Local Pensions Board, including both scheme member and employer representatives. It also applies to the Director of Finance / S151 Officer and all other Officers involved in the management of the Fund.

Advisers and suppliers to the Fund are expected to be aware of this Policy, and assist the Officers, Committee and Local Board members as required, in meeting the objectives of this Policy. Responsibilities of the Pension Fund are detailed in the County Council's Constitution and Scheme of Delegation. This details in full the powers and responsibilities delegated to the Pensions Committee, Pensions Panel, Local Pensions Board, Director of Finance and to other Officers of the Fund.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

Melanie Stokes – Assistant Director for Treasury and Pensions

Email: melanie.stokes@staffordshire.gov.uk

Telephone: (01785) 276330

PENSIONS COMMITTEE – 30 JUNE 2023

Report of the Director of Finance

**STAFFORDSHIRE PENSION FUND
COMMUNICATION POLICY STATEMENT**

Recommendation of the Chair

1. That the Pensions Committee approves the revised and updated Communication Policy Statement attached as Appendix 1.

Background

2. Regulation states, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Having such, not only proves regulatory compliance, but more importantly demonstrates good governance and provides a range of information to stakeholders.
3. The Staffordshire Pension Fund endeavours to have a full range of policies in place and has made efforts over recent years to update and review them regularly. Pensions Committee have approved these policies where necessary and several have also been the subject of wider consultation with the Fund's many stakeholders.

Communication Policy Statement

4. **Regulation 61** of the Local Government Pensions Scheme Regulations 2013 states:

61. -(1) An administering authority must prepare, maintain, and publish a written statement setting out its policy concerning communications with-

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on-

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency, and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

5. The Communication Policy Statement was last reviewed in June 2021 and, as well as reflecting changes in procedures at that time, it incorporated the impact and changes from more flexible ways of working and communicating, because of the pandemic.
6. The 2023 review of the Communication Policy Statement has provided a further opportunity to reflect on current working practices and methods of communication, but as there have been no significant changes, wider consultation is considered unnecessary.

Rob Salmon
Director of Finance

Contact: Melanie Stokes
Assistant Director for Treasury & Pensions
Telephone No: (01785) 276330

Background Documents:
Local Government Pensions Scheme Regulations 2013

Equalities implications: There are no direct equality implications arising from this report.

Legal implications: The legal implications are covered in the body of the report.

Resource and Value for money implications: There are no direct resource and value for money implications arising from this report.

Risk implications: The legal implications are covered in the body of the report.

Climate Change implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening: There are no health impact assessment implications arising from this report.



Communication Policy Statement

Issue Date - 1 July 2023

This Communication Policy Statement will be revised and republished following any material change in policy.



Introduction

This document is the Communication Policy Statement of the Staffordshire Pension Fund, which is administered by Staffordshire County Council. All Local Government Pension Schemes (LGPS) in England and Wales are required to prepare, maintain, and publish a written statement setting out their policy concerning communications with their key stakeholders.

This statement sets out our policy on:

- The provision of information and publicity about the Scheme to our contributing members, deferred members, pensioners, members' representative, prospective members, and scheme Employers; and
- The format, frequency, and method of distributing such information or publicity.

(The terms 'Fund and 'We' have been used interchangeably throughout this document).

Review

We continually review the ways in which we communicate with our stakeholders and this Communication Policy Statement will be revised following any material change.

Key Objectives

We recognise that communicating with our stakeholders and customers is a critical activity for the Fund. We have a set of well, established practices that exceed the minimum standards required by legislation and we include these in our Communication Policy Statement.

The key objectives of our Communication Policy Statement are:

- To provide clear, jargon free and timely communication to our customers and stakeholders;
- To recognise that different styles and methods of communication suit different customers and stakeholders;
- To inform customers and stakeholders about the management and administration of the Fund;
- To consult major stakeholders on changes to regulations, policies and procedures that affect the Fund and its stakeholders;
- To promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to scheme Employers;
- To support scheme Employers, to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme;
- To deliver the Communication Policy Statement in a cost-effective way and encourage the use of electronic / online / multimedia communication and information sharing;
- To evaluate the effectiveness of the communication objectives; and
- to treat information security with the upmost importance.

Key Stakeholders

As a Fund, we aim to communicate with a diverse group of different customers and stakeholders; for the purpose of this Communication Policy Statement, we have categorised these into 6 main groups.

Our Communication Policy Statement recognises that the objectives and key messages to the various groups needs to differ, and we also recognise that different styles and methods of communication will suit different groups.

The 6 groups are:

- Scheme Members (and their representatives)
- Scheme Employers
- Prospective Scheme Members
- Pension Fund Officers
- Elected Members & the Local Pensions Board; and
- Other Bodies.

Methods of Communication

As a Fund, we aim to provide our customers and stakeholders with a comprehensive range of communication deliverables and will strive to use the most effective communication medium, adapting our communication where possible, following constructive feedback.

My Pensions Portal (MPP)

More members are using a smartphone or tablet to access their pension information and it is important that the Fund continues to adapt its communication platforms to increase member engagement.

MPP gives our contributing members, deferred members, and pensioners access to their LGPS records which means they can:

- produce their own pension quotes, helping them to plan for retirement;
- view their annual benefit statements;
- update their contact details; and
- pensioners can view their monthly pay advice as well as their annual P60's.

Fund's Website

The Fund's website is the main source of information for both current and prospective members, pensioners, deferred members, and scheme Employers. It is presented in an accessible format, wherever possible.

The website holds scheme guides, forms, and information for members and Employers to view. Employer's specific responsibilities are set out in the Employer's section of the website and all participating Employers in the Fund are encouraged to use this area to ensure they meet those responsibilities.

The Fund also provides topical information and training videos for both members and Employers to view on its website.

Adapting to new ways of working

In recent years more agile and flexible ways of working, both for the Fund and its stakeholders, means that we have had to adapt some of our communication processes, particularly around the sending and receipt of documents and face to face communication. Providing reliable and secure access to all the Fund's systems and technology, including Microsoft Teams, the telephone helpdesk and the pensions software systems, remains of paramount importance, as does the safety and wellbeing of our Officers.

We also recognise that it will not always be possible for members, Employers, and other stakeholders to attend face-to-face events, so we will offer webinars and online meetings as alternatives, where we are able to do so.

We will continue to work flexibly, finding new ways to adapt our communications in the changing environment.

How we will communicate with Scheme Members (and their representatives)

Communication Method	Description
Internet	There is a dedicated website www.staffspf.org.uk for all members of the Staffordshire Pension Fund. The website contains a full range of information about the Scheme.
My Pensions Portal (MPP)	All Members can use the Pensions Portal on the website to help them with their retirement planning. Their Annual Benefit Statements are also published on this portal, to assist in keeping a record of their continued pension build-up.
Pension Fund publications for Members	<p>Information guides and leaflets are available online or by request covering different aspects of the Local Government Pension Scheme.</p> <p>A newsletter is published once a year, and more frequently, if necessary, to both active and deferred members of the Fund.</p> <p>We also publish an annual newsletter, called InContact, to send to retired members of the Fund, the content of which will focus on retirement related topics.</p> <p>Payslips are issued to retired members with their first pension payment. After this point they are only sent when the value of their monthly pension alters by £1 or more. Payslips are always issued in April or May every year as well as a paper P60. Payslips and P60s can also be viewed on the My Pension Portal.</p> <p>Our retired members are encouraged to access their pension payslips and P60's via the My Pension Portal. Guidance on the sign-up process will be added to the InContact newsletter.</p> <p>Eventually we hope to stop routinely printing and posting payslips and P60s, unless pensioners notify us otherwise.</p>

Email and Post	Pensions Services accepts correspondence received by Email and Post. We have a designated email account (pensions.enquiries@staffordshire.gov.uk) for our members which has an in-built acknowledgement system. There is also a postal address.
Annual Benefit Statements	Annual Benefit Statements are provided to deferred and active members on an annual basis. They are published on the secure online My Pension Portal. Paper statements can be requested by members as an alternative.
Helpline	Pensions Services has a dedicated helpline number (01785 278222) or members can speak directly to the person who is handling their case, by using direct line numbers.
Pensions Webinars (Virtual meetings)	Pensions Services will be developing webinars covering topical member issues. Our staff are also available for 121 online conference meetings.
Members considering the 50/50 Option or Opt Out	Pensions Services has specially prepared material to inform Fund Members of the consequences of opting out of the LGPS. Our website promotes the 50/50 option as an alternative.
Satisfaction Surveys	An on-line Satisfaction Survey is available on the Pension Fund website.
Annual Report and Accounts	The Report and Accounts are produced annually and can be viewed electronically on the Fund's website.
Existence Validation	As well as monthly mortality tracing for pensioners residing in the UK, Pensions Services undertakes an annual exercise, conducted through biometric facial recognition, to establish the continued existence of pensioners living abroad.

How we will communicate with Scheme Employers

Communication Method	Description
Contact Database	An email contact database has been set-up for Scheme Employers. This enables Pensions Services to communicate information quickly and efficiently to the right people.
Administration Strategy	This Strategy sets out the expected levels of performance of both Pensions Services and Scheme Employers. It provides details about how we monitor performance.
Technical Updates for Employers	All Employers are issued with regular updates to inform them of any changes to the administrative procedures operated by Pensions Services. These come in the form of Factsheets, Newsletters, such as the 'Employer Focus Newsletter' and webinars. We also use these formats to inform Employers about regulatory changes.
Individual Employer Meetings and Webinars	<p>Employers can schedule individual meetings with Pensions Services' Officers. These meetings are tailored to suit the Employer's needs and can be requested by contacting us directly.</p> <p>Individual, or group, meetings will be held with our newly converted Academies and Contractors to discuss key areas and requirements for them to participate in the scheme, such as funding and contribution rates and also data provision. Employer responsibilities in line with the Fund's Administration Strategy will also be highlighted. Generally, these meetings will take place online.</p> <p>An AGM is held in the autumn (usually in person) and Employer training events can also be held online, or in person, throughout the year.</p> <p>We also have an Employer Focus Peer Group, which meets on a quarterly basis, to discuss a variety of issues. These issues include discussion about new regulations and legal requirements, as well as internal practices, processes, and procedures.</p>

Employer Email	<p>The Fund has a dedicated email address that Employers can use to contact the Fund.</p> <p>(pension.employers@staffordshire.gov.uk)</p>
i-Connect	<p>i-Connect is a direct data capture interface, which reduces the cost and risks associated with the processing of pensions data.</p> <p>Data is taken directly from the Employers payroll system, automatically identifying new starters, leavers, opt-outs and generating an extract for submission to the scheme. This greater efficiency enables both the Fund and our Employers to improve the accuracy of member data plus the processing of the administration casework.</p>
Pensions Committee / Local Pensions Board (Employer Representatives)	<p>There are 5 nominated, non-voting Employer representatives that sit on the Pensions Committee. They present the views and opinions of the Employers they represent to the Pensions Committee.</p> <p>Employer representatives also sit on the Local Pensions Board.</p> <p>These Employer representatives, along with the elected Members of the Pensions Committee receive presentations and updates on topical issues affecting the administration and investment of the Pension Fund. The nominated representatives attend the Pensions Committee meetings to take forward ideas and suggestions from the Employer groups they represent.</p>
Website	<p>We have an Employers' area on the website www.staffspf.org.uk</p> <p>The area contains technical information about the LGPS in relation to Staffordshire Pension Fund as well as forms and documentation.</p> <p>We have a comprehensive set of factsheets and guides, available on the website which are regularly reviewed and updated with the current Scheme rules and operational practices.</p>

Welcome Packs	We issue specially tailored Welcome Packs to new scheme Employers, such as Academies and new Transferee Admission Bodies, which advise our new Employers of their roles and responsibilities, as well as what they can expect from their relationship with Pensions Services. They are designed to complement the initial meeting with our new Employer, where several key areas get discussed.
Employer Surveys	Periodic or targeted surveys of our Employers will be reintroduced to obtain their views on the different elements of our service and the information we provide.

How we will communicate with Prospective and New Scheme Members

Communication Method	Description
New Starter Letter	Each time a new employee begins employment with a scheme Employer, a 'New Starter Letter' is issued. Under the Automatic Enrolment (AE) legislation and the Statutory Scheme requirement, certain categories of employees must be brought into the LGPS. This letter contains a link to the basic scheme guide and a logon to the My Pension Portal.
Website	A wide range of membership information, in relation to the Staffordshire Pension Fund, is accessible on the Fund's website. Our website is www.staffspf.org.uk

How we will communicate within Pensions Services

Communication Method	Description
Induction	All new members of staff are provided with a corporate induction, as well as a more detailed introduction to the work of Pensions Services.
Training	As part of the We Talk initiative, staff have regular 1-2-1's and can put individual training and development plans in place. They also attend internal and where appropriate, external courses.
Pensions Qualifications	All staff are encouraged and supported to attain professional qualifications where these are available.
Business Plan	The Fund has a Business Plan which is actively managed and discussed in regular Management Team meetings. The plan includes key performance indicators and progress against the plan is reviewed. The content of the Business Plan is shared with the wider service through Team Meetings.
Pensions Management Team Meetings (Virtual or In-person)	The Management Team consists of the Assistant Director for Treasury and Pensions, the Strategic Pensions Manager and the Strategic Investment Manager who are supported by a wider group of Senior Pensions Managers across the service. The Management Team typically meet twice each week to consider and review the major issues affecting the Fund and the delivery of its objectives.
Senior Pensions Manager Meetings (Virtual or In-person)	Meetings of the Management Team with Senior Pensions Managers, to discuss strategic plans and operational issues, are held every two weeks, with additional meetings convened at short notice if required.
Team Meetings (Virtual or In-person)	Team Meetings are encouraged and are held routinely or as and when required to discuss current issues.
Staff Briefing Notes and Email updates	Where appropriate, staff receive briefing notes and email updates so that they are aware of the activities across all areas of the business, changes in legislation and projects taking place within the Fund. The content is decided by the Management Team and Senior Pensions Managers.
Intranet	All staff have access to the intranet

	containing policies, procedures, regular briefings, news updates etc. Use of the intranet ensures that the information is available to all staff at their work location in an accessible, timely and efficient way.
Email	All staff have an individual email account allowing them to communicate quickly, efficiently, and effectively.
Open door policy / online access	Operational staff have unrestricted access to the Management Team, Senior Pensions Managers, their supervisors, and senior colleagues to discuss and resolve pensions related issues.

How we will communicate with Elected Members and the Local Pensions Board

Communication Method	Description
Pensions Committee	<p>The Pensions Committee meet at least quarterly, and the Fund supports the Committee's governance responsibilities by producing agendas, minutes, reports, discussion papers and briefing notes. All Committee papers are distributed electronically eight days before the relevant Committee meeting.</p> <p>Topics regularly presented to the Committee include: Investment issues, Funding Level updates, Administration, Governance, Business Plans and Risk Management and Audit Reviews.</p> <p>The Fund publishes a Pensions Committee member training plan and members receive regular formal training, as well as attending a number of national conferences and seminars to ensure that they are fully informed to discharge their responsibilities. A Training Needs Analysis (TNA) is completed annually, by the Pensions Committee (and the Local Pensions Board).</p> <p>The Assistant Director for Treasury and Pensions and Senior Pensions Managers maintain regular contact with the Chair of the Pensions Committee outside of the formal meetings and ensure that the Pensions Committee are kept informed of issues that affect the Fund.</p>
The Local Pensions Board	<p>The Local Pensions Board meet quarterly to discuss current issues facing the Fund and assist the Pensions Committee in its role as Scheme Administrator. They receive additional support with a direct link into the Fund's Pensions Governance and Communications Manager, who supports the members of the Local Pensions Board, as and when required outside of their meetings.</p>

How we will communicate with Other Bodies

Communication Method	Description
Administering Authority's Senior Management	The Assistant Director for Treasury and Pensions meets the Director of Finance and other Senior Finance Colleagues, on a regular basis to provide information or answer any questions. This ensures they are regularly able to seek reassurance on the administration, management, and governance of the Pension Fund.
Trade Unions	The Fund endeavours to work with the relevant trade unions to ensure the scheme is understood by all interested parties. Trade Union Representatives are invited to sit on both the Pensions Committee and the Local Pensions Board.
Professional Advisers	The Management Team meets with, and has regular dialogue with, its advisers (such as actuarial / investment advisers and lawyers) to secure information and advice over a wide range of issues relating to the Fund.
Department for Levelling Up, Housing and Communities (DLUHC)	DLUHC are effectively the owners of the LGPS, responsible for drafting and laying the LGPS regulations before Parliament. Pensions Services aim to respond to consultations and draft legislation and share our response with Employers and Scheme Members.
Department of Work and Pensions (DWP)	We communicate regularly with the DWP in relation to the State Benefits and the end of contracting out.
Local Government Association	As members of the LGA we receive monthly bulletins, technical guides, and specialist support on pensions regulations. These help to keep us up to date with all the latest pensions information affecting the LGPS and the wider pensions industry. Minutes from the National Communications Working Group are published and reviewed by the Regional Pension Officers Group.
Regional Pension Officers Group	Senior Pensions Officers represent Pensions Services at the Regional Pension Officers Group which meets quarterly to discuss all aspects of the LGPS; knowledge sharing, and collaborative working are key features of this group's discussions.
LGPS Central Limited	Staffordshire Pension Fund is a shareholder of LGPS Central Limited, the investment

	<p>pool formed to work as a collaborative platform through which administering authorities of the eight Partner Funds aggregate their pension assets, with a view to providing economies of scale and improved investment efficiency. The Assistant Director for Treasury and Pensions and the Chair of the Pensions Committee are regularly involved in meetings with the Company and other Partner Funds.</p> <p>Senior Officers also engage and work collaboratively across a range of working groups which include Administration, Investment and Governance.</p>
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Data Protection

Confidentiality

To protect personal information held in relation to Scheme members, the Fund is registered under the Data Protection Act 1998 as part of Staffordshire County Council.

We are also fully compliant with the General Data Protection Regulation (GDPR), which was introduced in May 2018.

Our website has a page containing all the relevant links and documentation:
<https://www.staffspf.org.uk/Governance/GDPR.aspx>

Disclosure

The Fund may, if necessary, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Pensions Services' staff also receive regular training on data protection issues. Please see our Privacy Statement for more information.

National Fraud Initiative

The Fund participates in the National Fraud Initiative exercise by passing information about pensions in payment on to the Audit Commission. The information is matched to national databases to help prevent and detect fraud. The Fund's participation in this exercise is mandatory.

Document Control System

Pensions Services have a Document Control System to manage, review and update of all its communication material.

We can successfully track every version of each document produced.

Rights to Information

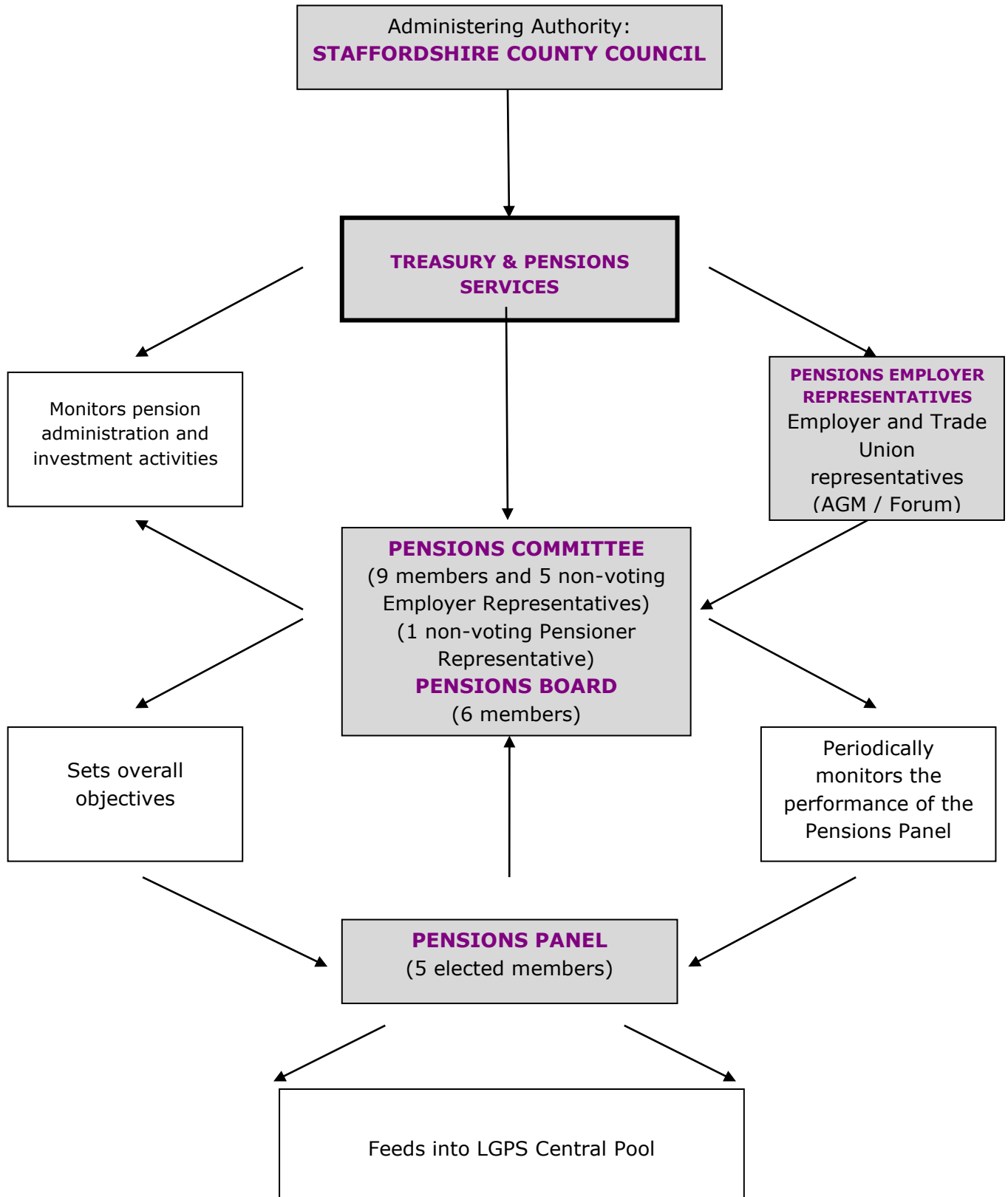
Freedom of Information - Nothing within this policy statement affects Scheme Members' rights to access or receive information under the Freedom of Information Act.

Equality of Access - Information produced by the Fund can be made available in several formats including large print, Braille or other languages as well as being communicated using sound and sight media.

APPENDIX A – Lines of Communication

APPENDIX B – Publication Matrix

Lines of communication relating to the administration of the Pension Fund



Communication/Publication Matrix

Communication Matrix Publications	Paper format (on request)	Electronic Format (pdf)	Website	When Available	When Updated
Scheme Booklet and Induction Pack	✓	✓	✓	Constantly available	Annually
Guide for Elected Members	✓	✓	✓	Constantly available	n/a
Online 50/50 option or Opt-Out Facility/ Form	✓	✓	✓	Constantly available	Annually
Employee Newsletter	✓	✓	✓	Constantly available	Annually
Deferred Benefits Information Pack	✓	✓	✓	Annually	Annually
Pre-retirement Pack	✓	✓	✓	Constantly available	Annually
Pensioner Newsletter	✓	✓	✓	Constantly available	Annually
Scheme Member's Annual Benefit Statement	✓	✓	✓	Annually	Annually
Deferred Member's Annual Benefit Statement	✓	✓	✓	Annually	Annually
Scheme Promotion Leaflet	✓	✓	✓	Annually	Annually
Information Leaflets	✓	✓	✓	As required	n/a
Ways of Improving Your Benefits	✓	✓	✓	Constantly available	Annually
Payments to "buy" additional pension	✓	✓	✓	Constantly available	Annually
Funding Strategy Statement	✓	✓	✓	Constantly available	Annually
Annual Report and Accounts	✓	✓	✓	Annually	Annually
Information Letters to Employers	✓	✓	✓	As required	n/a
Administering Authorities Policies	✓	✓	✓	As required	n/a
Administration Strategy	✓	✓	✓	Constantly available	Annually
Pension Payslip Messages	✓	✓	✓	Constantly available	Annually
Communication Strategy	✓	✓	✓	As required	n/a
Welcome Packs	✓	✓	✓	Annually	Annually
Employer Newsletter	✓	✓	✓	As required	n/a
Focus Newsletter	✓	✓	✓	As required	Monthly

Contact us

Assistant Director for Treasury and Pensions – Melanie Stokes

Telephone: 01785 276330

E-mail: melanie.stokes@staffordshire.gov.uk

Strategic Investment Manager – Tim Byford

Telephone: 01785 278196

E-mail: timothy.byford@staffordshire.gov.uk

Strategic Pensions Manager – Simon Jackson

Telephone: 01785 276450

E-mail: simon.jackson@staffordshire.gov.uk

Pensions Governance & Communications Manager – Martin Elliot

Telephone: 01785 276278

E-mail: martin.elliott@staffordshire.gov.uk

or by telephoning: 01785 278222

or by e-mailing: pensions.enquiries@staffordshire.gov.uk

We also have a website at: www.staffspf.org.uk

If you would like this information in large print, Braille, audio tape/disc, British Sign Language, or any other language, please ring 01785 278222

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