

Minutes of the Meeting of the Pensions Committee held on 28 June 2019

Attendance

Philip Atkins, OBE	Stephen Sweeney (in the Chair)
Mike Davies	Kevin Upton (Co-optee)
Derek Davis, OBE	Michael Vaughan (Co-optee)
Bob Spencer	

Also in attendance: Ian Jenkinson (Pensions Board Member)

Apologies: Ben Adams, Colin Greatorex, Phil, Jones (Co-optee), Mike Sutherland and Martyn Tittley.

PART ONE

1. Declarations of Interest

There were no declarations of interest on this occasion.

2. Minutes of the meeting held on 15 March 2019

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 15 March 2019 be confirmed and signed by the Chairman.

3. Appointment of Pensions Panel

RESOLVED – That the following members be appointed to serve on the Pensions Panel for the 2019/20 municipal year:

- Philip Atkins
- Derek Davis
- Colin Greatorex
- Mike Sutherland
- Stephen Sweeney

4. Minutes of the meeting of the Pensions Panel held on 5 March 2019

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 5 March 2019 be noted.

5. Appointment of Co-opted Member for Smaller Employers Representative

The Committee received a report of the Director of Corporate Services concerning the proposed appointment of a Co-opted Representative on the Pensions Committee representing Smaller Employers within the Staffordshire Pension Fund.

They were informed that this position had been vacant since the resignation of the previous representative, Geoff Locke, which was reported to the Committee in June 2018. The Committee, at their meeting on 18 December 2018, were informed that following difficulties in recruiting an individual interested in taking on the role, the Chairman had spoken to the Staffordshire Parish Council's Association concerning the appointment of the Smaller Employer Representative and that the matter was to be considered at the Associations next meeting which was due to take place on 7 January 2019. Subsequent to that meeting, Cllr Mike Allen indicated that he was interested in taking on the role and he observed the Pensions Committee meeting held on 21 March 2019. Cllr Allen recently confirmed that he was prepared to represent the Fund's Smaller Employers on the Committee and following further discussion with the Chair of the Committee and the Head of Treasury & Pensions, it was their recommendation that the position of non-voting Co-opted Member on the Pensions Committee representing the Smaller Employers in the Fund be offered to Cllr. Mike Allen.

RESOLVED – That Cllr. Mike Allen be appointed as the non-voting Co-opted Representative on the Pensions Committee representing Smaller Employers within the Staffordshire Pension Fund.

6. Pensions Business Plan Outturn 2018/19

The Committee received a report of the Director of Corporate Services concerning the final outturn position for the financial year together with a summary of the key achievements against the 2018/19 Business Plan.

The report covered a range of issues including:

- Key achievements during 2018/19
- Performance Standards
- Pensions Administration Team – Staffing
- Pensions Investment Team
- Pension Fund Budget and Costs
- Cost Benchmarking

The Committee were informed that the final position against the Plan showed that the majority of planned activities had been achieved or were in progress. Of those in progress, some were classed as 'business as usual' activities and these together with several other 'development' activities which required further work or ongoing activity had been carried forward into the 2019/20 Business Plan.

In response to a question from Mr Davis in relation to the Fund's property holdings, the Director confirmed that there had been instances whereby tenants had sought a reduction in the rent payable due to them facing financial difficulties. E.g under a Company Voluntary Arrangement (CVA)

Mr Davis also enquired about the reason for the increase in Investment Management cost when compared to 2016/17 and 2017/18 and was informed that whilst a proportion of this was as a direct result of the growth in Assets Under Management (AUM), the majority (£1.7m) was due to Fund increasing its allocation to Alternative assets (e.g. Private Equity and Private Debt) which were widely accepted to be some of the most

expensive asset classes in which to invest. As well as increasing the Fund's allocation to Alternatives, there had been a move across the industry generally for greater accounting transparency of the multiple fee layers. So, whilst in previous years 'incentive' (performance) fees paid on Alternatives were not accounted for, the more transparent reporting regime meant that for 2018/19, this additional layer of cost had also been included.

In response to a question from Mr Sweeney as to whether the staffing levels within the Pensions Team was sufficient to manage the current workload, the Director indicated that it was not and it was therefore proposed to recruit additional staff at a junior level in the Autumn of 2019 and then train them in-house. Mr Spencer enquired whether it was possible to reduce the demand on staff time by increasing the amount of information available on-line. In response, the Director indicated that in an attempt to reduce the demands placed on the team a number of actions had been taken, including working with Employers to improve the data they provide to Pensions Services through the introduction of i-Connect; ongoing improvements to the Pensions website to provide more relevant and understandable information for Employers and Members and there was also the intention to hold a Scheme wide promotion to increase the awareness and opportunities for Member Self-Service.

RESOLVED – That the outturn position of the Staffordshire Pension Fund Business Plan 2018/19 be noted and approved.

7. Risk Register

The Committee considered a report of the Director of Corporate Services on the Fund's Risk Register.

They were informed that CIPFA Guidance recommended the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. At their meeting in June 2018, 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.

The Committee noted that the Risk Register brought together all the Fund's risks in a single document. It continued to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration and Investment. More recently, the impact of LGPS Asset Pooling and the nature of the risks that brought to the Fund had been incorporated across the various areas of activity.

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

Controls that were currently in place to mitigate risks and additional sources of assurance were then considered to provide a post control impact and likelihood score. Again, these had been combined to give an overall post control risk score which had been assigned a RAG rating. All risks were given a review date, risk owner and any future actions to be taken were noted.

Officers reviewed 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 had attended the review meetings and taken an active role in the discussions.

The Committee considered a summary of the high-level risks associated with the objectives (Appendix 3 to the report), together with emerging risks (Appendix 4 to the report).

Mr Jenkinson indicated that the Pensions Board had carried out a regular detailed review of the identified risks and the process for maintaining the Risk Register, and they had concluded that:

- The Risk Register was a robust and comprehensive register of risks that the Pension Fund faced.
- The procedure for reviewing the Register was carried out regularly with each risk being evaluated and updated as required.
- The Officer Working Group that conduct these reviews had ownership of the individual risks and the whole Register and took their responsibility seriously.
- The Pension Board continued to recommend that the Register included a time-tracked element such that an Audit Trail could be established of the ways in which risks changed over time.
- The Board also considered that there was value in continuing to attend meetings of the Officer Working Group.

Mr Jenkinson added that the Pensions Board would be content to continue to carry out this, light-touch, scrutiny role if the Pensions Committee so wished.

RESOLVED – (a) That high-level summary and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented in Appendices 3 and 4 to the report, be noted.

(b) That the content and recommendations of the Local Pensions Board's review of the Staffordshire Pension Fund Risk Register, Appendix 2 to the report, be noted and that the Local Pensions Board be requested to continue to play an active role in the ongoing review process.

8. Review of Pensions Administration Strategy and Conflicts of Interest Policy

The Committee considered a report of the Director of Corporate Services seeking approval to the revised Pensions Administration Strategy and Conflicts of Interest Policy.

They were informed that regulations required, and best practice dictated, that a Pension Fund should have a range of written policies and procedures in place. Having such, not only proved regulatory compliance, but more importantly demonstrated good governance and provided a range of information to stakeholders. Whilst the Staffordshire Pension Fund was compliant in having the full range of policies in place, following an initial audit by Officers, it was identified that some policies were out of date and in need of review. An ongoing work program was therefore put in place, as part of the Business Plan, to ensure that over the next 12-18 months, the Fund's policies were reviewed and updated. These would be brought to Pensions Committee for approval and consulted on more widely if such was required under regulations or considered appropriate.

The Fund's current Pensions Administration Strategy was a comprehensive document running to 45 pages, which was last updated in December 2016. The revised document (Appendix 2 to the report), was a streamlined document of 16 pages, which clearly outlined the respective roles of Scheme Employers and the Staffordshire Pension Fund, to ensure the Fund met its legal obligations in respect of the LGPS Regulations and the disclosure standards required by the Pensions Regulator. The document was produced collaboratively across the service to ensure it provided a compliant, yet practical, reference guide for all users. Given that the Pensions Administration Strategy effectively acted as a Service Level Agreement between the Fund and its 450+ Employers, wider consultation was a regulatory requirement but also clearly very important. After an initial discussion with the Employer Focus Peer Group, the draft Pensions Administration Strategy was circulated to all Employers for consultation throughout April and all comments received as a result had been incorporated.

The Staffordshire Pension Fund's Conflicts of Interest Policy was deemed to demonstrate best practice and was introduced as part of setting up the Governance arrangements for the Staffordshire Local Pensions Board in 2015. The 2019 version of the Policy (Appendix 4 to the report) had been reformatted slightly and updated to reflect several minor procedural changes. As there had been no significant changes and the document was effectively used for internal control and compliance purposes, wider consultation was considered unnecessary.

RESOLVED – (a) That revised and updated Pensions Administration Strategy (Appendix 2 to the report) be approved.

(b) That the revised and updated Conflicts of Interest Policy (Appendix 4 to the report) be approved.

9. 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.

PART TWO

The Committee then proceeded to consider reports on the following issues:

10. Exempt minutes of the meeting held on 15 March 2019
(Exemption paragraph 3)

11. Exempt minutes of the meeting of the Pensions Panel held on 5 March 2019
(Exemption paragraph 3)

12. LGPS Regulations - Admission of New Employers to the Fund
(Exemption paragraph 3)

13. LGPS Central Joint Committee
(Exemption paragraph 3)

14. 2019 Actuarial Valuation - Assumption Setting
(Exemption paragraph 3)

Chairman