

## **LOCAL PENSIONS BOARD – 16 DECEMBER 2022**

### **Report of the Deputy Chief Executive & Director for Corporate Services**

#### **STAFFORDSHIRE PENSION FUND RISK REGISTER**

##### **Recommendations of the Chairman**

1. That the Local Pensions Board ('Board') notes the risks, relating to Funding, from the current Staffordshire Pension Fund Risk Register, as presented in Appendix 2.

##### **Background**

2. At their meeting in June 2022, the Pensions Committee noted the high-level risks identified within the Staffordshire Pension Fund Risk Register. The Committee also asked the Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back to the Committee on any areas of concern.
3. To assist with their review, the Board requested that one of the four main risk areas (Governance, Funding, Administration, and Investment), be presented to them at each meeting, for their consideration. This was to align with the risk area considered by the Officer working group that quarter.
4. Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the Officer working group, on a quarterly basis. Working through the detail of the individual risks, they collectively determine individual risk scores by considering the potential impact any one risk might have, together with the likelihood of that risk occurring. Members of the Board are invited to continue to attend these working groups if they so wish.
5. Although the Board Member had to give last minute apologies, at a meeting on 18 November 2022, the Officer working group reviewed the risk area of Funding. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered.
6. Funding risks have been heightened generally this year due to the triennial Actuarial Valuation taking place. The health check of the Fund at 31 March 2022, the setting of Employer Contribution rates for the 3 years commencing 1 April 2023 and the review of the Funding Strategy Statement have all created emerging risks for the Fund. However, post control, Fund Officers believe there is one area of high risk and nine areas of medium risk.
7. The one area of high risk relates to the monitoring of the Fund's funding position during the inter-valuation period. This is due to increased market volatility and the current high inflationary environment, which could lead to significant short-term changes in the funding position of the Fund. Whilst the

Fund takes a long-term view of its funding position, Officers will continue to liaise with the Fund Actuary to understand any shorter-term impact and funding trends and any concerns, or action required, will be reported to the Pensions Committee.

8. The nine areas of medium risk relate to several things including:
  - i) the procurement of an Actuary - the current contract is due to expire, and a tender exercise will be undertaken in 2023/24;
  - ii) ensuring contribution rates are appropriate and affordable for each employer – the current economic environment will lead to competing demands on employers' budgets;
  - iii) the Funding Strategy Statement - this has been revised, as part of the actuarial valuation process and is out for consultation with stakeholders; and
  - iv) the Fund's investment strategy – this has been reviewed in tandem with the actuarial valuation and needs to remain appropriate for the long-term financial stability of the Fund.
  
9. The full list of the current Funding risks is presented in Appendix 2 for Board members to discuss and / or note at today's meeting.

**John Tradewell**  
**Deputy Chief Executive & Director for Corporate Services**

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## Appendix 1

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

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