

# Minutes of the Pensions Committee Meeting held on 22 March 2024

Present: Mike Sutherland (Chair)

<b>Attendance</b>	
Philip Atkins, OBE	Bob Spencer
Mike Davies (Vice-Chair)	Liz Staples
Colin Greatorex	Stephen Sweeney
Derrick Huckfield	Mike Wilcox
Syed Hussain	

**Also in attendance:** Rob Birch, Chantelle Denham and Simon Humble

**Apologies:** Nigel Caine and Michael Vaughan

## Part One

### 12. Declarations of Interest

There were no declarations of interest made on this occasion.

### 13. Minutes of the meeting held on 15 December 2023

**In reference to Minute 4 (15 December 2023) – regarding the Audit of the Pension Fund accounts for 2020-21,** the Committee were informed that account sign-off remained outstanding for the 2021-22 and 2022-23 Pension Fund accounts. It was noted that it was unlikely that these accounts would be formally signed off by the auditors but would instead be covered by a disclaimer letter that would be provided for the County Council's accounts. The wording for the disclaimer had yet to be agreed, but a consultation process was taking place to agree this.

It was suggested that Ernst Young were completing the work on the 2022-23 Pension Fund accounts so they could provide the IAS19 assurance letters to the District and Borough Councils by the 31 March 2024.

It was noted that the audit of the 2023-24 Pension Fund accounts, being undertaken by KPMG, was already in progress.

#### **In reference to Minute 6 (15 December 2023) – regarding the Staffordshire Local Pensions Board – Constitution**

The Pensions Committee was informed that, Becky Smeathers, the S151 Officer for Tamworth Borough Council had been recruited to join the Board as an Employer Representative, meaning that the Pensions Board was

now at full capacity membership.

**Resolved:** That the minutes of the meeting of the Pensions Committee held on 29 September 2023, be confirmed and signed by the Chairman.

#### **14. Minutes of the Pensions Panel held on:**

a. 5 December 2023

**Resolved:** That the minutes of the meeting of the Pensions Panel held on 5 December 2023 be received.

b. 5 March 2024

**Resolved:** That the minutes of the meeting of the Pensions Panel held on 5 March 2024 be received.

#### **15. Staffordshire Pension Fund Business Plan 2024/25**

The Pensions Committee was provided with a report from the Director of Finance relating to the Staffordshire Pension Fund's (the Fund) Business Plan for 2024/25.

It was reported that the Treasury & Pensions Service had made good progress against the current year's Business Plan. The detail on this was provided in Appendix 1 to the report.

Key Development Activities from the 2023/24 Business Plan included:

- The successful implementation of Enhanced Admin to Pay, which meant that from November 2023 approximately 90% of new pensioner payroll records were automatically set up as part of the benefit calculation process. This had resulted in significant efficiency savings from reduced manual input of data.
- The appointment of an Integrated Service Provider (Heywoods) ahead of the Fund's connection deadline to the national Pensions Dashboard.
- The appointment of Eversheds Sutherland as an external Legal Service provider to the Fund and the reappointment of Hymans Robertson as the Fund's provider of Actuarial Services.
- The appointment of Northern Trust as the Fund's new provider of Independent Performance Measurement Services.
- The Fund also continued to promote the use of My Pensions Portal

(MPP) to all Scheme Members. Statistical information on registration and user activity was now reported monthly via Altair Insights. Scheme Employers were also being encouraged to promote the use of MPP to their employees.

## **Performance Standards 2023/24**

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 room for improvement in performance. The Teams continued to look to develop efficiencies in current processes, using tools such as process mapping and re-engineering, which overtime it was anticipated would help to alleviate some resource pressures.

The Fund has experienced a small increase in staffing levels over the last 12 months. Whilst this clearly helped with delivering business as usual, it would also help with the demands of the ever-increasing large-scale projects that would need to be implemented. The 5-pillar Team structure had been successfully embedded; this would future proof the service and allow for succession planning. Doing this also facilitated internal promotions for the more experienced team members and had created a new wider Treasury & Pensions Management Team. The team continued to 'grow its own' and had increased the entry level roles from a Grade 5 to a Grade 6, reflecting the need to both recruit and retain team members. It was noted that a full set of performance statistics would be provided as part of the Outturn reporting for the June 2024 Committee.

## **Key Developments for 2024/25 (Pensions Administration)**

Several areas that the Treasury & Pensions Team had identified as Key Development Activities for 2024/25 included:

The Pensions Regulators General Code of Practice – which was laid in Parliament in early 2024 and would come into force on 27 March 2024. Following an initial piece of work to identify any gaps, the Fund would formulate a plan to comply with the code within six months of it coming into force.

Improving Engagement with Scheme Employers - developing a process for improved engagement with Scheme Employers would ensure that they were fully aware of their responsibilities to the Fund and to their employees. Several options had been considered for this, including the reintroduction of an in-person Employer Training Day.

It was highlighted that one of the major pieces of work to be undertaken in 2024/25 relates to McCloud. Amendments to the LGPS regulations

came into force on 1 October 2023 to enable LGPS funds to deal with the pensions remedy. The Fund had identified circa 30,000 Scheme Members in scope for a McCloud underpin protection test, and a communication exercise was carried out in December 2023 where all of the in-scope Scheme Members were contacted. The missing contractual hours and service breaks data has been collected from Scheme Employers, and the next steps in the project will be to load the missing data, bulk calculate rectification, recalculate past cases and plan how to produce the 2025 Annual Benefit Statements which must reflect any impact of McCloud.

Councillor Greatorex emphasized the additional needs of the smaller employers of the Pensions scheme and welcomed the reintroduction of an in-person Employer Training Day.

### **Key Developments for 2024/25 (Pensions Investments)**

- 2023/24 saw further progress in the implementation of the Fund's new Strategic Asset Allocation and Investment Strategy. Continuing with the high-level timetable agreed, one asset class at a time had been reviewed (equity, fixed income, property) allowing due consideration to be given to all aspects and elements of investing in each of them.
- The focus for the Investment Team in 2024/25 would be the continuation of the implementation of the remaining actions from the Strategic Asset Allocation Review carried out in 2022, work would also begin on the next Strategic Asset Allocation review, in preparation for the 2025 Actuarial Valuation. A review of the Fund's Climate Change metrics and targets would also be incorporated.
- The Team would also be integral to the review of the need for multiple investment strategies.

### **Appointment of a second Independent Investment Adviser to the Pensions Panel**

- It was reported that the procurement to appoint a second Independent Investment Adviser to the Pensions Panel had almost concluded. The Fund had traditionally had two Independent Advisers but following a retirement in 2020 the second Independent Adviser had not been initially replaced. It was anticipated that the procurement would be successful, and a second Independent Adviser would be in place in time for the June Pensions Panel.

### **Cost and Resources**

The Pensions 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 being Investment Management Fees. Whilst this figure appeared high, the actual returns on investments and cost benchmarking information presented to Committee annually, demonstrated that the Fund was receiving value for money in this area.

The LGPS Central Limited Strategic Business Plan and Budget for 2024/25, had not yet been approved by Shareholders and discussions between Partner Funds and the Company remained ongoing. However, the proposed LGPS Central budget had been included for 2024/25 within the Governance Pension Fund costs, with assumptions about future increases included in 2025/26 onwards. Members would be updated via the outturn report presented at the June Pensions Committee, on any agreed position on Governance costs for 2024/25 onwards.

In response to a question from Councillor Wilcox asking why the Actuarial Fees increase in 2025/26 and reduce in 2026/27, it was confirmed that this was a result of the additional work that would be undertaken as part of the triennial Actuarial Valuation that was due to take place in 2025/26.

In response to a question from Councillor Sutherland asking what the outturn costs were for 2023/24 and how these compared to the budget, it was confirmed that, as the 2023/24 financial year hadn't ended at this time, the final outturn wasn't available. However, no significant variance was expected.

**Resolved:** That the Staffordshire Pension Fund Business Plan for 2024/25 be approved, and the key challenges, be noted.

## **16. Staffordshire Pensions Committee and Local Pensions Board Training Needs Analysis & Training Policy 2024/25**

The Pensions Committee was provided with a report from the Pensions Committee and Local Pensions Board Training Needs Analysis & Training Policy 2024/25.

The Committee was reminded that the CIPFA KSF identified eight core technical areas where Pensions Committee Members were expected to have a general awareness and understanding of the key elements in each

area. The eight core areas were highlighted as:

- 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.

Throughout 2023/24, training continued to form part of Pensions Committee meetings covering topics relevant to agenda items covered on those days; Risk management, Cyber Security and Benchmarking were some of the areas covered in this way. Two focussed joint training days with Pensions Committee and Pensions Board Members also took place, which covered: Strategic Asset Allocation, Public Sector Procurement Rules and Regulations, and Investment Performance Measurement and Analysis.

Whilst in previous years knowledge assessments had been based on a self-assessment, in 2023 the Pensions Committee and Local Pensions Board agreed to take part in the external Knowledge Progress Assessment (KPA) offered by Hymans Robertson. The assessments were completed during December 2023 and January 2024 and assessment consisted of a series of multiple-choice questions across the 8 core areas.

The average overall score for the Pensions Committee was 51.4% whilst for the Local Pensions Board it was 64%. This was as expected given the Board were required to have a more detailed understanding of the Fund due to their scrutiny role. In general, the Committee's results were in-line with the findings of the Hymans' 2022 National Knowledge Assessment where the average score for Committee participants was 51%. The average Pension Board score for Staffordshire was above the average Pension Board member score in the Hymans' 2022 National Knowledge Assessment of 61%.

## **2024/25 Training Plan**

Having considered the detailed results from the 2023 KPA, the training proposed for 2024/25 was likely to include:

- Pensions Legislation and Guidance and Pensions Governance.
- Investment Strategy, Asset Allocation, Pooling, Performance and

- Risk Management and Financial Markets and Products.
- Pensions Administration and Communications, Pensions Legislation and Guidance
- Pensions Fundamentals training.

Pensions Committee and Local Pensions Board Members were reminded that they had been provided with access to Hymans Robertson's online LGPS Learning Academy, called ASPIRE, which covered all the key areas of the CIPFA KSF.

### **Training Policy**

The Staffordshire Pension Fund's Training Policy was attached at Appendix 2 for approval by the Committee. The policy incorporated the requirements of the latest CIPFA KSF and included a set of seven statements which the Pensions Committee formally adopted at their meeting on 25 March 2022.

It was highlighted that the DLUCH consultation on asset pooling and good governance might dictate that training may need to be more rigorous in the future. Members were informed that the Fund would continue to deliver training in the usual manner until it became necessary to change the process.

Councillor Greatorex suggested that the Hymans analysis should capture the areas the Committee and Board members needed to learn about quickly so training could be arranged whilst the information was fresh in the minds of members. Councillor Greatorex also stated that he found Trustee toolkit very useful as a learning tool, primarily due to the way it was displayed as a series of modules. It was suggested that it would be useful to have a demonstration of some of modules provided at a future committee meeting.

**Resolved:** a. that the results of the 2023 Knowledge Progress Assessment in relation to the requirements of the CIPFA Knowledge and Skills Framework, attached at Appendix 1, be noted.

b. that the 2024/25 Training Plan be approved.

c. that the Staffordshire Pension Fund's Training Policy, attached at Appendix 2, be noted.

### **17. Staffordshire Pension Fund - Annual Review of Funding Strategy Statement, and Investment Strategy Statement**

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund Annual Review of Funding

Strategy Statement, and Investment Strategy Statement.

### **Funding Strategy Statement (FSS)**

As required by Regulation, a full review of the FSS had been undertaken as part of the 2022 Actuarial Valuation and this had been approved by the Pensions Committee at their meeting on 31 March 2023. In line with best practice, the FSS had been updated in November 2023 to reflect changes in the financial guarantee for Academies being provided by the Department for Education. There were no further changes required following the annual review of the FSS, however, the committee was informed that, ahead of the 2025 Actuarial Valuation, CIPFA were due to publish updated FSS guidance. It was noted that the Fund would review the implications of this guidance, together with the Fund Actuary, as part of the preparation for the valuation.

### **Investment Strategy Statement (ISS)**

The Committee was informed that the last major review of the ISS was undertaken in 2023. This incorporated the outcome of the 2022 Strategic Asset Allocation review and the assumptions and outputs from the 2022 Actuarial Valuation. The annual review of the ISS in 2024, had been fairly minor in comparison and resulted in much fewer revisions, mainly reflecting the progress made in the implementation of the Fund's 2022 Strategic Asset Allocation and the recommendations on such approved by the Pensions Panel over the past 12 months.

Following on from the Department for Levelling Up, Housing and Communities (DLUHC) response to their formal consultation - Local Government Pension Scheme (England and Wales): Next steps on investments, which was published in November 2023, the Fund was also expecting to see revised guidance from CIPFA on the ISS. Once published, this would be reviewed and suitable amendments to the ISS would be made, or additional information incorporated.

**Resolved:** a. That, following the full review of the Staffordshire Pension Fund's Funding Strategy Statement (FSS) in March 2023 and the further update in October 2023, which dealt with changes around Academy Guarantees, it be noted that no further changes were required as part of the annual review process.

b. That the minor changes to the Staffordshire Pension Fund's Investment Strategy Statement (ISS), as recommended by the Pensions Panel, attached at Appendix 1 to the report, be approved.

## **18. LGPS Central Joint Committee held on 2 February 2024**



The Chair of the Pensions Committee and the Assistant Director for Treasury & Pensions provided an update relating to the LGPS Central Joint Committee held on 2 February 2024.

The Committee was reminded that the Fund had two roles with LGPS Central – one was as a Shareholder in the company and the other was as a client. The LGPS Central Joint Committee meeting focussed on the Fund's role as a client. Items discussed at the Joint Committee included:

- a discussion relating to Responsible investment - this included questions from the public.
- An update from the Practitioners Advisory Forum, and its working groups, which supports the Joint Committee in delivering its pooling objectives. An update on the Pool Risk Register
- An update from the Internal Audit Working Group.

The Committee also received a training session from Eversheds Sutherland relating to the DLUCH Consultation outcome on LGPS Next steps on Investments.

The Chair of the Committee added that Staffordshire had delivered a presentation at the LGPS Central Joint Committee meeting. He stated how proud he was to be representing Staffordshire at the meeting and wished for the thanks of the Pensions Committee to be given to the Officers from the Internal Audit Service who provided the presentation.

**Resolved:** That the update relating to the LGPS Central Joint Committee held on 2 February 2024, be noted.

## **19. DLUCH Consultation outcome on LGPS Next steps on Investments**

Gary Delderfield of Eversheds Sutherland gave a presentation to the Committee on the DLUCH Consultation outcome on LGPS - Next steps on Investments. The presentation covered the following matters:

- Background to Pooling response
- Response – Key Proposals
- Response – Medium Term Proposals - Collaboration and Specialisation
- Response – Longer Term Proposals – Consolidation of Pools
- Spring Budget 2024

Councillor Greatorex stated that he felt it was inevitable that there would be changes to the pooling process. Despite the fact the proposed changes were not being mandated there was a comply, or be compelled to comply, approach and there was clear intention that eight pools were going to be reduced to five.

In response to a question from Councillor Sweeney asking whether the Government would be pleased when it received sight of the savings generated by LGPS Central, it was confirmed that this would be difficult to assess as the initial targets for pooling were set over a 16-year period and all pools had done different things because their Strategic Asset Allocations were different and constantly evolving

**Resolved:** a. That the DLUCH Consultation outcome on LGPS - Next steps on Investments be noted.

b. That Mr Delderfield be thanked for his presentation.

## **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 15 December 2023**

## **22. Exempt minutes of the Pensions Panel held on:**

a. 5 December 2023

b. 5 March 2024

## **23. Local Government Pensions Scheme - Debt Write-off 2023/24 (Exemption paragraph 3)**

## **24. Local Government Pension Scheme Regulations - Admission of New Employers to the Fund (Exemption paragraph 3)**

## **25. LGPS Central Joint Committee and Shareholder Forum update including LGPS Central Strategic Business Plan and Budget 2024/25 (Exemption paragraph 3)**

**Chair**