

Staffordshire Pension Fund – Investment Consultant Objectives – 2022/23

Appendix 1

Pension Fund Requirement	Investment Consultant Objective	Desired Outcome / Measurement	2022/23 Focused Objective
<p>Ensure members' benefits are met as they fall due.</p>	<p>Advise on a suitable investment strategy, and amendments to the strategy, to deliver the Fund's required investment returns in order to support progress towards a long-term steady state of funding.</p>	<p>Returns from the investment strategy, over time, are in line with or exceed the investment return assumptions in the Fund's Funding Strategy Statement; subject to market conditions and strategy implementation.</p>	<p>Continue to facilitate the review of the Fund's investment strategy, focusing on key aspects of investment structure, to ensure it remains fit-for-purpose as the Fund approaches full funding and in the context of market changes.</p>
<p>Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.</p>	<p>Deliver an investment approach that reflects the Fund's cash flow position, and likely evolution, and minimises the risk of forced divestment.</p>	<p>The Fund has sufficient liquid cash flow to allow members benefits to be paid as they fall due.</p>	<p>(ACHIEVED – Following review of the Strategic Asset Allocation (SAA) in 2021/22 development of the detailed structure for each asset class has begun with implementation plans approved by the Pensions Panel at various meetings in 2022/23)</p> <p>Monitor, and alert the Fund, to new investment opportunities that would improve the likelihood of the Fund achieving its objectives.</p> <p>(ACHIEVED – new investment opportunities considered as part of SAA review. E.g. Multi Asset Credit, review of defensive allocation because of current economic situation)</p> <p>Ensure investment advice takes the whole Fund position into account, including the impact on funding and contribution rates.</p> <p>(ACHIEVED – SAA review in 2021/22 considered different contribution rate scenarios to ensure contribution rates were not impacted by any proposed changes in the SAA. Review of structure follows on from SAA review)</p>

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<p>Ensure the Fund’s approach is aligned with the objectives of pooling and associated guidance.</p>	<p>Advise on the cost-efficient implementation of the Fund’s investment strategy, as required, taking into account the evolution of the LGPS Central pool.</p>	<p>Advice has a focus on key risk / return priorities.</p>	<p>Ensure investment decisions taken by the Fund are informed by a full analysis of the key risks, return expectations and costs of available investment options.</p>
<p>Ensure cost efficient implementation of the Fund’s investment strategy</p>		<p>Any areas of misalignment with the Fund’s objectives and/or poor performance highlighted are challenged and solutions identified. (ACHIEVED – Investment decisions around structure and implementation have considered the current and proposed LGPS Central Limited product offering. Early engagement with LGPS Central Limited also ensures products being developed are suitable for the Fund to invest in and aligned with the Fund’s risk / return priorities).</p>	<p>(ACHIEVED – Pensions Panel receives quarterly market update highlighting macro risks and individual investment decisions are supported by a suitability note. E.g. Private Equity, which takes account of the various investment options)</p> <p>Advise the Fund on the attractiveness of third-party investment options and the benefits/potential opportunity cost of investing via the pool. (ACHIEVED – E.g. Equity structure recommendations take account of the Fund’s investments with legacy managers, current investments in LGPS Central products and the climate change and sustainability agenda)</p> <p>Assist the Fund in enhancing arrangements for monitoring implementation of its investment strategy. (ACHIEVED – the Pensions Panel receives a quarterly market update as part of its Strategic Asset Allocation update. Any implications for the Fund are directly noted in writing alongside any proposed action. A summary table is also presented to allow the Panel to understand the impact on the SAA with a focus on the key issues and potential remedies)</p>
<p>Ensure the Fund’s approach reflects regulatory and legislative requirements</p>	<p>Ensure that the advice provided to the Fund complies with relevant pensions regulations, legislation and supporting guidance.</p>	<p>No instances of non-compliance with relevant regulations or internal policies. (ACHIEVED – no breaches identified).</p>	<p>Advise the Fund on the investment implications of new regulations/ guidelines notably the Pension Schemes Act 2021, the forthcoming TPR Single Code of Practice, TCFD, UK Stewardship Code 2020, Good</p>

<p>Develop the Committee’s Responsible Investment policy and ensure this is reflected in ongoing governance and decision-making processes</p>	<p>Develop the Committee and Panel’s policies and beliefs, including those in relation to Responsible Investment and ensure that any advice provided is consistent with such.</p>	<p>Guidance is provided on any matters, in respect of which the Fund is required by law to seek advice, particularly in relation to the preparation or revision of the Fund’s Investment Strategy Statement (ISS). (ACHIEVED – a full review of the ISS was undertaken in March 2023 following the approval of the Fund’s Strategic Asset Allocation (SAA) which was reviewed in tandem with the 2022 Actuarial Valuation of the Fund)</p> <p>Policies and beliefs are developed with appropriate input from the Investment Adviser and any advice provided is consistent with those policies and beliefs, including those in relation to Responsible Investment. (ACHIEVED – The Fund’s overarching Investment Beliefs were reviewed in 2021/22 and these have been incorporated into all discussion and advice provided to the Pensions Panel as part of the review and implementation of the SAA and the further development of the Climate Change Strategy)</p>	<p>Governance review and DLUHC guidance on pooling.</p> <p>Ensure any investment advice is consistent with these and existing regulations/ guidelines. (ACHIEVED – whilst many new regulations / guidelines are still pending, changes and/or existing regulations / guidelines are considered when any investment decisions are recommended to the Pensions Panel. E.g. TCFD. Pooling guidance.</p> <p>Ensure any changes to investment strategy take into account the Fund’s RI beliefs and goals. (ACHIEVED – the Fund’s RI beliefs and Climate Change Strategy have provided the framework for the SAA review and the further review of the asset class structure and detailed implementation plan)</p> <p>Assist the Fund in evaluating potential changes to the Fund’s investment portfolio in support of its climate strategy and wider RI beliefs and goals. (ACHIEVED – E.g. the change in a proportion of the passive investments with LGIM from global market cap index to a low carbon index; the additional 2% allocation to a global sustainable equity manager with LGPS Central Ltd)</p>
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<p>Ensure the Fund’s investment objectives are supported by an effective governance framework.</p>	<p>Provide relevant and timely advice.</p> <p>Help the Panel develop knowledge and understanding of investment matters.</p>	<p>Advice which is appropriate to the matter being considered is clear, targeted and delivered on time. (ACHIEVED – Investment Consultant has been present at all Panel meetings and has been able to deliver timely advice)</p> <p>The Fund is supported with training, through general communications and presentations to the Pensions Committee and Panel where required. (ACHIEVED – Panel have received advice notes and training as requested plus purchase of Hymans Robertson Aspire Learning Online Platform)</p> <p>Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested.</p>	<p>Assist the Fund in strengthening its oversight of the products and services provided by LGPS Central. (ACHIEVED - Early engagement with LGPS Central Limited to ensure products being developed are suitable for the Fund to invest in E.g. Private Debt and Infrastructure sub-funds and ongoing monitoring through manager knowledge, shared performance reports and ad-hoc meetings with managers appointed by LGPS Central Limited)</p> <p>Provide training, through general communications and presentations, on relevant topics including Climate Change and new investment regulations/ guidelines. (ACHIEVED – E.g. just in time training delivered on ESG Tilted Indices and presentations on the Equity Portfolio review and its implementation)</p>

	<p>Provide services to support ongoing governance which are proportionate and competitive in terms of costs relative to our peer group.</p>	<p>(COMMENT – For the Pensions Panel to comment on directly)</p> <p>Services provided in support of Governance are considered proportionate and represent value for money.</p>	<p>Ensure all items of advice are scoped, budgeted for within tendered fee scales, and executed, so as to deliver value for money. (ACHIEVED – in short term all review work scoped with indicative costs provided. Longer term impact not currently measurable)</p>
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