

Staffordshire Pension Fund – Investment Consultant Objectives – 2023/24

Appendix 1

Pension Fund Requirement	Investment Consultant Objective	Desired Outcome / Measurement	2023/24 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 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>(ACHIEVED – actual returns over the 1, 3, 5 and 10-year periods exceed actuarial assumptions)</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>(ACHIEVED – Following review of the Strategic Asset Allocation (SAA) in 2021/22 development of the detailed structure for each asset class has continued throughout 2022/23 and 2023/24 with implementation plans approved by the Pensions Panel at various meetings in 2023/24)</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 – all members' benefits due in year have been paid, without the need to sell investments. External Audit require a Going Concern Statement which projects the future liquidity of the Fund)</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, Smaller Companies Fund, Global Property)</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. This exercise will be repeated in 2024/25 as part of planning ahead for the 31 March 2025 Actuarial Valuation).</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. (ACHIEVED – Pensions Panel receives quarterly market update highlighting macro-economic risks and individual investment decisions are supported by a suitability note. E.g. Private Equity, Residential Property which take account of the various 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 consider the current and proposed LGPS Central Limited product offering. Early engagement with LGPS Central Limited ensures products being developed are suitable for the Fund to invest in and aligned with the Fund’s risk / return priorities. Due diligence is undertaken on existing products to ensure they are aligned, and allocations / commitments are scaled and timed accordingly).</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 – all recommendations take account of the Fund’s investments with legacy managers, current and potential investments in LGPS Central products and the Fund’s climate change strategy)</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>

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		<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.</p> <p>(ACHIEVED – briefing notes provided promptly E.g. on pooling consultation, TPR General Code. A full review of the ISS took place in March 2023 following the approval of the Fund's SAA and minor updates were reviewed and approved in 2024)</p>	<p>Governance review, DLUHC guidance on pooling and Local Investment / Levelling Up.</p> <p>Ensure any investment advice is consistent with these and existing regulations/ guidelines.</p> <p>Advise the Fund on changes to its Investment Strategy Statement and related policies in light of the above.</p> <p>(ACHIEVED – whilst several 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 consultation / guidance. The ISS is also updated to reflect any regulatory changes or updated guidance)</p>
<p>Continue to develop the Committee's Responsible Investment beliefs and ensure this is reflected in ongoing governance and decision-making processes</p>	<p>Continue to 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>Policies and beliefs are developed with appropriate input from the Investment Advisor and any advice provided is consistent with those policies and beliefs, including those in relation to Responsible Investment.</p> <p>(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 Fund's Climate Change Strategy)</p>	<p>Ensure any changes to investment strategy consider the Fund's RI beliefs and goals.</p> <p>(ACHIEVED – the Fund's RI beliefs and Climate Change Strategy provided the framework for the SAA review and have continued to underpin 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.</p> <p>(ACHIEVED – E.g. the change in the Scientific Beta benchmark to a low carbon alternative and the investment into the LGPS Central Ltd Global All World Climate Multi-Factor Fund)</p>

	<p>Provide services to support ongoing governance which are proportionate and competitive in terms of costs relative to our peer group.</p>	<p>Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested. (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, 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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