Staffordshire County Council

Staffordshire Pension Fund
Local Government Pension Scheme

County Buildings, Stafford
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Pensions Committee

Friday 25 June 2021
10:00
Council Chamber, County Buildings, Stafford

John Tradewell
Director of Corporate Services
17 June 2021

A G E N D A

PART ONE

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of the meeting held on 26 March 2021** (Pages 1 - 6)

4. **Appointment of Pensions Panel**

   Oral report of the Director for Corporate Services

5. **Staffordshire Pension Fund Audit Plan 2020/21** (Pages 7 - 40)

   Report of the Director for Corporate Services and County Treasurer (S151)

6. **Staffordshire Pension Fund Business Plan Outturn 2021/21** (Pages 41 - 56)

   Report of the Director for Corporate Services

7. **Staffordshire Pension Fund Risk Register and Risk Management Policy** (Pages 57 - 76)

   Report of the Director for Corporate Services

8. **Staffordshire Pension Fund Task Force for Climate Related Disclosures (TCFD) Report for 2020/21 and Climate Stewardship Plan 2021/22** (Pages 77 - 108)

Report of the Director for Corporate Services

9. **Staffordshire Pension Fund Communication Policy Statement** (Pages 109 - 132)

Report of the Director for Corporate Services

10. **Exclusion of the Public**

The Chairman to move:

'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 paragraph of Part 1 of schedule 12A of the Local Government Act 1972 indicated below'

PART TWO

11. **Exempt minutes of the meeting held on 26 March 2021** (Pages 133 - 138)
(Exemption paragraph 3)

12. **LGPS Regulations - Admission of New Employers to the Fund** (Pages 139 - 142)
(Exemption paragraph 3)

Report of the Director for Corporate Services

13. **LGPS Central and Pooling Update**
(Exemption paragraph 3)

Verbal update from the Chair of the Pensions Panel and the Assistant Director for Treasury & Pensions on the LGPS Central Joint Committee Meeting held on 18 June 2021.

Meeting papers can be accessed via the link below:

Agenda-and-Rhttps://www.cheshirepensionfund.org/members/wp-content/uploads/sites/2/2021/06/Agenda-and-Report-Pack-18-June-2021.pdfeport-Pack-18-June-2021.pdf (cheshirepensionfund.org)

14. **LGPS Central Limited Company Update** (Pages 143 - 160)
(Exemption paragraph 3)

Presentation by LGPS Central Limited

Membership

Mike Allen	Bob Spencer
Philip Atkins, OBE	Mike Sutherland (Chairman)
Nigel Caine (Co-Optee)	Stephen Sweeney
Mike Davies (Vice-Chairman)	SamanthaThompson
Colin Greatorex	Michael Vaughan
Derrick Huckfield	Mike Wilcox
Phil Jones	

Note for Members of the Press and Public

Filming of Meetings

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.

Minutes of the Pensions Committee Meeting held on 26 March 2021

Attendance

Philip Atkins, OBE	Alastair Little (Chairman)
Nigel Caine	Bob Spencer
Mike Davies	Mike Sutherland
Derek Davis, OBE	Stephen Sweeney
Phil Jones	Michael Vaughan

Also in attendance: Gordon Alcott, Rachel Bailye and Rob Birch (Pensions Board Members)

Apologies: Colin Greatorex

PART ONE

10. Retiring Members

The Committee were informed that Cllrs Derek Davis, Alastair Little and Martyn Tittley were not seeking re-election at the Local Government Elections on 6 May 2021 and that this was therefore their last meeting of the Committee. The Committee paid tribute to the Members for their service and the valuable contribution they had made to the Fund.

11. Declarations of Interest

There were no declarations of interest on this occasion.

12. Minutes of the meeting held on 18 December 2020

The Director of Corporate Services referred to minute number 4 relating to the Staffordshire Pension Fund Annual Report and Accounts 2019/20 and informed the Committee that the sign-off of the Accounts was imminent.

The Director also referred to minute number 6 relating to the Staffordshire Pension Fund Draft Exit Credit Policy and informed the Committee that as there had been no comments on the Policy, during the consultation period, the draft version had now been published on the Fund's website, as the final version of the Policy.

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 18 December 2020 be confirmed and signed by the Chairman.

13. Minutes of the Pensions Panel held on 11 December 2020 and 2 March 2021

RESOLVED – That the minutes of the meetings of the Pensions Panel held on 11 December 2020 and 2 March 2021 be received.

14. Staffordshire Pension Fund Business Plan 2021/22

The Committee were informed that for reasons of best practice and good governance, it was important for the Pensions Committee to consider and approve an annual Business Plan for the Pension Fund.

They noted that, with regard to progress against the 2020/21 Plan, as well as continuing to do the 'day job' and the increasing challenges that this presents ordinarily, the majority of the Treasury & Pensions Team faced additional challenges as they moved to home working during March 2020 due to the Covid-19 pandemic. The team had continued to work from home since then and, in addition to delivery of a Business Plan, had adapted many of their day to day working practices to maintain a high standard of service provision to all stakeholders. However, successes had still been achieved in several areas of the 2020/21 Business Plan including;

- Following a scaled down promotional campaign, due to the pandemic and the wider move to home working, increasing the awareness and use of the Member Self Service / My Pension Portal and issuing most of the Annual Benefit Statements electronically by 31 August 2020;
- Continuing to make good progress with i-Connect; and
- Following a competitive tender process, the re-appointment of Hymans Robertson as the main Investment Advisors to the Pensions Panel.

Understandably, several planned activities for 2020/21 had been delayed or scaled back but good progress had still been made, for example:

- A Covenant Monitoring process had been developed which would sit alongside the Hymans on-line Funding Level Review tool; and
- Following the 2019 move to Utmost plc, scoping work and data collection had begun for the external review of Additional Voluntary Contribution providers.

Full details would be included in the final outturn report to be presented to the Pensions Committee at their meeting in June 2021.

The Committee were informed that the Business Plan for 2021/22 was, once again, split into 2 distinct sections. The first section dealt with Key Development Activities, which aimed to make the way the Team worked more efficient and effective. The second section dealt with the activities that the team needed to undertake as part of the day job, but which impacted significantly at certain points in the year or which happened as a by-product of another activity e.g. finalising the year end data. Once again, several of last year's development activities had now been re-categorised into Business as Usual activity, including the continuing implementation of i-Connect, the engagement with payroll providers and producing the Annual Accounts in line with CIPFA's new reporting requirements.

Several areas that the Treasury & Pensions Team had identified as Key Development Activities in 2021/22 included:

- Planning for the implementation of remedial action arising from the McCloud / Sergeant judgement (& possibly Goodwin) to include collection of retrospective data from Employers – Approximately 31,000 Fund members were in scope;

- Re-tendering for the Administration System provider, which will include the need for an externally hosted platform service;

- Promoting and encouraging the use of Member Self Service / My Pension Portal to Retired Scheme Members (with the aim of issuing the majority of P60s and payslips electronically);

- Assessing the output from the Scheme Advisory Board's Good Governance Review and considering how best to implement any actions identified; and

- Developing a Staffordshire Pension Fund Climate Strategy and Climate Stewardship Plan.

As well as continuing to focus on their day to day accounting, investment monitoring and stewardship activities, the key development activities for the Pensions Investment Team throughout 2021/22 would focus on Responsible Investment (RI) and particularly reporting around Climate Change. Working with LGPS Central Ltd and Hymans Robertson, Officers would use the data from the Climate Risk Report, alongside further analysis, as a baseline from which to develop a Climate Strategy. The work would consider the impact of different investment strategies for the Fund, with Paris-aligned carbon targets and the delivery of a Net Zero Commitment in a stated future timeframe. Alongside the Climate Strategy, the Fund would also look to develop a Climate Stewardship Plan. This would help Fund Officers to focus their engagement on the specific investments and investment managers who were contributing most to climate risk.

The Committee also noted that the primary risks to the continued delivery of a pension's administration, accounting and investment monitoring service to the high standards achieved were;

- Having a team of staff, sufficiently resourced, with the right experience to cope with changes to Government Legislation E.g. McCloud;
- The ability to deal with an increasing number of Employers and the challenge and complexities their different requirements present;
- The increasing fragmentation of payroll provision and the requirement for accurate and timely data; and ultimately
- The need to ensure that the correct Pensioner Members are paid on time with the correct amount.

These, and other risks, were further analysed in the Pension Fund's Risk Register, the latest version of which would be presented in full to the Committee at its meeting in June 2021.

The Chairman referred to the implications of the McCloud judgement and requested that regular updates be provided to the Committee.

Mr Alcott enquired about the impacts of the Covid-19 pandemic on the Fund and, in response, the Director indicated that although the Fund had not seen an increase in the number of members retiring, there had been an increase in the number of persons taking deferred benefits.

In response to a question from the Chairman in relation to the increased actuarial fees and also in the fees paid to Investment managers, the Director indicated that the increase in actuarial fees was as a result of the 31 March 2019 triennial valuation year; and that the increase in Investment Manager fees was largely the result of the strategic decision to move more into private markets, which was acknowledged to be a more expensive asset class in which to invest. The increase in assets under management also impacted the level of fees paid. Cllr Sutherland also referred to the indicative costs of the Fund over the period 2020/21 – 2022/23 and indicated that he would like to see more visibility on costs.

RESOLVED – That the Staffordshire Pension Fund Business Plan for 2021/22 be approved and that the key challenges be noted.

15. Staffordshire Pension Fund Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS)

The Committee were informed that all Local Government Pension Scheme (LGPS) Funds were required to prepare, maintain, and publish FSS and ISS documents. The FSS must be formulated, maintained, and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Both documents must be kept under review and revised from time to time and at least every three years. The FSS must be issued for consultation during each triennial Actuarial Valuation and the Pensions Committee must also formally approve the FSS and ISS as part of the triennial valuation.

The Director of Corporate Services explained that a full review of both the FSS and the ISS was undertaken as part of the 2019 Actuarial Valuation, to take account of various changes in financial and demographic assumptions, and the Strategic Asset Allocation review, which was carried out alongside the valuation process.

The Committee noted that the FSS governed how employer liabilities were measured, the pace at which these liabilities were funded and how employers, or pools of employers, paid for their own liabilities. At its meeting on 27 September 2019, the Pensions Committee approved the current version of the FSS, which had been updated to reflect various financial and demographic assumptions used in the 2019 Actuarial Valuation. As a result of LGPS Regulatory updates on 23 September 2020, further changes were required to the FSS to reflect:

- A brief comment on the approach to be taken by the Fund in dealing with the uncertainty arising from the Goodwin court case.
- An explanation of the circumstances under which the Fund might amend contribution rates between valuations.

- Detail in relation to the payment of a cessation debt and the considerations that the Fund will make before paying an exit credit in line with their Exit Credit Policy.
- The circumstances in which the Fund would enter into a Deferred Debt Agreement (DDA) as an alternative to the payment of an immediate cessation debt.

The Director of Corporate Services explained that, once again, there would need to be an appropriate period of consultation on the FSS and it was proposed that, unless there were any material changes which it was considered necessary to bring to the attention of the Committee, the Director of Corporate Services be given delegated authority to sign off the final version of the FSS, following the period of consultation and prior to its publication on the Fund's website.

With regard to the Investment Strategy Statement (ISS), the Committee were informed that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the first ISS (which replaced the Statement of Investment Principles) had to be published by 1 April 2017, kept under review and revised from time to time and at least every three years. The Fund's ISS was first published in April 2017 and had been reviewed annually since, to better reflect the arrangements in place for asset pooling and the transfer of assets into LGPS Central Limited. Having been updated quite substantially, to incorporate the outcome of the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation, the current version of the ISS included some relatively minor amendments to better reflect activity during 2020, thus keeping it up to date.

It was noted that under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy. In the formulation of the updated ISS, the Fund had consulted with its investment advisors, Hymans Robertson and the Pensions Panel. The Committee also noted that the document may need further substantial revision following the outcome of the MHCLG's formal consultation on the Statutory Guidance on Asset Pooling in the LGPS; expected sometime in 2021. At that stage, wider consultation on the ISS may also be considered appropriate.

RESOLVED – (a) That the draft Funding Strategy Statement (FSS), (attached as Appendix 2 to the report), be approved and the need for wider consultation with Scheme Employers be noted and that, accordingly, authority be delegated to the Director of Corporate Services to approve any minor changes required to the FSS, as a result of that consultation.

(b) That the Investment Strategy Statement (ISS) (attached at Appendix 3 to the report) be approved and that the potential requirement for further updates, once the outcome of the Ministry of Housing, Communities and Local Government's (MHCLG) formal consultation on the Statutory Guidance on Asset Pooling in the LGPS is known, be noted.

16. 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:

17. Exempt minutes of the meeting held on 18 December 2020
(Exemption paragraph 3)

18. Exempt Minutes of the Pensions Panel held on 11 December 2020 and 2 March 2021
(Exemption paragraph 3)

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

20. Local Government Pension Scheme Regulation - Debt Write-off
(Exemption paragraph 3)

21. LGPS Central Limited 2021/22 Business Plan & Budget
(Exemption paragraph 3)

22. Staffordshire Pension Fund Climate Risk Report
(Exemption paragraph 3)

Chairman

Item no 5 on Agenda

PENSIONS COMMITTEE – 25 JUNE 2021

Report of the Director for Corporate Services and County Treasurer (S151)

Staffordshire Pension Fund Audit Plan 2020/21

Recommendation of the Chairman

1. To note the external auditor's plan for the audit of the Staffordshire Pension Fund (the Fund) for the 2020/21 financial year.

Background

2. The audit will be undertaken by Ernst and Young (EY) who are also the County Council's auditors.

3. The Fund accounts will be audited as part of the County Council's accounts.

4. The document at Appendix 2, the Audit Plan, details how EY intend to carry out their responsibilities as auditors and is an assessment of the key issues which they believe will affect the audit.

5. Appendix 2 will also be presented to the County Council's Audit and Standards Committee, as part of the normal audit arrangements.

6. Although the Fund is audited as part of the County Council's accounts, EY will issue a separate opinion on the Fund and produce a Fund specific Audit Findings Report (ISA260). This will be reported to both the Pensions Committee and the Audit and Standards Committee in due course.

John Tradewell **Director for Corporate Services**	**Rob Salmon** **County Treasurer (S151)**

Contact:	Melanie Stokes, Assistant Director for Treasury & Pensions
Telephone Number:	(01785) 276330
Background Documents:	None

Appendix 1

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

Legal implications: The legal implications are dealt with in the body of the report.

Resource and value for money implications: The costs of the audit are included in the Audit Plan.

Risk implications: The Audit Plan identifies a number of risk areas to be considered as part of the Audit and also seeks to identify any changes in risk.

Climate change implications: There are no direct climate change implications arising from this report.

Health impact assessment screening: There are no direct implications arising from this report.

Staffordshire Pension Fund
Outline audit plan

Year ended 31 March 2021

25 June 2021

Building a better working world

25 June 2021

Staffordshire County Council
No 1 & 2 Staffordshire Place,
Tipping Street,
Stafford, ST16 2DH

Dear Audit and Standards Committee/Pension Committee Members

Staffordshire Pension Fund – Outline audit plan

We are pleased to attach our Outline Audit Plan which sets out how we intend to carry out our responsibilities as the auditor of the Staffordshire Pension Fund (the 'Fund'). Its purpose is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This outline plan summarises our initial assessment of the key risks driving an effective audit for the Pension Fund, and outlines our planned audit strategy in response to them. We have yet to complete all our planning procedures and we will update the Committee if we identify any further risks during the year. This report is intended solely for the information and use of the Audit & Standards Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 25 June 2021 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Hassan Rohimun

Associate Partner

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated April 2018)" issued by the PSAA sets out additional requirements with which auditors must comply, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Standards Committee and management of Staffordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we can state to the Audit & Standards Committee, and management of Staffordshire Pension Fund, those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Standards Committee and management of Staffordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.

01 Overview of our 2020/21 audit strategy

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide Audit and Standards Committee and Pension Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks

Risk	Risk identified	Change from PY	Details
Misstatement due to Fraud or Error – Posting of investment journals	Fraud risk	No change in risk or focus	There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect.
Investment Income and Assets – Investment Journals	Fraud risk	No change in risk or focus	Linking to the management override risk above we have identified the most likely area is to affect investment income and assets in the year, specifically through journal postings
Valuation of complex (level 3) investments	Significant	No change in risk or focus	The Fund holds a material value of complex (level 3) investments including directly held property, private debt and infrastructure investments which are not publicly quoted. These are inherently harder to value. Valuation of these assets may also be made more difficult because of the ongoing impact on markets of Covid-19.

In addition to the above risk, there are two areas of audit focus.

Area of focus	Risk identified	Change from PY	Details
Going concern disclosure	Inherent	No change in risk or focus	The Fund will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation. It will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.
Valuation of directly held properties	Inherent	No change in risk or focus	The Fund has a significant portfolio of directly held property investments. The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements

Overview of our 2020/21 audit strategy

Materiality

Planning materiality	Performance materiality	Audit differences
Our planning materiality represents 1% of the prior year's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements greater than £2.3million. We will communicate other misstatements to the extent that they merit the attention of the Committee.
£47.4 million	**£35.5 million**	**£2.3 million**

Audit scope

This Outline Audit Plan covers the work that we plan to perform to provide you with audit opinion on whether the financial statements of Staffordshire Pension Fund give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

This Outline Audit Plan covers the work that we plan to perform to provide you with audit opinion on whether the financial statements of Staffordshire
By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

In addition to the above, we also perform procedures in relation to the IAS 19 report for Staffordshire County Council. Our work specifically focuses on gaining assurance that the data submitted to the actuary agrees to the Pension Fund's systems.

Overview of our 2020/21 audit strategy

Timeline

MHCLG have determined that the target date for the Fund to publish its draft accounts is 1 August 2021 and to publish its approved and audited accounts by 30 September.

In Section 05 we include a provisional timeline for the audit.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 07, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.

02 Audit risks

Our response to significant risks

Risk of Management Override: Misstatements due to fraud or error

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

In order to address this risk we will be:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

Risk of Management Override: Year end investment journals

What is the risk?

The Pension Fund posts year end manual journals in relation to the valuation of it's investments and the recognition of investment income. There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect, which could result in a misstatement of year-end investment value and/or investment income.

What will we do?

Our approach will focus on testing the appropriateness of manual journal entries recorded in the general ledger related to investments and ensuring that:

- The amount is consistent with the fund manager/custodian report;
- Correct authorisations have been obtained;
- The transactions are in the normal course of business or, if they are outside of the normal course, the business rationale will be requested and assessed for reasonableness.

Our response to significant risks

Valuation of Complex (level 3) Investments

What is the risk?	What will we do?
The Fund's investments include unquoted pooled investment vehicles and limited partnerships. Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. As these investments are more complex to value, we have identified valuation of these investment (Level 3 investments) as a significant risk, as even a small movement in these assumptions could have a material impact on the financial statements. Note that in prior year there was some delay in receiving information from the fund managers relating to the delayed signing of various fund audits. This is a recurring risk again for 2020/21. The pension fund team have also acknowledged this and are engaging with the fund managers to obtain the relevant information as soon as possible.	In order to address this risk we will be: • Assessing the competence of management experts; • Reviewing the basis of valuation for unquoted investments and assessing the appropriateness of the valuation methods used; • Perform tests of valuation by obtaining the latest available audited accounts and agreeing the net asset value per the confirmation received to the audited accounts provided; and • Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

Other areas of audit focus (continued)

What is the risk/area of focus?

<u>Going concern disclosure</u>

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry our a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on it's admitted and scheduled bodies and the continuing volatility in capital markets there is a need for the Fund to ensure it's going concern assessment including its cashflow forecast is thorough and appropriately comprehensive.

The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What will we do?

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Fund's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We will discuss the detailed implications of the revised auditing standard with finance staff shortly and seek to agree with management to receive an early draft of the Fund's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Valuation of directly held properties The Fund has a significant portfolio of directly held property investments. The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements.	We will: ▸ Assess the competence of management experts; ▸ Review the basis of valuation for properties and assessing the appropriateness of the valuation methods used; and ▸ Perform analytical procedures and checking the valuation output for reasonableness against our own expectations ▸ Consider what impact, if any, the introduction of IFRS16 Lease Accounting for 2020/21 may have on the Funds' accounting and disclosures for directly held properties.

03 Audit materiality

Materiality

Materiality

For planning purposes, we have set planning materiality for 2020/21 at £47.4m. This represents 1% of the Pension Fund's prior year net assets. We will reassess this throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Net assets
£4,744m

Planning materiality
£47.4m

Performance materiality
£35.5m

Audit differences
2.3m

We request that the Audit and Standards Committee and Pension Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality (2019/20: 50%).

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and net asset statement. This was calculated as 5% of planning materiality, which is consistent year on year.

Other uncorrected misstatements, such as reclassifications and misstatements in the disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Committees, or are important from a qualitative perspective.

04 Scope of our audit

Scope of our audit

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code. We issue an audit report that covers:

Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland). We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error; Significant disclosures included in the financial statements; Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements.

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Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Standards Committee and Pension Committee.

Internal audit:

We will meet regularly with the Head of Internal Audit, and review internal audit plans and the results of the team's work. We will reflect any findings in our audit plan, where they raise issues that could have an impact on the financial statements.

05 Audit timeline

Indicative Audit timeline

Indicative timetable of communication and planned deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the planned deliverables we have agreed to provide to you through the audit cycle in 2020/21. Please note that we will communicate any changes to this plan to officers and members as soon as we can. From time to time matters may arise that require immediate communication with the Audit and Standards Committee and we will discuss them with the Audit and Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Committees Meetings timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes and walkthrough of key systems and processes	June -July 2021		
Completion of initial planning	June -July 2021		
Reporting our conclusions on key judgements and estimates and confirmation of our independence	June 2021	Audit and Standards Committee/Pension Committee meeting	Audit Planning Report
Interim audit testing and completion of walkthroughs	July 2021		
Year end audit Audit Completion procedures	July - August 2021		
Audit Results Report	September 2021	Audit and Standards Committee/Pension Committee meeting	Audit Results Report

06 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit/additional services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020

07 Appendices

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code, the financial reporting requirements set out in the Code of Practice on Local Fund Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Scale Fee - Code work	22,050	22050
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	28,290	28,290
IAS 19 Assurance Work - annual approach (2)	9,500	9,500
Triennial Review Procedures (2)	-	11,500
Going concern and PBSE assessments and disclosures including EY consultations (3)	2,000-5,000	4,250
Additional work to obtain assurance over balances in light of Covid-19 / Level 3 investments (3)	3,000-7,000	5,750
Total	TBC	81,340

The agreed fee presented is based on the following assumptions:

- ► Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion being unqualified;
- ► Appropriate quality of documentation is provided by the Pension Fund; and
- ► The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

1. We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. In our view the scale fee for the Staffordshire PF audit should be increased by £28,290.
2. IAS19 work is annual work outside of the PSAA contract to provide assurance to the auditors of Staffordshire councils. Additional work was required in 2019/20 as a result of the triennial review. These fees for 2019/20 have been agreed with management and paid.
3. Additional work relating to 2019/20 was agreed with management and is now subject to PSAA approval. For 2020/21 we have included a range of the estimated fees for areas where additional work will be required.

Required communications with the Audit & Standards Committee

We have detailed the communications that we must provide to the Audit & Standards Committee.

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Audit & Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline audit plan - June 2021
Significant findings from the audit	▸ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Any significant difficulties encountered during the audit ▸ Any significant matters arising from the audit which were discussed with management ▸ Written representations we have requested ▸ Expected modifications to the audit report ▸ Any other matters significant to the oversight of the financial reporting process	Audit results report - September 2021

Appendix B

Required communications with the Audit & Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report - September 2021
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit results report - September 2021
Fraud	▸ Enquiries of the Audit & Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit results report - September 2021
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures, Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit results report - September 2021

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Required communications with the Audit & Standards Committee (continued)

Required communications	What is reported?	When and where
		Our Reporting to you
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence and related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and the Council's policy for the provision of non-audit services, and any apparent breach ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Audit & Standards Committee should also be provided an opportunity to discuss matters affecting auditor independence	Outline audit plan - June 2021 Audit results report - September 2021

Required communications with the Audit & Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the Audit & Standards Committee include: ▸ A declaration of independence ▸ The identity of each key audit partner ▸ The use of non-member firms or external specialists and confirmation of their independence ▸ The nature and frequency of communications ▸ A description of the scope and timing of the audit ▸ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▸ Materiality ▸ Any going concern issues identified ▸ Any significant deficiencies in internal control identified and whether they have been resolved by management ▸ Actual or suspected non-compliance with laws and regulations identified relevant to the Audit & Standards Committee ▸ The valuation methods used and any changes to these including first year audits ▸ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▸ The completeness of documentation and explanations received ▸ Any significant difficulties encountered in the course of the audit ▸ Any significant matters discussed with management ▸ Any other matters considered significant	Outline audit plan - June 2021 Audit results report - September 2021

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Appendix B

Required communications with the Audit & Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report to be presented at the September 2021 Audit & Standards Committee.
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Asking the Audit & Standards Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that they may know about	Audit results report to be presented at the September 2021 Audit & Standards Committee.
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit results report
Representations	Written representations from management and/or those charged with governance	Audit results report to be presented at the September 2021 Audit & Standards Committee.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report to be presented at the September 2021 Audit & Standards Committee.
Auditors report	▸ Key audit matters which we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report to be presented at the September 2021 Audit & Standards Committee.
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Outline audit plan to be presented at the June 2021 Audit & Standards Committee; and Audit results report to be presented at the September 2021 Audit & Standards Committee.

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit & Standards Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the locations at which we conduct audit procedures to support the opinion given on the financial statements; and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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PENSIONS COMMITTEE – 25 JUNE 2021

Report of the Director for Corporate Services

Staffordshire Pension Fund Business Plan 2020/21 Outturn

Recommendation of the Chairman

1. That the Pensions Committee approves the outturn position of the Staffordshire Pension Fund Business Plan for 2020/21.

2. That the Pensions Committee approves the procurement of a Pensions Administration System, at an estimated cost of £5 million, over the initial 7-year contract period.

Background

3. At the beginning of each financial year, the Pensions Committee is asked to approve an annual Business Plan for the Staffordshire Pension Fund. This report details the final outturn position for the financial year 2020/21 and summarises the key achievements against that Business Plan.

4. The Business Plan that was approved for 2020/21 is set out in Appendix 2. Due to the extensive move to home working, in response to the Covid-19 pandemic, 2020 proved to be a challenging year in many ways. In line with the recommendations of the Pensions Regulator, our business critical and business as usual activity had to take priority, with key development activities being of secondary order. And so, whilst the final position against the plan is not as favourable as we would have liked, it does still demonstrate continued progress and development in several areas.

5. Of those activities in progress, some have now been re-classified as 'business as usual' activities and several 'key development' activities which require further work, or ongoing activity, have been carried forward into the 2021/22 Business Plan.

6. As well as continuing with a high standard of service delivery, key achievements during 2020/21 include:

(i) <u>Pensions Administration Team</u>

- Continuing to implement i-Connect with the Fund's larger Employers and developing new working practices with Third Party Payroll Providers following the introduction of i-Connect (both now moved to BAU activity);
- Promoting the use of Member Self Service / My Pension Portal (MPP) ahead of issuing most of the 2020 Annual Benefit Statements electronically; and
- Demonstrating further improvement in Service Standards and Key Performance Indicators.

(ii) Pensions Investment Team

- Preparing for and successfully managing the transition of UK Equities to Impax Asset Management (Global Sustainable Equity) and LGPS Central Limited (Global Factor Based Equity); and
- Appointing an Investment Consultant to the Pensions Panel.

Audit

7. There have been several Staffordshire Internal Audit Service reviews across the two Teams throughout the year:
   (i) the Pension Fund Governance Audit received ‘substantial’ assurance, for the fourth year in a row;
   (ii) the Pensions Administration Audit maintained its ‘substantial’ assurance rating for the third year in a row; and
   (iii) the Pension Fund Investment Audit, focussing on Property Investment Management, also received a ‘substantial’ assurance rating.

8. As well as providing assurance that the necessary controls are in place, this re-affirms the hard work and effort of staff across the Teams, and their ongoing commitment to the Fund, despite the increasing complexities of delivering the service and having to work remotely.

9. As well as Governance and Investment Audits being carried out on the LGPS Central pool (as part of the wider Audit Assurance Framework developed by the Auditors of the 8 Partner Funds that make up LGPS Central) it was reassuring that the Company itself, LGPS Central Limited, received its first AAF 01/06 Internal Control Report, which was unqualified.

Pensions Administration - Performance Standards

10. The Pensions Administration Team’s Service Standards for 2020/21 are attached at Appendix 3. Whilst the activities are substantially the same, these are a new set of standards, introduced in 2019, that reflect the Chartered Institute of Public Finance and Accountancy (CIPFA) common reporting standards for the LGPS; these also provide for more granularity in certain areas.

11. The Committee are asked to note the consistent level of performance versus the standards over the last two years and the number of performance targets achieved in 2020/21. A summary of the position is as follows:

    - 2018/19 shows that a 90% performance target was achieved in 8 of the 11 published standards.

    - 2019/20 shows that a 90% performance target was achieved in 13 of the 15 published standards.

    - 2020/21 shows that a 90% performance target was achieved in 12 of the 15 published standards.

12. The 3 published standards where the performance target was not achieved in 2020/21 relate to distinct areas of activity:

(i) Divorce Settlement – Details of Sharing Order
There are very few of these cases fortunately but there is some ambiguity around when the 4 months / 50 working days to legally implement the court order should begin. Unfortunately, the existing workflow process is not sufficiently detailed to monitor this aspect correctly. A manual check of the cases processed in 2020/21, revealed that all were completed well within the deadline, and the workflow process will be updated for 2021/22 to enable accurate reporting going forward.

(ii) Transfers In – Send Transfers In Quote.
A Transfer Value (TV) is the payment that arises when a scheme member elects to move their pension benefits between Employer schemes or alternative insurance-based schemes. The current value of the individuals pension benefits effectively follows them, and an appropriate payment is made to or from an LGPS Fund. For TV's from other public sector pension schemes and from within the LGPS, the options now available to members are more complex to process, and communicate, than for transfers from external schemes. Whilst there has been some improvement in achievement, since last year, we have previously reported issues in this area and, as a result, are currently reviewing the internal processing deadlines to reflect the new requirements. In all TV cases, the strict statutory deadlines, prescribed within the various Pensions Schemes Acts, are always met, often well within the prescribed statutory timescales.

(iii) Deaths – Notify Dependents Pension.
Sadly, but not unsurprisingly, we have seen a 25% increase in the number of deaths reported across the Fund in 2020/21. The fact that we are only marginally under target is again testament to the hard work and the dedication of the various teams in working together to provide our Members and their dependents with the courtesy and sympathy that they deserve at such a difficult time. This is far from being something that we have missed our target on but something that we have worked on, above and beyond, to ensure we continue to deliver.

Ongoing workloads and impact on Service Standards

13. Whilst the Service Standards for 2020/21 are very gratifying and something of which the teams should be extremely proud, it is important to remind the Committee, that the Scheme continues to become ever more complex and the number of Employers and their arrangements for continuing to participate in the Scheme are in themselves becoming more creative as a result. Going forward old challenges remain and new ones come to the forefront.

14. We will shortly be able to ask for data from our 500+ Employers, as part of our preparation for the ‘McCloud’ project. We anticipate that 54,000 scheme member records across our Fund will be in-scope for the re-calculation of benefits going back to 1 April 2014, but until we have the Government’s response to the consultation, our delivery timescales are still unknown and the impact that this will have on our service standards is a cause for concern. What is reassuring however is the fact that the software providers are working with MHCLG and the LGPS Actuaries, to ensure that we have the appropriate Administration Systems to assist us, by the time the legislation is expected to be in place on 1 April 2023.

15. Unforeseen changes in Regulations also have an impact on workload that needs to be accommodated. The recently revoked Public Sector Regulations 2020, which limited an exit payment to £95,000, where an Employee is made redundant or their employment is terminated for reasons of business efficiency are expected to return in some revised form soon. Unlike on the previous occasion, we hope that the corresponding LGPS Regulations are put into place at the same time, thus ensuring that any uncertainty for administrators and scheme members is removed. Again, the need for software development will be paramount, to avoid a return to manual calculations.

Other considerations

16. Not all administration processes are benchmarked but most are usually complex and time-consuming areas of work for example:

- Combining pension records for re-joining members known as aggregation.
- Concurrent employment cases.
- Data cleansing.
- Software upgrades & testing ICT infrastructure.
- Record maintenance, including year-end member data.
- Issue of Annual Benefit Statements.
- Attending retirement sessions and sessions to support members being made redundant.
- Communication projects for example Academy training sessions.
- Introducing new software to Employers for the monthly transmission of data to the pension system and onboarding (i-Connect).
- Pensions Increase exercise
- Production of HR costing data for Employers.
- Regulatory and legal support to Employers and the monitoring of Employee and Employer Contributions.

Many of these are included in the Business Plan as ‘Business as Usual’ activity.

Pensions Administration System Tender

17. Critical to the provision of any Pensions service delivery is the administration system, which has been referred to several times in this outturn report already.

18. It was reported at Pensions Committee on 26 March 2021, that whilst the contract with the Fund's existing administration system provider is not due to end until late 2022, structural changes within the IT infrastructure at the County Council, means that there will be a need to move to an externally hosted service (whereby the software is held on servers outside of the Council) before then. Given the time that needs to be factored in, should there be a change in the administration system provider, and the working practices that stem from that, it is considered prudent to mitigate any risk of having to do so, at relatively short notice, by bringing forward the procurement process into 2021.

19. Work has now begun on the procurement process, which will be carried out using the 'National Framework'; a procurement framework, set up by the Norfolk LGPS for the wider LGPS. As part of scoping the tender, the estimated cost of the system, over the initial 7-year period, will be in the region of £5 million and by way of good governance it is considered important to bring this to the Committee's attention as a significant but necessary cost.

Pensions Administration Team Staffing

20. Due to the complex nature of the LGPS, recruiting experienced staff is always difficult and so the focus continues to be on training and 'growing our own'. Following the retirement of several experienced staff in recent years, the opportunity has been taken to promote some of the younger and newer team members.

21. Several recruitment exercises throughout the year have seen us successfully appoint two Systems Support Officers, to help us deal with the large amounts of data that projects, such as McCloud, will involve us collecting and manipulating. Three new Pensions Administrators have also been appointed in year, and the high standard of applicants overall remains encouraging. As at 31 March 2021, the number of full-time equivalent staff in the Team stood at 44.93 FTE which has been the result of a gradual and measured increase in staff from 37.50 FTE over the last 6 years.

22. Whilst there is inevitably a direct cost implication of any increase in staff numbers, as demonstrated in previous years, this will be limited and measured. The process of recruiting 1 or 2 entry grade staff, with their training on the more routine activities being delivered by more experienced team leaders, will ultimately facilitate the release of resources, at a more senior level, to work on more complex cases and project work.

23. By continuing to recruit in this way, our aim is that the service will remain cost effective and be well prepared to face any new challenges. This will also ensure that performance against published service standards does not decline significantly, but more importantly, that the service to the end user i.e. the Scheme Member, is not sub-standard and in direct contravention of the Pensions Regulators Disclosure requirements.

Pensions Investment Team

24. As well as undertaking their day to day accounting and contract monitoring activities, the investment team were kept busy during the year with several projects:

- Following a change in the Fund's Strategic Asset Allocation, which resulted in a move away from UK equities, the opportunity was taken to appoint a Global Sustainable Equity Manager. Using the procurement framework set up by one of the LGPS Central pool Partner Funds, Impax Asset Management, who focus on 'investing for the transition to a low carbon economy', were appointed to manage a c£240 million portfolio. As part of the same restructure, c£95 million of assets were transitioned into the LGPS Central Global Multi Factor Equity Fund.

- 2021/21 saw the Fund make its first 2 commitments to Infrastructure funds. As this is a new allocation within the Fund's Strategic Asset Allocation, it will be an ongoing focus for the investment team, over the next 12-18 months.

- Using the Norfolk Framework, a tender process was carried out for the appointment of an Investment Consultant to advise the Pensions Panel. After a stringent process and virtual interviews with the Panel, Hymans Robertson were re-appointed to the role.

- The team continues to be involved in the development of the LGPS Central pool and the various Officer Working Groups, to ensure the right products are being developed for the Fund to invest in.

25. In 2020/21, the Fund's investment return was +26.9% versus its strategic benchmark return of +24.4%, an outperformance of +2.5%. This was in stark contrast to the investment return for 2019/20 at -5.7%. Except for UK Gilts, all asset classes, and all markets in which the Fund invests fully recovered from the severe market falls experienced late February 2019, as a result of the uncertainty and fears surrounding the Covid-19 pandemic.

26. The Fund's longer-term annualised performance numbers, at 31 March 2021, are in excess of 8%, which is well ahead of the long-term investment return assumptions used by the Actuary in the triennial valuation.

27. The Committee will receive a presentation from the Fund's independent performance measurer, Portfolio Evaluation Limited, on the detail of the Fund's investment performance in 2020/21, at a future meeting.

Pension Fund Budget and Costs

28. At previous Pensions Committee meetings, Members were asked to note that instead of just setting an annual budget and relying on budget monitoring to manage cost, the Committee should also place reliance on

cost comparisons, benchmarking and trends, where these are available, to ensure that value for money is consistently delivered.

29. The headline budget reported to Pensions Committee for 2020/21, as part of the Business Plan versus the headline Actual Outturn position is provided in the following table. A comparison to 2019/20 is also provided.

	2019/20	2020/21
	£000	£000
Initial Budget forecast	18,770	20,960
Actual Outturn position	20,833	22,988
Under (Over) spend	(2,063)	(2,028)

30. All the £2.0m budget ‘overspend’ in 2020/21 is attributable to expenditure on Investment Management Fees, being £2.7m more than the budget estimate provided in March 2020. Paragraph 38 onwards explains the reasons for this in more detail.

31. The tables that follow break the Actual Outturn position down into more detail, as per CIPFA’s reporting classification in the annual accounts. They also provide comparisons to previous years’ expenditure and income, to highlight any significant changes or trends.

32. The following table shows this year’s **Administration Costs** compared to the last two years:

	2018/19	2019/20	2020/21
	£000	£000	£000
Pensions administration	2,099	2,601	2,314
Legal costs	114	97	53
Other costs	34	161	90
Income	(57)	(37)	(39)
Total Administration Costs	**2,190**	**2,822**	**2,418**

33. Total Administration Costs have decreased from 2019/2020 levels by £0.4m. This is attributable to 4 main areas: £0.135m relates to a decrease in support service charges, £0.152m relates to reduced CLASS charges, i-Connect software fees were £0.061m lower and external solicitor costs were reduced by £0.062.

34. Using the latest data available (for 2019/2020), we can compare the cost per scheme member of our Pensions Administration Team to those of the 29 other Funds (out of a possible 91) captured by the CIPFA benchmarking service. The 2018/2019 costs are provided in brackets for reference.

2019/2020	Administration Costs per scheme member	
	SCC	Average
CIPFA benchmarking - pensions administration	£23.37 (£18.57)	£30.25 (£21.34)

35. In 2019/2020 the Fund's administration costs were below the group average for 91 funds, however it should be noted there are some significant outliers within the group. When looking at similar authorities (county councils), administration costs for Staffordshire Pension Fund are generally comparable.

36. The following table shows this year's **Oversight and Governance Costs** compared to the last two years:

	2018/19	2019/20	2020/21
	£000	£000	£000
Audit Fees	33	19	89
Actuarial Advice	130	232	71
Governance Expenses	180	0	0
Investment Oversight fees	137	170	253
LGPS Central costs	833	947	1,046
Other	427	224	172
Total Oversight & Governance costs	**1,740**	**1,592**	**1,631**

37. Total Oversight and Governance costs have increased slightly in 2020/2021. Due to an increased focus on the Fund's property and private market investments, External Audit costs increased by £0.70m. LGPS Central pooling costs increased by around £0.099m, which was offset by decreased Actuarial Fees of £0.161m.

38. The following table shows this year's **Investment Management Costs** compared to the last three years:

	2018/19	2019/20	2020/21
	£000	£000	£000
Investment managers	13,940	13,077	15,971
Property costs	2,349	3,158	2,890
Custody costs	130	110	56
Other	93	74	23
Total investment costs	16,512	16,419	18,940

39. Investment Managers' fees have increased in 2020/2021 by £2.9m. Most of the increase relates to a higher level of Private Equity fees (£2.7m), payable on the back of significant outperformance. Private Debt fees were also higher (£1.6m) due to the increased allocation to this asset class.

Fees were offset to some extent by reduced Global Equity fees (£0.8m) and reduced expenditure on Hedge Fund fees (£0.8m). Property costs have also reduced by £0.3m in 2020/2021, which is attributable to a reduction in vacant property costs.

40. As a result of the recovery in asset values after the unprecedented falls brought about by the onset of the Covid-19 pandemic in February 2020; the market value of the Fund's assets was at an all-time high at 31 March 2021, breaking the £6 billion level. The table below shows, that although the Fund has paid more out in Investment Management fees in 2020/21, as a percentage of assets under management, the average Investment Management Fee has fallen by 0.02%.

	2018/19	**2019/20**	**2020/21**
	£000	**£000**	**£000**
IM Fees	13,940	13,077	15,971
Fund value at 31/3	5,128,319	4,731,370	6,125,859
Average Fee level (%)	0.27	0.28	0.26

41. The Fund has seen the impact of increasing its investment in Alternative assets classes, such as Private Debt, in the cost benchmarking data (see following section) for the last couple of years. Looking forward, with an increased allocation to Alternative asset classes, such as Infrastructure, the investment management costs of the Fund are expected to rise further in the short-term. Over the long-term, however, as the economies of scale from asset pooling are achieved, it is anticipated that these costs will stabilise before eventually falling, to provide savings. As always, these costs are largely dependent on the Fund's Strategic Asset Allocation and should always be justifiable on a 'net return' basis.

Cost Benchmarking

42. To seek further reassurance about cost, Staffordshire Pension Fund continues to take part in an extended benchmarking exercise with international company CEM Benchmarking. CEM benchmark 300+ global pension funds with total assets of £7.2 trillion (average £24bn, median £6bn). Due to delays in reporting due to Covid-19, the following information was reported to the Pensions Committee at the December 2020 meeting but is repeated below, for context, as it remains the latest information available.

43. The 2019/2020 CEM survey grouped Staffordshire Pension Fund with 18 LGPS and international funds ranging in size from £2.3bn to £8.6bn (a median size of £4.6bn versus our £4.4bn at that time). Based on a comparative cost base and considering embedded costs, our Fund's costs of 67.0 basis points (bps) was 7.3bps above the peer median of 59.7bps.

44. This was predominantly because the Fund invests in Alternative asset classes, such as Private Equity, using a 'Fund of Fund' approach, where there are multiple layers of fees payable. However, Private Equity has been a strong performing asset for the Fund over the period and has delivered returns well above its benchmark return. This illustrates the point

that whilst cost is an important consideration, it must be viewed versus any outperformance it delivers.

45. Measuring trends is also important and the Fund's costs have increased from 55.8bps in 2014/2015 to 67.0bbs in 2019/2020. The reasons for this are predominantly down to changes in strategic asset allocation and the way in which we choose to implement those decisions. Over the last 5 years, the Fund has increased its allocation to active Global Equities (away from cheaper passive Global Equities) and to Private Debt. This was a new asset class introduced in 2017, and like Private Equity, Private Debt has been invested in via a Fund of Funds approach. Whilst relatively expensive, both these asset classes are currently performing ahead of benchmark and delivering 'net' positive returns. So, once again, cost is only one factor to be considered albeit, like performance, it will be closely monitored going forward.

John Tradewell
Director for Corporate Services

Contact :	Melanie Stokes, Assistant Director for Treasury & Pensions
Telephone No.	(01785) 276330

Background Documents: None

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

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

Resource and Value for money implications: Resource and value for money implications are considered in the report.

Risk implications: There are no direct risk implications the report does contain some actions to address risks identified in the risk register.

Climate Change implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.

Treasury & Pensions Business Plan 2020-21

Appendix 2

Area of Service	Key Development Activity	Progress
LGPS Pensions Administration	Review / Undertake a Mortality / Living as Stated / Tracing Exercise to improve the accuracy of membership data	**Deferred** to 2021/22
	Undertake an external review of Additional Voluntary Contribution providers	**Partially achieved -** External provider engaged & review to take following receipt of 31 March statements
	Continue to develop new working practices with Third Party Payroll Providers following the introduction of i-Connect	**Achieved** – moved to Business as Usual activity
	Demonstrate a general improvement in KPI's	**Achieved** – moved to Business as Usual activity
	Implementation of any remedy arising from the McCloud judgement	**Deferred -** MHCLG McCloud consultation response for LGPS pending. Internal Project team set up and data to be requested from Employers before 30 September 2021
Pensions Administration System	Continue to implement i-Connect with a range of smaller / larger Employers to achieve an overall target as close to 100% of Active Fund Membership data being submitted monthly	**Achieved** – moved to Business as Usual activity
	Continue review of task design in Altair	**Deferred** to 2021/22 pending Administration System Tender
	Review use of interactive dashboard in Altair	**Deferred** to 2021/22 pending Administration System Tender
Contracting Out Reconciliation	Finalise under/overpaid pensioner members following responses to enquiries with HMRC	**Partially achieved** (subject to technical issues & further response from HMRC awaited)
Governance	Assess the output from the Scheme Advisory Board's (SAB) Good Governance Review and consider implementation of any actions identified.	**Deferred** to 2021/22 – final report published February 2021. SAB to make recommendations for Statutory Guidance to MHCLG

Treasury & Pensions Business Plan 2020-21

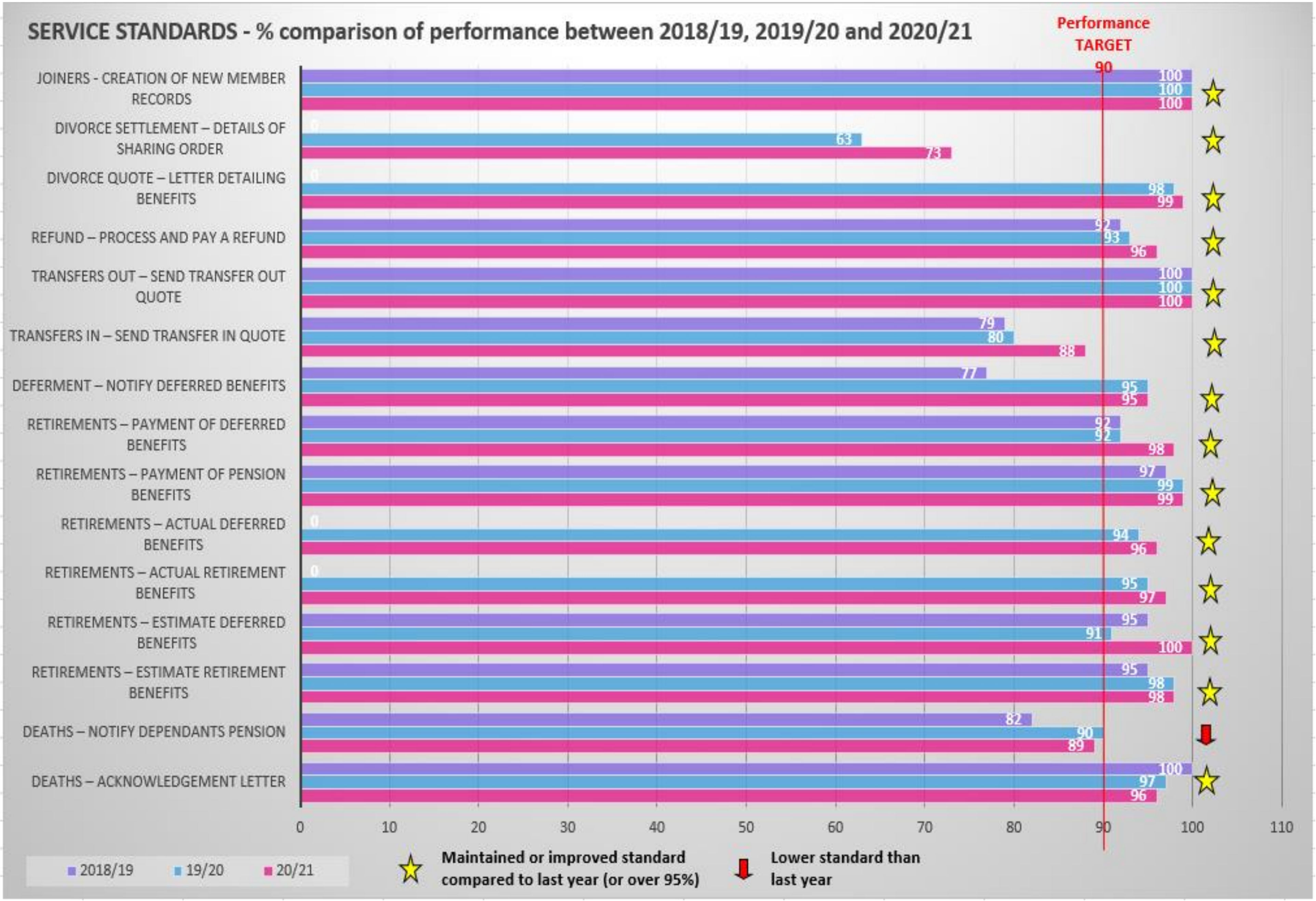
Appendix 2

Area of Service	Key Development Activity	Progress
	Continue to review need for and develop Covenant Monitoring Process	**Partially achieved –** use of Hymans' Funding Level Review (FLR) tool to be incorporated into routine monitoring process alongside internally captured Employer metrics
	Tender for external Legal Services provider	**Deferred** to 2021/22
Communications – Scheme Members	Continue to promote the use of Member Self Service / My Pension Portal (with the aim of issuing the majority of Annual Benefit Statements electronically by 31 August 2020)	**Achieved** – promotional campaign in 2020 with Active and Deferred Members Annual Benefit Statements issued electronically by 31 August
Communications - Employers	Further develop and run Employer Practitioner Workshop(s) e.g Breaches, Ill-health retirement, IDRP. Consider more frequent and targeted workshops for different Employer Groups	**Deferred** to 2021/22 due to pandemic and wider availability of consistent technology within Employers.
	Further develop Employer Administration policies / guides / practices and promote such to relevant Employers e.g. Ill-Health Retirement	**Achieved** – moved to Business as Usual activity
Pension Fund Investment	Continue to monitor processes, reconcile data and report performance impact following asset transitions into LGPS Central e.g. Corporate Bonds, Factor Based Investments and UK Equities planned for 2020/21	**Achieved** – Factor Based Investment sub-fund launched January 2021
	Appoint Independent Investment Advisor to Pensions Panel	**Deferred** to 2021/22
	Produce Pension Fund Annual Report and Accounts in line with CIPFA's updated guidance	**Achieved**
Area of Service	**Resource Intensive – Business as Usual Activity**	**Period**
LGPS Pensions Administration	Review Pensions Services staffing levels and structure	1 April – 31 March
	Finalise Year end data	1 April - 30 July

Appendix 2

Area of Service	Key Development Activity	Progress
	Publish Deferred Annual Benefit Statements	1 May – 31 August
	Publish Active Annual Benefit Statements	1 July – 31 August
	Record Keeping Data Integrity Checks and continual improvement in quality of data across the Scheme generally	1 April – 31 March
	Assess the impact of any Regulatory Changes and communicate such to all interested parties and stakeholders *	1 April – 31 March
	Review compliance with Administration Strategy	1 April – 31 March
Governance	Continue to review published policies e.g. Administration Policy	1 April – 31 March
Communications with Members and Employers	Continue to review and refine website content	1 April – 31 March
	Further develop the role of the Employer Focus Peer Group and the Employer Focus Newsletters	1 April – 31 March
The Pensions Regulator	Continually review compliance with The Public Service Scheme Code of Practice and Public Service Regulatory Strategy in relation to Disclosure of Data	1 April – 31 March
	Improve common and conditional data scores	1 April – 31 March
	Maintain and review Breaches Log and improve reporting to tPR	1 April - 31 March

Including but not limited to: McCloud, Exit Credits, Deemed Employers, Exit Payment Cap and LGPS Asset Pooling


SERVICE STANDARDS - % comparison of performance between 2018/19, 2019/20 and 2020/21
Performance TARGET
90
JOINERS - CREATION OF NEW MEMBER RECORDS
DIVORCE SETTLEMENT – DETAILS OF SHARING ORDER
DIVORCE QUOTE – LETTER DETAILING BENEFITS
REFUND – PROCESS AND PAY A REFUND
TRANSFERS OUT – SEND TRANSFER OUT QUOTE
TRANSFERS IN – SEND TRANSFER IN QUOTE
DEFERMENT – NOTIFY DEFERRED BENEFITS
RETIREMENTS – PAYMENT OF DEFERRED BENEFITS
RETIREMENTS – PAYMENT OF PENSION BENEFITS
RETIREMENTS – ACTUAL DEFERRED BENEFITS
RETIREMENTS – ACTUAL RETIREMENT BENEFITS
RETIREMENTS – ESTIMATE DEFERRED BENEFITS
RETIREMENTS – ESTIMATE RETIREMENT BENEFITS
DEATHS – NOTIFY DEPENDANTS PENSION
DEATHS – ACKNOWLEDGEMENT LETTER
100 100 100
0 63 73
0 98 99
92 93 96
100 100 100
79 80 88
77 95 95
92 92 98
97 99 99
0 94 96
0 95 97
95 91 100
95 98 98
82 90 89
100 97 96
0 10 20 30 40 50 60 70 80 90 100 110
2018/19
19/20
20/21
Maintained or improved standard compared to last year (or over 95%)
Lower standard than last year

Local Members Interest	
Nil	

PENSIONS COMMITTEE – 25 JUNE 2021

Report of the Director for Corporate Services

STAFFORDSHIRE PENSION FUND RISK REGISTER & RISK MANAGEMENT POLICY

Recommendations of the Chairman

1. That the Pensions Committee notes the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented in Appendices 3 and 4 respectively.

2. That the Pensions Committee notes the content and recommendations of the Local Pensions Board review of the Staffordshire Pension Fund Risk Register, attached at Appendix 2, and considers asking the Local Pensions Board to continue to play an active role in the ongoing review process.

3. That the Pensions Committee approves the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 5.

Background

4. CIPFA Guidance recommends the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management is being increasingly recognised as an element of good corporate governance and it is widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund. The Risk Register also forms a key part of the Pension Fund's Risk Management Policy attached for approval by the Pensions Committee at Appendix 5.

5. At their meeting in September 2021, 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.

Risk Register

6. Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in several key documents, such as the Funding Strategy Statement and the Investment Strategy Statement.

7. The Risk Register brings together all the Fund’s risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration and Investment.

8. The detailed risk register matches high-level risks, under each of the 4 areas of activity, to the Fund’s high-level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a Red – Amber - Green (RAG) rating.

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

10. Officers review 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 have attended the review meetings and taken an active role in the discussions. The Board’s comments on the Risk Register and the review process are attached at Appendix 2. The Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

Summary and review of high-level risks

11. A summary of the high-level risks associated with the objectives is attached at Appendix 3. This summarises the highest score of the detailed risks associated with each of the high-level risks and provides a summary of the controls and sources of assurance currently in place. This is intended to give the Committee an overview of the main risks the Pension Fund needs to consider and the controls in place to mitigate them.

Emerging risks

12. As part of the annual review it was agreed that the Pensions Committee would review emerging risks to the Fund. It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. Several transitional areas are reflected in Appendix 4; this provides more detail on the emerging risks perceived to be faced by the Pension Fund. The same scoring process and assignment of RAG ratings has been applied.

Risk Management Policy

13. The Pension Regulator’s Code of Practice recommends that a Pension Fund has a Risk Management Policy in place and that this is reviewed periodically. The risk management policy covers key areas such as:
    - The Fund’s attitudes to, and appetite for risk;
    - Aims;
    - Risk measurement and management; and

- Responsibility

The updated Risk Management Policy for the Staffordshire Pension Fund is attached for approval at Appendix 5.

John Tradewell
Director for Corporate Services

Contact: Melanie Stokes, Assistant Director for Treasury & Pensions
Telephone No. (01785) 276330

Background Documents:
CIPFA-Managing Risk in the Local Government Pension Scheme,
The Pensions Regulator Code of Practice,
Staffordshire Pension Fund Investment Strategy Statement ISS,
Staffordshire Pension Fund Funding Strategy Statement FSS.

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

Legal implications: The legal implications are considered in the body of his 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.

Appendix 2

Staffordshire Pension Fund Risk Register

Report by the Local Pensions Board to the Pensions Committee

25 June 2021

Observations of the Local Pensions Board

1. The Risk Register is a robust and comprehensive register of risks that faces the Pension Fund.

2. The procedure for reviewing the Register is carried out regularly with each risk being evaluated and updated as required.

3. The Officer Working Group that conduct these reviews have ownership of the individual risks and the whole Register and take their responsibility seriously.

4. The Board considers that there is value in continuing to attend meetings of the Officer Working Group.

Background

The Pensions Committee at its meeting on 7 July 2017 decided to ask the Local Pensions Board "to undertake a more detailed review of the Pension Fund Risk Register and report back to the Pensions Committee on any issues or areas of concern arising from the review." The Board has continued to carry out that task and reports as follows.

'*The Pensions Board agreed to continue to conduct its review through individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register was discussed in line-by-line detail. They observed each risk being evaluated on both a qualitative and quantitative basis and the RAG rating either being amended or maintained.*

The Pensions Committee at its meeting in September 2020, accepted the content and recommendations of the Board's review of the Pension Fund Risk Register carried out during 2019/20 and requested the Board to continue to play an active role in the ongoing review process.

The Board continues to believe that the Officer Working Group manages the whole process through an appropriate procedure, has ownership of both the individual risks and the whole register and take their responsibility seriously'.

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Governance					
1 To meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure	**Failure to meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting**	12	Fund objectives are defined, reviewed annually and approved by Pensions Committee as part of a comprehensive Performance Management Framework which includes KPI's and Risk Register	Reports to Pensions Committee and Pensions Board, Total Performance Management Framework	9
1.1 To ensure the Fund has an appropriate governance structure	**Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest**	16	Governance is implemented in accordance with the Governance Policy Statement which sets out the roles and responsibilities of all parties. Officers monitor and are aware of changes to regulations.	Governance Policy Statement, Pensions Board, DCLG.	9
1.2 To ensure that all Elected Members and officers have appropriate Knowledge and skills	**Failure to ensure that Elected Members and Senior Managers have the required skills or qualifications to perform their function effectively, and are supported by an ongoing programme of training**	16	Adoption of CIPFA Training and Skills Framework, Training policy, Training Log	Training records log, Pension Board, Qualifications and experience of senior officers, MPCs, appointment process.	9
1.3 To ensure the Fund has appropriate financial, investment and actuarial advice	**Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisors**	16	Services of several advisors are procured, contracts in place and performance monitored.	Attendance and reports to Pensions Committee, Panel and Board. Procurement team and regulations.	12
1.4 To ensure assets are safeguarded and properly accounted for and reported upon.	**Failure to have appropriate custody arrangements in place for liquid markets and illiquid investments (Inc. property)**	12	Custodians with high credit ratings are in place, their records monitored against managers records. Stocklending subject to strict controls and reported to pensions panel.	Custodian agreements, Audit assurance, Collateral in place for all stocklending. Legal Services hold records (Property).	10
1.5 To ensure that the Fund makes all information it is required to make available to stakeholders and that the information is easy to understand. To meet best practice standards wherever possible	**Failure to publish all documents required by legislation including statutory accounts and annual report and key documents comprising Governance Strategy, ISS, FSS. Communications Policy**	12	Key documents list is maintained and all key documents are completed, reviewed regularly and published	Documents published, regulations, CIPFA guidance, TPR codes of practice, Pensions Board, Pensions Committee, Internal Audit, external audit	9
1.6 To comply with all legislation relating to Local Government Pensions.	**Failure to adhere to relevant statutory regulations including updates to LGPS**	20	Regular review and reporting of changes, training of staff and implementation of changes.	Pensions Board, Pensions Committee, Audit and Audit report and LGA	15
1.7 To ensure the Fund has a risk register that is comprehensive, linked to objectives and regularly reported and reviewed	**Failure to have comprehensive risk management arrangements, including a Fund risk register in place; failure to regularly review, update, and identify controls to mitigate significant risks, including risk of fraud, and management assurance arrangements to ensure key controls are operating effectively and consistently**	16	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.)	Risk register exists and is regularly reviewed and updated. Pension Committee report. Pension Board	9
1.8 Participation in LGPS Central Pool of Funds	**Failure of Pool to have proper Governance arrangements in place.**	12	Joint Committee, Shareholders Forum and Practitioners advisory forum exist, have clear terms of reference and defined membership. CIPFA guidelines. FCA regulation. Company law. LGPS Central company and pool risk register exist - LGPS Central Joint Committee review company risk register	Staffordshire members regularly attend meetings of Joint Committee, Shareholders Forum and Practitioners Advisory Forum, and that decisions are reported back to Pensions Committee. Audit Assurance Framework	4

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Investment					
2.1 The actual return of the Funds 'neutral' and / or 'tactical' Strategic Asset Allocation is capable of exceeding the return assumption (i.e. the Discount Rate / AOA) of the Actuary used in the triennial valuation.	**Failure of the Strategic Asset Allocation (SAA)to meet the level of return underpinning the setting of contribution rates as determined in the valuation OR to take more risk than the level of risk assumed by the Actuary in setting contribution rates**	15	Strategic Asset Allocation is set to meet the assumptions used by the actuary. Ensuring the Actuary and Investment Consultant understand each others assumptions. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy. Use of Stabilisation policy	Pensions committee reports from Actuary and consultant. Pensions Board	8
2.2 The return of the 'actual / tactical' Strategic Asset Allocation (determined by the Pensions Panel) exceeds the return of the 'neutral' Strategic Asset Allocation	**The actual/ tactical investment strategy (determined by the Panel) fails to exceed the return of the neutral SAA**	12	Actual/ tactical SAA position is monitored, updated and reported to Pension Panel quarterly. Performance measurer reports.	Pensions Panel receives quarterly SAA report/ Valuation. Pensions Board. Fund Performance report.	8
2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.	**Failure of active managers to deliver outperformance (net of fees)**	20	Active managers are appointed though robust competitive process. Their performance is regularly reviewed and reported to the Pension Panel and in the Annual Report. Termination of managers contracts is carefully considered and reported to Pensions Panel.	Consultant advice, manager meetings, Performance measurer, Panel reports, manager presentations.	15
2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	**Failure to understand the relationships between asset classes, managers and their correlations to each other.**	16	Asset class correlation, Managers strategies are understood to ensure overlap is minimised. This is understood by those responsible for the strategic asset allocation.	Quarterly strategic review, Consultant comments, Pension Panel, Pension Board	9
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	**Failure to take account of RI factors in investment decisions**	16	FRC UK Stewardship Code complied with. All fund managers signed up to UNPRI. RI report to Panel each quarter detailing managers voting and company engagement. Member of LAPFF and LGPS Central	Policy in ISS, Pension Board. Manager reports. Member of LAPFF	12
2.6 To minimise fee levels and total expense ratios consistent with performance targets i.e. active / passive	**Failure to minimise manager fees and expenses commensurate with performance target**	9	Competitive tender process, monitoring and benchmarking of fees. Transparent reporting of fees.	CEM benchmarking, Total expense ratio, Peer Benchmarking, CIPFA rules, Audit, Pension Committee, Pension Board, advisors views taken account of.	6
2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	**Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly**	12	Cash flows of the fund are monitored and understood. The fund operates on a liability aware basis.	Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel.	9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	**Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance**	20	Budgets in place and monitored, cost sharing mechanism in place, other members of staff aware how to do all roles and are aware of work of LGPS central. Transition plans, senior management of LGPS Central, Shareholders Forum, Joint Committee and Practitioner Forum.	Programme Board, Staff Strategy and planning meetings, Shareholders Forum, Joint committee and Practitioners Forum. Reports to Pensions Committee	16

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Funding					
3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term	**Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term**	16	Plan and monitor cashflows regularly, Appropriate Treasury management strategy, Treasury staff are qualified and trained, review of cashflows from actuarial valuation.	Cashflows exist and are monitored, Treasury Management Strategy report to Pension Panel, Audit, Actuarial valuation report to Pensions Committee	12
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	**Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)**	16	Actuarial Valuation by an independent Actuary, using prudent assumptions, monitoring of funding level in between valuations, Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions.	Actuarial report, No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis, Report to Committee, Pension Board, Pension Fund Annual Accounts, Funding Strategy.	8
3.3 To ensure the long term cost efficiency of the scheme	**Failure to set contribution rates that ensure the long term cost efficiency of the scheme**	16	Stochastic modelling of various financial scenarios demonstrates improved funding outcome from the valuation, Actuary certified funding strategy.	No issues identified by GAD, Funding Strategy Statement, Pension Board	12
3.4 It is desirable that contributions are as stable as possible	**Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency)**	16	Use of Stochastic models to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers;	12
3.5 It is desirable that contribution rates are affordable commensurate with risk and meeting the funding objective	**Failure to set contribution rates that are affordable to employing bodies such that it disrupts their services or pushes them into receivership (commensurate with achieving solvency and long term cost efficiency)**	16	Funding Strategy and Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions), Consultation with Employing bodies	Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Responses from employers to consultation on Funding Strategy.	12
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	**Failure to identify, monitor and reflect the unique characteristics of employer's liabilities, for example maturity in setting contribution rates, including those employing bodies getting close to having no active members**	20	Monitor data to ensure Actuary receives accurate scheme data, Report from the Actuary takes account employer characteristics	Reports produced for the Pensions Regulator, Actuarial statement of data quality and club VITA report, Acceptable Audit reports, Outcome and consistency of valuation reports	16
3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the Fund	**Failure to protect the fund from an employer failing to pay any amounts due including contributions or cessation payments**	16	Valuation identification, Covenant reviews, Bonds/Guarantees in admission agreements, Cessation valuations carried out whenever an employing body leaves the fund	Valuation risk analysis, Active member numbers reviewed annually, Standard Admission agreements include requirements for bonds/guarantees, Cessation valuation completed by Actuary.	12
3.8 To ensure ceding employers are protected from transfers	**Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers**	12	FSS includes appropriate policy on transfers out taking account of the existing funding level and amends transfer values accordingly	Documented in the Funding Strategy Statement	8
3.9 To ensure that the Strategic Investment Strategy meets the actuarial assumptions	**Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term**	0	SEE SEPARATE INVESTMENT SECTION	n/a	0

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Administration					
4.1 Deliver a consistently high level of performance and customer service	**Failure to deliver a consistently high level of performance and customer service**	20	Performance reports presented to Pensions Committee and in the Annual Report and compared with benchmarking comparisons, internal control systems, schemes of delegation, Appropriate staffing levels, internal data checks, Actuarial data checks, Finance system.	Pensions Committee, Pension Board, Internal and external Audit reports, Management review, Actuarial certification.	16
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	**Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times**	20	Aquilla Heywood AXIS / Altair system, Structured ICT control procedures, ICT control processes and mirror backup, schemes of delegation.	ICT audit reviews, Internal testing, Audit.	16
4.3 To Communicate to our key stakeholders in a clear informative style	**Failure to Communicate to our key stakeholders in a clear informative style**	16	There is a Communication strategy in place, Regular communications with employees, Web site for employers Employees, publicly available	Pensions Board / Committee reports Communications Strategy and regular review, All major communications subject to accessibility checks, Internal management review.	12
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	**Failure to comply with regulatory codes of practice and legislation.**	20	Internal technical specialists, guidance from professional advisers, local and national working group, Staff Training, leadership and management, Administration strategy, TPR requirements	Audit, Regular Altair software updates encompass most regulatory changes, Employer sanction process and TPR breach reporting, Management controls.	15

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assuran	Post-control Risk Score	Review Date	Actions Description	Outcome of Review /Changes made	Owner
1.1 To ensure the Fund has an appropriate governance structure	**1.1 Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest**	Failure to review Governance standards against suitable benchmark (Government guidance e.g. Code of practice 14)	16	Officers monitor and are aware of various governance standards and changes within them.	MHCLG, tPR, SAB, LGA,	9	Sep-21	Review following tPR revision of code of practice (from 15 codes to 1) and consider internal/external review	0	**All**
1.2 To ensure that all Elected Members and officers have appropriate Knowledge and skills	**1.2 Failure to ensure that Elected Members and Senior Managers have the required skills or qualifications to perform their function effectively, and are supported by an ongoing programme of training**	Failure to deliver regular training to Elected Members	12	Consider independent assessment of knowledge and skills	Pension Board, AON, Self assessment, Regular "just in time training" at meetings, two Committee training session per year, Virtual training carried out to ensure continuity.	4	ongoing	Impact of SAB Good Governance Review? Induction and refresher training to be delivered throughout 2021 following election of new members and TNA	0	**HW/ MG**
1.6 To comply with all legislation relating to Local Government Pensions.	**1.6 Failure to adhere to relevant statutory regulations including updates to LGPS**	Failure to know about legislative change	20	Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisors	Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds	15	Ongoing	Review impact of McCloud, cost cap, tax relief and fair deal.	0	**MS SJ JW**
1.6 To comply with all legislation relating to Local Government Pensions.	**1.6 Failure to adhere to relevant statutory regulations including updates to LGPS**	Failure to implement changes to systems, processes and to document such as required by legislative change	16	Ensure any changes are implemented through changes to documents and procedures as required	Pension Board, Altair updates, communications working groups	12	Ongoing	urgent software updates required to assit implimentation of regulation changes, manual calculations- impact on resources	0	**MS SJ JW**
1.6 To comply with all legislation relating to Local Government Pensions.	**1.6 Failure to adhere to relevant statutory regulations including updates to LGPS**	Failure to train staff as required by the legislative change	16	Ensure staff are trained in changes as required, MPCs	Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training	12	Ongoing	need to train staff on impact and practical implementation of significant regulatory change	0	**MS SJ JW**
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	**2.5 Failure to take account of RI factors in investment decisions**	Failure to comply with the FRC UK Stewardship Code	8	FRC UK Stewardship Code (Tier 1 signatory to 2016 code), as are all fund managers, working towards becoming signatory of 2020 revised code	2016 Investment regulations, ISS, LGPS Central, mangers contracts contain clause.	4	Annual / April 22	To become signatories of the 2020 FRC UK Stewardship Code, plus SAB guidance	0	TB
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	**2.5 Failure to take account of RI factors in investment decisions**	Failure to have a Climate Policy and take into account the impact of climate change on the SAA and subsequent investment returns	16	Climate policy exisits, Pensions Panel takes into account impact of cliamte change in its investment decisions and setting of SAA, through scenario analysis	Climate risk report, Climate Policy is being produced, TCFD reporting, Hymans, LGPSC, Scenario analysis, SAA review incorporates climate change roadmap	12	Apr-22	Initial Climate risk report received from LGPSC, along with draft TCFD report, work with Hymans and LGPSC to develop climate policy	0	TB
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	**2.5 Failure to take account of RI factors in investment decisions**	Failure to integrate Climate change and the transition to low carbon economy into the investment portfolio.	12	LAPFF, LGPS Central and fund managers liaise directly with companies on climate change issues	Member of LAPFF, Managers reports, officers member of PAF RI working group, LGPS Central Investment Director for RI (Hermes). Carbon Risk Metrics (MSCI) and Climate Scenario Analysis	6	Ongoing	Review climate risk reporting output from LGPS central, Consider wider implications of Climate risk on the fund, eg funding, employers etc	0	**TB/ Pensions Panel**
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	**2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance**	Regulatory Changes in relation to asset pooling impacting LGPS Central or SPF	10	Regulatory change is monitored and consulatations are responded to.	MHCLG, Pensions Committee, Hymans, cross pool working groups.	10	ongoing	Review as a result of MHCLG formal consultation and statutory guidance	0	**Pensions Committee**
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	**3.6 Failure to identify, monitor and reflect the unique characteristics of employer's liabilities for example maturity in setting contribution rates including those employing bodies getting close to having no active members**	Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.	16	Online FLR in place, Financial and other data sets being developed.	Annual review of employer covenants, Actuary, triennial valuation, employer profiling report	16	Dec-21	Fully introducing new system to review ongoing employer funding and risk levels, including review of external system providers	**Initial Employ**	**MS/JW**

4.1 Deliver a consistently high level of performance and customer service	**4.1 Failure to deliver a consistently high level of performance and customer service**	Failure to monitor workloads, or backlogs or benchmark staff numbers	20	Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers	Review of KPIs by Pensions Committee / Board, Review of published benchmark returns	16	ongoing, Jan 22	Significant amount of regulatory change and the need to implement such, may impact wider service delivery, increased further by delays in software updates and systems, leading to increased manual calculations.	Staffing numt	**SJ/JW**	
4.2 To maintain sufficient levels of data integrity, security, and to ensure business continuity	**4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times**	Failure to provide a robust and reliable administration system to facilitate the delivery of performance standards	20	Using Aquila Heywood AXIS / Altair system and bespoke SCC calculation software, developed over many years on a collaborative basis with other LGPS schemes; regular updates; input to national developments; tendered from time to time	ICT audit reviews, period contract re let and market testing	16	Jun-22	Significant tender project required prior to Dec 21 and potential implementation issues on resourcing.	Software chai	**SJ/JW**	
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	**4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times**	Failure of scheme employers to correctly use the i-Connect monthly upload or system failure of i-Connect	16	i-Connect self tests data before submission accepted. The Pensions Section will also carries out tolerance checks on data received. System failure is covered by the potential to reverse and retro load data if required.	Audit, inbuilt controls and tolerance checking.	12	Jun-22	Review monthly tolerance checking procedures	**Internal resou**	**JW**	
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	**4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times**	Failure to protect against increased physical or cyber threats	20	SCC and partner ICT policies and procedures, Mirror server operation, special environmental controls SCC ICT Policies, internal access controls and Altair security roles Firewall and anti virus controls. Business Contingency and DR Plans	ICT Audit, DR Testing reviews.GDPR Impact assessment statement for MPP, evidence of current security arrangements held by software provider and security certification levels.	15	Jun-22	Discuss with ICT and third party software providers via Client Manager meetings to include cyber security and annual DR testing. Consider implications of new TPR requirements	**0**	**SJ/JW**	
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	**4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times**	Failure of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes.	16	Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement.	Software reporting.	16	Jan-22	Project team working effectivley, software has been developed.	**Project team working effectivley, software has been developed.**	**JW/SJ/MS**	
4.3 To Communicate to our key stakeholders in a clear informative style	**4.3 Failure to Communicate to our key stakeholders in a clear informative style**	Failure to communicate regularly with scheme members	16	Communications via Staffordshire Pension Fund website and electronic or employer channels. Annual pensioner newsletter (in contact).	Pensions Board / Committee reports Communications Strategy and regular review	12	Jun-22	Consider the impact of the move towards electronic communication and promotion of MPP and potential for increased disengagement	**Consider take-up and outcome from first 2020 ABS electronic exercise, 2021 plan to default all pensioners to electronic communicati**	**SJ/JW**	
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	**4.4 Failure to comply with regulatory codes of practice and legislation.**	LGPS regulation changes in relation to fair deal, McCloud & Goodwin. Processing and funding issues (see duplicated on funding tab)	20	Systems updated and adequate staff resouce and training in place	KPIs maintained at previous levels	15	Jun-22	**Review and monitor legislative changes**	**0**	**SJ/JW**	
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	**4.4 Failure to comply with regulatory codes of practice and legislation.**	Failure to apply proper due diligence with regard to transfers out, exposing the fund to potential Fraud, risk of Claims via management companies re former transfers out, scams, IFA claims	12	Staff training, TRP code of practice, Regulation	Internal checks, Internal Audit, Internal Staffing structures, FCA regulation of IFAs	12	Jun-22	**Ensure all transfer practices complice with the CoP plus pensions bill 2021.**	**0**		**0**

Staffordshire Pension Fund

Risk Management Policy

Issue Date 1 July 2021

Risk Management Policy

Introduction

This is the Risk Management Policy for the Staffordshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Staffordshire County Council ("the Administering Authority").

Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Investment Strategy Statement. It is an essential element of good governance in the LGPS. The Fund will aim to comply with the CIPFA Managing Risk publication and the Pensions Act and Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Risk Management Policy details the risk management strategy for the Fund, including the following key areas:

- The Fund's attitudes to, and appetite for, risk;
- Aims;
- Risk measurement and management; and
- Responsibility.

The Fund's attitudes to, and appetite for, risk

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance;
- improve financial management of the Fund;
- better manage change programmes and projects;
- minimise the risk and effect of adverse conditions on the Fund;
- identify and maximise opportunities that might arise;
- minimise threats; and
- support innovation and continual improvement in a changing environment.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund, at a strategic and operational level.

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Some risks can be mitigated by putting in place a simple control process whereas other risks will remain at a high level, despite any mitigating controls being put in place. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives, considering the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to emerging risks; and
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided.

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring and the way in which the contribution rate strategy and the investment strategy combine to deliver those outcomes (the particular method used by the Fund’s Actuary is sometimes referred to as stochastic modelling, but there are others). The primary reason for the high variability (risk) in outcomes derives from the high proportion of the Fund invested in growth assets, in particular equities. However, in the long term this is expected to deliver returns that are commensurate with the risk and this helps to keep employer contributions lower than they would otherwise be. It also relies upon the strong covenant of the major employing bodies in the Fund which allows for a long-term perspective to be taken.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

Aims

In relation to understanding and monitoring risk, the Administering Authority aims to:

- raise awareness of the need for risk management by all those connected with the management and administration of the Fund (including Officers, Pensions Committee Members and the Local Pensions Board);
- integrate risk management into the culture and day-to-day activities of the Fund;
- anticipate and respond positively to change and emerging risks;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- identify control and review sources of assurance already in place to mitigate against risk and highlight areas requiring improvement; and
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk.

Risk measurement and management

Identifying Risks

Risks to the Fund are identified in a number of ways:

- Monitoring performance against the Fund's Annual Business Plan;
- Recommendation and findings of auditors and other professional advisors;
- Feedback from Local Pensions Board, employers and other stakeholders;
- Meetings of senior officers and staff involved in the management of the Fund; and
- Meetings with other organisations, regional and national associations and professional groups.

Risks are regularly reported to the Pensions Panel/Committee as part of routine quarterly reporting. There is a separate Risk Register, which has been developed to categorise risk across 4 main areas of focus:

- Funding
- Administration
- Governance
- Investment

The Pension Fund has a set of high-level objectives which cover all key aspects of the Fund under each of these areas. The greatest risks to the Fund are therefore those associated with not meeting the high-level objectives. The risk register details the risks associated with not achieving the Fund's objectives as a series of sub risks against those high-level objectives. This ensures a comprehensive coverage of all areas of the Fund.

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

Controls that are currently in place to mitigate risks, together with additional sources of assurance are listed and these are then taken into account to give a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.

Management and reporting of the Risk Management

Officers review emerging risks and one of each of the four distinct areas quarterly, together with risks where the review date is imminent. These reviews allow current controls to be assessed and analysed to ensure they are still in place and relevant. It also gives the opportunity to identify areas for improvement and additional controls required. New emerging risks are also discussed at these reviews and added into the Risk register.

The Pensions Committee have requested that the Local Pensions Board (LPB) take an active role in reviewing the Risk Register alongside Officers. Members of the LPB work with Officers, at the quarterly meetings, to drill down into the detailed risks and gain an understanding of the controls in place and the various sources of assurance. Any areas of concern are brought to the attention of the Committee at their next meeting. An annual review of high-level risks is undertaken by the Pensions Committee, irrespective of the work of the LPB.

It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. The consideration of emerging risks will also form part of the Pensions Committee's annual review.

In addition to looking at the risks on the Risk Register, the LPB reviews the Fund's risk management process. It reports as part of its annual statement if it is satisfied that the Fund is adequately monitoring and managing risk. The LPB reports suggested improvements and areas of concern in the risk management of the Fund.

Risks associated with specific areas of the Fund are discussed as part of relevant Officers regular team meetings. Emerging risks in particular are highlighted as part of this process.

The Administering Authority's Internal Audit Service review the Fund's processes, including Governance, Administration and Investments, considering the associated risks and analysing the controls in place. They give an opinion to Officers of the Fund as to the effectiveness of current controls and advise on any improvements required.

Responsibility

This Risk Management Policy applies to all members of the Pensions Committee, Pensions Panel and the Local Pensions Board, including both scheme member and employer representatives. It also applies to the designated Director, S151 Officer and all other Officers involved in the management of the Fund.

Advisers and suppliers to the Fund are expected to be aware of this Policy, and assist the Officers, Committee and Local Board members as required, in meeting the objectives of this Policy. Responsibilities of the Pension Fund are detailed in the County Council's Constitution and Scheme of Delegation. This details in full the powers and responsibilities delegated to the Pensions Committee, Pensions Panel, Local Pensions Board, Director for Corporate Services and to other Officers of the Fund.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

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Item no 8 on Agenda

PENSIONS COMMITTEE – 25 JUNE 2021

Report of the Director for Corporate Services

Staffordshire Pension Fund Task Force for Climate Related Disclosures (TCFD) Report for 2020/21 and Climate Stewardship Plan 2021/22

Recommendation of the Chair

1. That the Pensions Committee:

   (i) notes the content of the Staffordshire Pension Fund Task Force for Climate Related Disclosures (TCFD) Report, attached as Appendix 2; and

   (ii) notes the content of the Staffordshire Pension Fund Climate Stewardship Plan, attached at Appendix 3.

Introduction and Background

2. At its meeting on 26 March 2021, the Pensions Committee received the Staffordshire Pension Fund Climate Risk Report together with a presentation from the authors of the report, LGPS Central Limited.

3. Using the best available techniques, the Climate Risk Report provided the Fund with an assessment of any material financial risks related to climate change and identified the most effective means to manage these risks.

4. The Climate Risk Report was also consistent with the disclosures required by the Taskforce on Climate-Related Financial Disclosures (TCFD) and has allowed the Fund to produce the Staffordshire TCFD report shown at Appendix 2. Reporting based on the TCFD Framework for all LGPS Funds is likely to become compulsory soon.

5. A key recommendation of the Climate Risk Report was for the Fund to develop a Climate Strategy and a Climate Stewardship Plan. The Fund's Climate Strategy will be developed as part of a wider Strategic Asset Allocation review, which will consider all asset classes and the impact they will have on the Fund's climate related risks. The results of this review, which is being undertaken with the help of the Fund's Investment Advisers, Hymans Robertson, will be presented to Members later in 2021, at which time a Climate Strategy will also be presented for approval.

6. The Climate Stewardship Plan, which monitors engagement by the Fund's external investment managers, to whom much of the day-to-day responsibility for managing portfolio-level climate risk is delegated, is attached at Appendix 3.

TCFD Report

7. The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by former Bank of England Governor, Mark Carney, in his remit as Chair of the Financial Stability Board. In 2017, the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Disclosures that align with the TCFD recommendations are currently seen to represent best practice.

8. The TCFD recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see Figure 1 below) are designed to make TCFD-aligned disclosures widely comparable, but with sufficient flexibility to account for local circumstances.

9. The Fund's TCFD report describes the way in which climate-related risks are currently managed. The report also discloses the results of the recent Carbon Risk Metrics Analysis and Climate Scenario Analysis which were included in the Climate Risk Report received by the Committee in March 2021. The aim is for the TCFD report to be published annually, with updated carbon metrics.

Climate Stewardship Plan

10. Based on the analysis in the Climate Risk Repot, the Climate Stewardship Plan aims to focus the Fund's engagement on the investments in companies which have the most impact on the Fund's climate risk. The *companies* recommended for engaging with were identified based on the following factors:
    - Perceived level of climate risk, considering carbon risk metrics;

- Weight of the company in the portfolio;
- Likelihood of achieving change; and
- Ability to leverage investor partnerships.

11. The Climate Stewardship report also recommends engaging with the Fund's *investment managers*, this is also based on a set of criteria:
    - Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis;
    - Size (by assets under management) of the portfolio; and
    - Whether the mandate is expected to be long-term.

12. The Climate Stewardship Plan is a live working document, which will be updated as engagement with companies and investment managers occurs. Activity (Table 1 and Table 2 in the document) will be reported to the Pensions Panel as part of the Responsible Investment Report presented at their quarterly meeting. Based on the output of the annual Climate Risk Report from LGPS Central Limited, an updated Climate Stewardship Plan will also be presented to the Pensions Committee annually.

John Tradewell
Director for Corporate Services

Contact: Melanie Stokes
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Appendix 1

Equalities Implications: There are no direct equalities implications.

Legal Implications: The legal implications are covered in the body of the report.

Resources and Value for Money Implications: There are no Resources and Value for Money Implications.

Risk Implications: Risk implications are covered in the body of the report and its appendices.

Climate Change Implications: Climate change implications are covered comprehensively throughout the report and its appendices.

Health Impact Assessment screening: There are no direct health impact assessment implications arising from this report.

Appendix 2

Staffordshire Pension Fund Climate-related Disclosures

Report prepared in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

April 2021

Introduction to the TCFD

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over $11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice.

The recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see Figure 1 below and Appendix 1) are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. Examples of pension funds that have been early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and the Environment Agency Pension Fund.

Figure 1: TCFD Disclosure Pillars

Staffordshire Pension Fund ('the Fund') supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a Pension Fund we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policy makers are able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

About this report

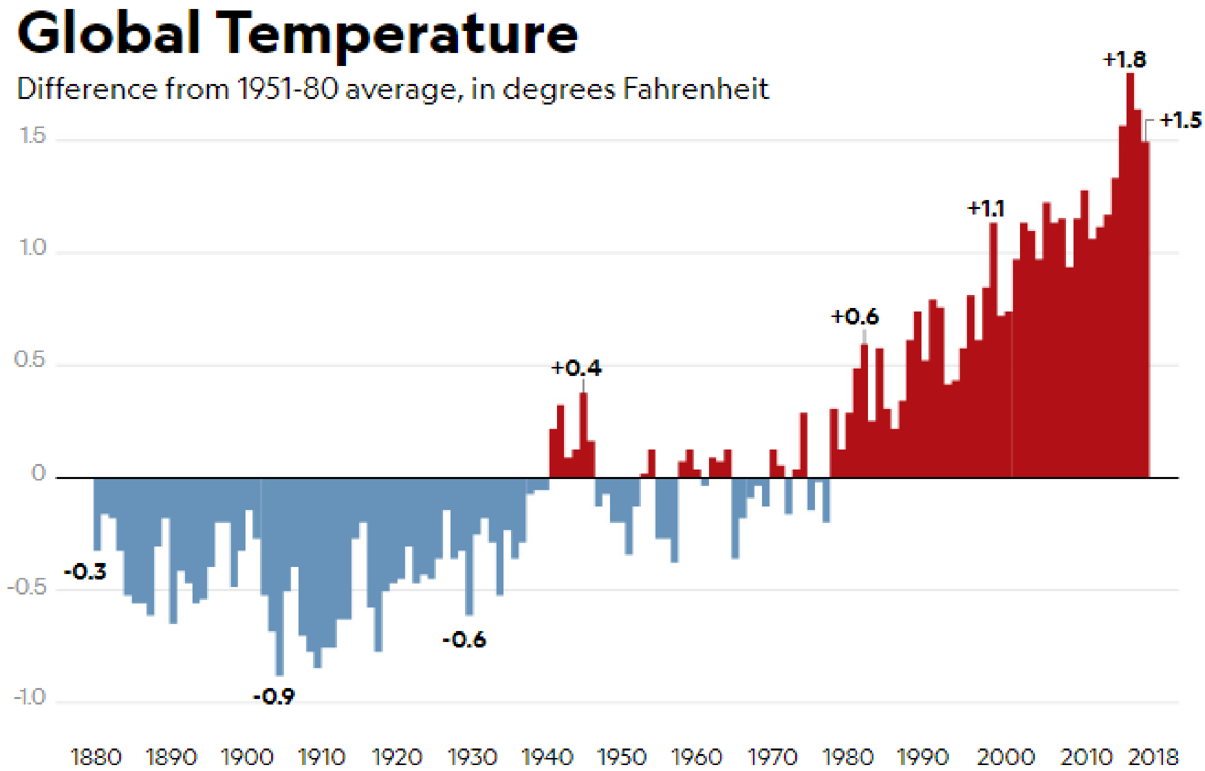
The Fund has received an in-depth review of its climate risks under different climate change scenarios and across all asset classes from its pooling company, LGPS Central Ltd. The Fund is currently using the findings of this report to develop a more detailed Climate Strategy and a Climate Stewardship Plan, taking into account its own characteristics and its policy of engaging with companies to encourage the development of climate-resilient business strategies.

Ahead of the publication of the Climate Strategy, this Climate-related Disclosures report describes the way in which climate-related risks are managed currently. In the interests of being transparent with the Fund’s beneficiaries and broader stakeholder base, this report also discloses the results of recent Carbon Risk Metrics Analysis and Climate Scenario Analysis undertaken on the Fund’s assets. We expect to update the carbon risk metrics on an annual basis and publish them in an updated TCFD report, whereas we only expect to update the Climate Scenario Analysis on a bi-annual basis.

Climate-related risks

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the five warmest years on record taking place since 2010. Between the years 2006-2015, the observed global mean surface temperature was 0.87°C higher than the average over the 1850-1990 period. The overwhelming scientific consensus is that the observed climactic changes are the result primarily of human activities including electricity and heat production, agriculture and land use change, industry, and transport.

Figure 2 Graph showing global temperature difference from 1951-80 average.



Source: NASA

In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, the majority of climate scientists anticipate that given the current level of climate action, by 2100 the world will be between 2°C and 4°C warmer, with significant regional variations. This is substantially higher than the Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

Figure 3: Selected extracts from the Paris Agreement on climate change.

Paris Agreement Article 2(1)a

Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

Paris Agreement Article 2(1)c

Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Paris Agreement Article 4(1)

In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

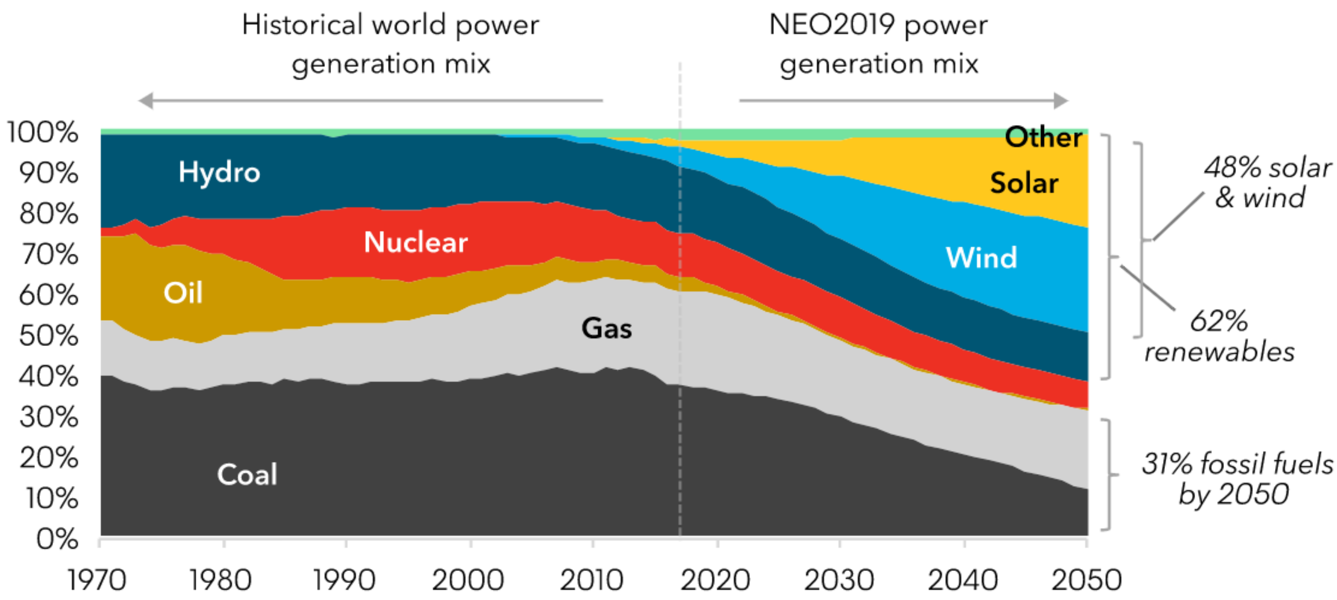
Source: United Nations Framework Convention on Climate Change.

Given its contribution to global green-house gases (GHG) emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. Figure 4 suggests that in one climate scenario, the proportion of coal, oil, and gas in the global power generation mix will shrink to 31% of total by 2050. It is important to recognise however that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a crucial role too. In addition, the behaviour of private and state-owned energy companies (not commonly invested in by UK pension funds) is as important as their publicly traded counterparts.

The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to downstream sectors. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors. Research suggests that the oil & gas sector is not homogeneous with regards to climate risk: were climate policies to affect the oil price, those companies with assets lower down the cost curve are less likely to be financially compromised by those companies with higher cost assets. Investors that assume each fossil fuel company bears an equal magnitude of climate-related risk could be led towards sub-optimal decision-making.

The Fund recognises that climate-related risks can be financially material and that the due consideration of climate risk falls within the scope of the Fund's fiduciary duty. Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

Figure 4: The Bloomberg New Energy Outlook global power generation mix. Source: Bloomberg NEF.



Taskforce on Climate-related Financial Disclosures (TCFD)

The following sections describe how the Staffordshire Pension Fund demonstrates its alignment with the four recommended disclosures (also detailed in Appendix 1) based on the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

Governance

TCFD Recommended Disclosure
a) Describe the board's oversight of climate-related risks and opportunities

Roles and responsibilities at the Fund are set out clearly in the Fund's *Governance Policy Statement.* Overall responsibility for managing the Fund lies with the full Council of Staffordshire County Council which has delegated the management and administration of the Fund to the Staffordshire Pensions Committee and Pensions Panel.

The Pensions Committee is responsible for approving the *Investment Strategy Statement (ISS).* The ISS includes a formal investment belief on climate change, recognising it as a factor that could materially impact financial markets. The Pensions Committee and the Pensions Panel each meet quarterly. The Pensions Panel receives quarterly engagement and voting reports from its stewardship providers, LGPS Central Ltd, LAPFF and external investment managers as regular items on the meeting agenda.

In December 2020, the Fund received a Climate Risk Report which was presented to the Pensions Committee on 26 March 2021. This will support the formation of the Fund's Climate Strategy.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

TCFD Recommended Disclosure
b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Assistant Director for Treasury and Pensions has primary day-to-day responsibility for the way in which climate-related investment risks are currently managed. As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to investment portfolio managers. External portfolio managers are monitored on a regular basis by the Pensions Panel.

In late 2020, Fund Officers received a Climate Risk Report which will enable the consideration of climate change within strategy setting, including asset allocation and asset selection. Receipt of a Climate Risk Report is expected to occur annually.

Strategy

TCFD Recommended Disclosure
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

Table 1: Example Short, Medium & Long-Term Risks

	Short & Medium Term	Long Term
Risks	Carbon prices Technological change Policy tightening Consumer preferences	Resource scarcity Extreme weather events Sea level rise
Asset class	Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issuers	Infrastructure Property Agriculture Commodities Insurance

Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increased sea level rises for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

The Fund has received a Climate Risk Report and will use its findings to develop a Climate Strategy.

TCFD Recommended Disclosure
b) Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy and financial planning.

Although the Fund is diversified across asset classes, regions, and sectors, it is recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone. The Fund is exploring options to further embed climate-related risks and opportunities into its investment strategy, including further reviewing potential investments in sustainable asset classes where this supports the Fund's investment and funding objectives. The Fund made its first investment into sustainable global equities in April 2021.

TCFD Recommended Disclosure
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The Fund has engaged the expertise of an external contractor, Mercer LLC[1], to understand the extent to which the Fund's risk and return characteristics may be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset-class level). All asset classes are included in this analysis. The climate scenarios considered are 2°C, 3°C and 4°C.

Table 2: Annualised climate change impact on portfolio returns – 2030 and 2050[2].

Scenario	Timeline	Estimated climate impact on returns
2°C	2030	-0.01%
	2050	-0.10%
3°C	2030	-0.02%
	2050	-0.06%
4°C	2030	-0.10%
	2050	-0.12%

[1] Via LGPS Central Limited

[2] Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 30 October 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Staffordshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

According to the analysis summarised in Table 2, a 2°C scenario would not have a significant impact on the Fund's returns considering a timeline to 2030. On a longer timeline to 2050, the model suggests that in a 2°C scenario the current asset allocation is sensitive to transition risks. The driver of this result is primarily the Fund's high allocation to global equities, an asset class less well-aligned with the opportunity side of the low-carbon transition. A 4°C scenario is the worst of the three considered, detracting 0.12% annually on a timeline to 2050. The Fund is using the analysis to shape a Climate Strategy which will be agreed in due course.

Translating Climate Scenario Analysis into an investment strategy is a challenge because there is a wide range of plausible climate scenarios; the probability of any given scenario is hard to determine, and; the best performing sectors and asset classes in a 2°C scenario tend to be the worst performers in a 4°C and vice versa. Despite the challenges, the Fund believes in seeking out the best available climate-related research in order to make its portfolio as robust as possible.

Risk Management

TCFD Recommended Disclosure
a) Describe the organisation's process for identifying and assessing climate-related risks.

The Fund seeks to identify and assesses climate-related risks at the total fund level and at the individual asset level. The Fund has received a Climate Risk Report which includes both top-down and bottom-up analyses. The Fund recognises that the tools and techniques for assessing climate-related risks in investment portfolios are an imperfect but evolving discipline. The Fund aims to use the best available information to assess climate-related threats to investment performance.

As far as possible, climate risks are assessed in units of investment return to enable them to be compared to other investment risk factors (see *Portfolio Carbon Footprint/ Carbon Footprint* explanation in the Glossary for further detail).

As Fund investments are primarily externally managed, the identification and assessment of climate-related risks is also the responsibility of individual fund managers appointed by the Fund. Existing fund managers are monitored on a regular basis.

Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central, EOS at Federated Hermes, and LAPFF (see below), in addition to that carried out by external investment managers. The Fund is, based on the Climate Risk Report recently received, devising a Climate Stewardship Plan in order to focus engagement resources on the investments most relevant to the Fund.

TCFD Recommended Disclosure
b) Describe the organisation's process for managing climate-related risks.

The prioritisation of risks is determined based on the level of perceived threat to the Fund which, for climate-related risk, will likely depend on analyses including Climate Scenario Analysis and Carbon Risk Metrics. The Fund's approach to climate risk management will be further developed in its forthcoming Climate Strategy.

Although the Fund's Climate Strategy will involve more than just engagement and shareholder voting, stewardship activities will remain an important aspect of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and the Fund believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors.

The Fund supports the engagement objectives of the Climate Action 100+. This initiative encourages the world's largest corporate greenhouse gas emitters to adopt the appropriate governance structures to effectively manage climate risk; decarbonise in line with the Paris Agreement, and disclose effectively using the TCFD recommendations.

Either through its own membership or through LGPS Central Ltd's membership, the Fund has several engagement partners that engage investee companies on climate risk.

Table 3: The Fund's Stewardship Partners

Organisation	Remit
LGPS Central Limited	The Fund is a 1/8th owner of LGPS Central. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPS Central engages companies on The Fund's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies. In 2019, EOS conducted engagements on 238 climate change issues across its company universe.

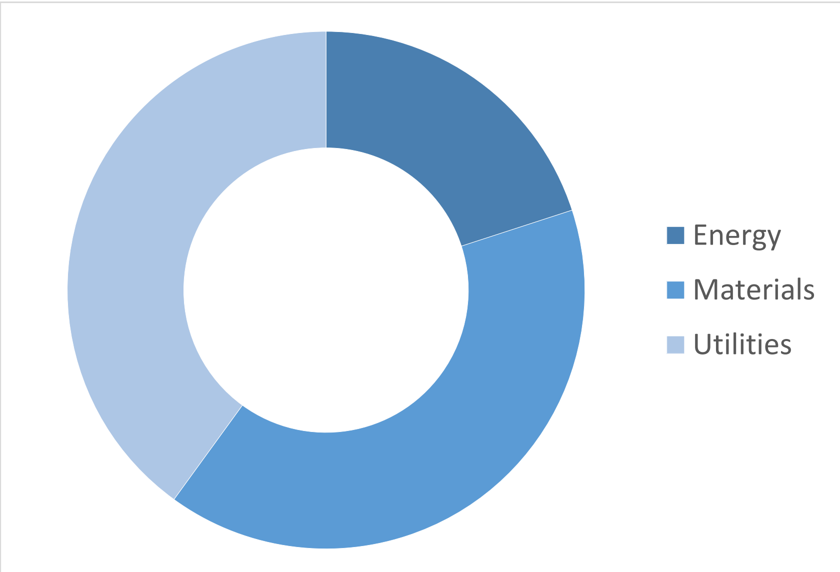
	SPF is a long-standing member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2019 LAPFF conducted over 150 engagements on climate change.

The instruction of shareholder voting opportunities is an important part of climate stewardship. The Fund delegates responsibility for voting to LGPS Central or the Fund's directly appointed investment managers. For Fund assets managed by the former, votes are cast in accordance with LGPS Central's *Voting Principles*, to which the Fund contributes during the annual review process. LGPS Central's *Voting Principles* incorporate climate change, for example by voting against companies that do not meet certain thresholds in the Transition Pathway Initiative (TPI) scoring system. LGPS Central has co-filed shareholder resolutions that relate to climate change. For Fund assets managed by appointed external managers, votes will be cast in line with their own voting and responsible investment policies and in-line with industry best practice as set out in accepted governance codes.

The results of engagement and voting activities by all the Fund's investment managers are reported to the Fund and reviewed quarterly by the Pensions Panel through a specific Responsible Investment Report. LGPS Central's activities are reported in *Quarterly Stewardship Updates,* which are available on the LGPS Central website.

Based on its Climate Risk Report, the Fund will develop a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by LGPS Central, EOS at Federated Hermes, and LAPFF, will include targeted engagement at investee companies of particular significance to the Fund's portfolio.

Figure 5: Sectors included in proposed Climate Stewardship Plan



TCFD Recommended Disclosure
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Both 'mainstream' risks and climate-related risks are discussed by the Pensions Committee and Pensions Panel. The Fund recognises "failure to follow responsible investment principles" as a key risk in the Funding Strategy Statement. The Fund has included Climate risk on the Fund's Risk Register.

Climate risk will be further managed through the Fund's Climate Strategy and Climate Stewardship Plan.

Metrics and Targets

TCFD Recommended Disclosure
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Fund has recently received a report from LGPS Central Limited on carbon risk metrics for its listed equities portfolios, which represent 61.2% of the Fund's total assets. The poor availability of data in asset classes other than listed equities prevents a more complete analysis at this time.

The carbon risk metrics analysis include:

- portfolio carbon footprints[3],
- weight of portfolios invested in companies with fossil fuel reserves
- weight of portfolios invested in companies with thermal coal reserves
- weight of portfolios invested in companies whose products and services include clean technology
- metrics assessing the management of climate risk by portfolio companies

Carbon risk metrics aid the Fund in assessing the potential climate-related risks to which the Fund is exposed, and identifying areas for further risk management, including company engagement and fund manager monitoring. The Fund additionally monitors stewardship data (see above).

[3] Following TCFD guidance we use weighted average portfolio carbon footprints.

TCFD Recommended Disclosure
b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. TCFD Guidance: *Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy.*

In line with the TCFD guidance and following receipt of a report from LGPS Central Ltd the following table provides the carbon footprints of our equity portfolio[4]:

Table 4: Carbon risk metrics for the equity portfolio as at March 2021[5]

		Carbon Footprint (tCO2e/ $m revenue)			**Weight in Fossil Fuel Reserves (%)**			**Weight in Thermal Coal Reserves (%)**			**Weight in Clean Technology (%)**		
Portfolio Name	**Benchmark**	**PF**	**BM**	**% Diff**	**PF**	**BM**	**% Diff**	**PF**	**BM**	**% Diff**	**PF**	**BM**	**% Diff**
Total Equities	Blended Benchmark Total Equities[6]	176.5	163.5	7.90%	6.39%	7.94%	-1.54%	2.61%	2.71%	-0.10%	33.80%	34.70%	-0.94%
Global Equities	FTSE All World	191.1	172.8	10.60%	5.07%	6.45%	-1.38%	2.32%	2.57%	-0.25%	34.7%	36.6%	-1.89%
UK Equities	FTSE All Share	111.8	122.2	-8.49%	12.18%	14.44%	-2.26%	3.88%	3.31%	0.57%	29.1%	26.4%	2.73%

As at 31 March 2020, the Fund's Total Equity portfolio is marginally more carbon intensive than the Total Equity Blended Benchmark. The report received from LGPS Central Ltd shows that this result is driven entirely by one portfolio with a significantly high carbon footprint. This portfolio aside, all the other active equity strategies outperform their benchmarks in terms of carbon footprint. The exposure of the Total Equity portfolio to fossil fuel producers is 1.54% lower than the benchmark. The

[4] Analysis undertaken on the listed equities portfolios with holdings data as of 31 March 2020. The information in Table 4 was provided to the Fund in a report authored by LGPS Central Limited. In LGPS Central Limited's report, the Total Equities portfolio comprises the Total UK Equities and Total Global Equities portfolios weighted according to their size in GBP. The Total Global Equities portfolio contains four underlying portfolios managed for the Fund by LGPS Central, JP Morgan Asset Management, Longview Partners and LGIM. The Total UK Equities portfolio contains two underlying portfolios managed for the Fund by Standard Life Investments and LGIM.

[5] Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission.

[6] The benchmark for the Total Equities portfolio is composed of the underlying regional benchmarks, weighted in proportion to the current GBP amount invested in each underlying portfolio.

highest fossil fuel exposure is found in the UK Equity portfolio, though it is still 2.26% less exposed than the UK benchmark.

The Fund is proactively exploring ways to further embed climate risk management in its investment decision making. The Fund expects to update its carbon risk metrics data on an annual basis.

TCFD Recommended Disclosure
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the paucity in credible methodologies and data currently available. Like most investors, the Fund is supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. The Fund wishes to set meaningful and challenging climate targets for its investment portfolio and work is underway to assess options within the limitations of currently available data.

Appendix 1

TCFD Recommendations for Asset Owners (source: TCFD)

Governance

Recommended Disclosure (a) Describe the board's oversight of climate-related risks and opportunities.

Recommended Disclosure (b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

Recommended Disclosure (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Recommended Disclosure (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Recommended Disclosure (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Recommended Disclosure (a) Describe the organisation's processes for identifying and assessing climate-related risks.

Recommended Disclosure (b) Describe the organisation's processes for managing climate-related risks.

Recommended Disclosure (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Metrics and Targets

Recommended Disclosure (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Recommended Disclosure (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Recommended Disclosure (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Appendix 2: Glossary

Clean Technology/ Weight in Clean Technology: the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.

Coal Reserves/ Portfolio exposure to thermal coal reserves: the weight of a portfolio invested in companies that own thermal coal reserves.

Engagement: dialogue with a company concerning particular aspects of its strategy, governance, policies and practices. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.

Fossil Fuel Reserves/ Portfolio exposure to fossil fuel reserves: the weight of a portfolio invested in companies that own fossil fuel reserves.

Physical risk/ climate physical risk: the financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

Portfolio Carbon Footprint/ Carbon Footprint: A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / $M sales) for each portfolio company and calculating the weighted average by portfolio weight.

Scope 1 Greenhouse Gas Emissions: Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

Scope 2 Greenhouse Gas Emissions: Indirect emissions from the generation of purchased energy

Scope 3 Greenhouse Gas Emissions: Indirect emissions that are not controlled by the institution but occur as a result of that institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

Stewardship: the promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

Transition risk/ climate transition risk: the financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

Voting: the act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.

Appendix 3: Important Information

Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 30 October 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Staffordshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third-party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

The following notices relates to Table 4 (above), which is produced for the Fund by LGPS Central Limited based on a product licensed by MSCI ESG Research LLC. This report confers no suggestion or representation of any affiliation, endorsement or sponsorship between LGPS Central and MSCI ESG Research LLC. Additionally:

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www.staffspf.org.uk

Appendix 3

Climate Stewardship Plan

April 2021

Staffordshire Pension Fund Climate Stewardship Plan

Staffordshire Pension Fund (‘the Fund’) recognises that climate change presents a risk which could be financially material, and which must be addressed under the scope of the Fund’s fiduciary duty.

Given the Fund’s long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

To mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to the vast number of downstream sectors, whose products and services are derived from, or reliant on, fossil fuel extraction. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors and to limit the demand.

Following the production of the Fund’s Climate Risk Report, as presented to the Pensions Committee on 26 March 2021, a Climate Stewardship Plan (CSP) has been produced.

The Fund believes it is possible for companies with current high emission levels to change, reduce their emissions and thrive in a low carbon economy and that the support and stewardship of investors is key to influencing this.

The CSP focuses on the investments having most impact / of most relevance to Fund’s climate risk, which improves upon the existing approach to climate-related engagement in terms of prioritisation. The companies recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics;
- Weight of the company in the portfolio;
- Likelihood of achieving change; and
- Ability to leverage investor partnerships.

The fund managers recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis;
- Size (by assets under management) of the portfolio; and
- Whether the mandate is expected to be long-term.

Although the Fund has highlighted certain managers for specific monitoring questions, the option remains open to assess all external equity investment managers using the questions and scoring system in the “Addressing climate risks and opportunities in the investment process” guidebook, published by the Institutional Investors Group on Climate Change (IIGCC). Progress updates are recommended to be reported to the Pensions Panel each quarter as part of the Responsible Investment report and a new CSP will be presented annually to the

Pensions Committee, along with the Climate Strategy, the first version of which is currently being produced.

Table 1. Companies recommended for engagement

Company	Sector	Portfolio	Issue/Objective	Vehicle	Engagement Carried out
BP	Energy	• LGIM UK Equities • LGIM All World Equities	• Delivery on Net Zero Commitment	LGIM, Standard Life, CA100+, LAPFF	
China Resources Cement	Materials	• JP Morgan Asset Management • LGIM All World Equities	• Lowering of carbon footprint • Better, more up to date GHG disclosure	LGIM, JPMorgan, LAPFF	JP Morgan-April 2021 - discussion on high carbon emitting stocks held. JP Morgan do not now hold China Resources Cement, which was the stock with the biggest carbon footprint in their portfolio.
Electricity Generating Public Company	Utilities	• JP Morgan Asset Management • LGIM All World Equities	• Delivery of robust GHG emissions reduction target(s)	LGIM, JPMorgan, LAPFF	
Glencore	Materials	• LGPS Central GEAMMF: Harris • LGIM UK Equities • LGIM All World Equities	• Paris-aligned business model including scope 3 emissions • Lobbying and trade associations	LGIM, Standard Life, LGPS Central via CA 100+, LAPFF	Standard Life- Q1 2021- Glencore is conscious that their exposure to thermal coal is unattractive to many investors. The exposure is running down naturally, but investor attitudes may encourage a more active response in due course.
Lafargeholcim	Materials	• LGIM All World Equity • LGPS Central GEAMMF: Harris	• Paris-aligned carbon target • Continued reduction in clinker-cement ratio	LGIM, LGPS Central via CA 100+, LAPFF	
NextEra Energy	Utilities	• LGIM All World Equity	• Improved carbon risk management quality (measured by TPI score)	LGIM, LGPS Central via CA100, LAPFF	

		• LGPS Central GEAMMF: Schroders • LGPS Central GEAMMF: Union	• Better, more up to date, GHG disclosure • Lobbying and trade associations		
Rio Tinto	Materials	• LGIM UK Equities • LGIM All World Equities • JP Morgan Global Equity	• Paris-aligned business model including scope 3 emissions • Developing methodology for assessing Paris-alignment of diversified miners • Lobbying and trade associations	LGIM, JP Morgan, Standard Life, CA100+, LAPFF	Q1 21 LAPFF has been engaging with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project. I
Shell	Energy	• LGIM UK Equities • LGIM All World Equities	• Alignment of Net Carbon footprint with the Paris Agreement	LGIM, Standard life, CA100+, LAPFF	Q1. LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions.
The Southern Company	Utilities	• LGIM All World Equity	• Integration of climate risk into the company's long-term business model • Reduction targets in line with a 2-degree scenario	LGIM, CA100+, LAPFF	
Vistra Corporation	Utilities	• JP Morgan Asset Management • LGIM All World Equities	• Delivery on Net Zero commitment	LGIM, JPMorgan, LAPFF	

Table 2. Investment managers recommended for engagement

Investment Manager	Portfolio	Issue	Engagement Carried out
Standard Life Investments	UK Equity Fund	• Stewardship activities with Anglo American and Glencore	Staffordshire Pension Fund mandate with Standard Life terminated in April 2021
JP Morgan	Global Equity Fund	• Approach to climate risk management • Engagement activities with China Resources Cement, Electricity Generating Public Company, Vistra Corp and NK Lukoil	April 2021 - discussion on high carbon emitting stocks held. JP Morgan no longer hold China Resources Cement, which was the stock with the biggest carbon footprint in their portfolio. Follow on conversations held in May 2021 on JP Morgan's approach to ESG generally, and how climate risk is factored into this analysis – JP Morgan plan to discuss this further with Staffordshire Pensions Panel Members when they next meet (planned September 2021)
LGIM	All World Equity	• Voting and engagement with key fossil fuel stocks	
LGIM	UK Equity Fund	• Stewardship activities with Glencore, BHP, Anglo American and CRH	
LGPS Central	Global Equity Active Multi-Manager Fund	• Clarity on how LGPS Central manages climate risks for the portfolio Engagement with Glencore, LafargeHolcim and NextEra Energy	
Longview Partners	Global Equity Fund	• Clarity on Longview's climate change beliefs and tools used to monitor climate risk	April 2021 – discussions with Longview held regarding their approach to climate change. Despite low carbon footprint of portfolio, Longview aiming to participate more prominently in climate change debate. Longview also confirmed they are looking to sign up to a well know industry pressure group on climate change.

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PENSIONS COMMITTEE – 25 JUNE 2021

Report of the Director for Corporate Services

STAFFORDSHIRE PENSION FUND
COMMUNICATION POLICY STATEMENT

Recommendation of the Chair

1. That the Pensions Committee approves the revised and updated Communication Policy Statement attached as Appendix 2.

Background

2. Regulation states, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Having such, not only proves regulatory compliance, but more importantly demonstrates good governance and provides a range of information to stakeholders.

3. The Staffordshire Pension Fund has always endeavoured to have a full range of policies in place. However, an audit by Officers, in 2018, found many policies needed a refresh and since then most policies have been reviewed and updated. Pensions Committee have approved these policies where necessary and several have also been the subject of wider consultation with the Fund's many stakeholders.

Communication Policy Statement

4. **Regulation 61** of the Local Government Pensions Scheme Regulations 2013 states:

 61. -(1) An administering authority must prepare**,** maintain, and publish a written statement setting out its policy concerning communications with-

 (a) members;
 (b) representatives of members;
 (c) prospective members; and
 (d) Scheme employers.

 (2) In particular the statement must set out its policy on-

 (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
 (b) the format, frequency, and method of distributing such information or publicity; and
 (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

5. The Communication Policy Statement was last reviewed in September 2018, so as well as a more general review, to reflect any changes in procedures since then, the opportunity to update the Policy to reflect more flexible ways of working and communicating, as a result of the COVID-19 pandemic, has also been taken. As there have been no significant changes, wider consultation is considered unnecessary.

John Tradewell
Director for Corporate Services

Contact:	Melanie Stokes Assistant Director for Treasury & Pensions
Telephone No:	(01785) 276330

Background Documents:
Local Government Pensions Scheme Regulations 2013

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

Legal implications: The legal implications are covered in the body of the report.

Resource and Value for money implications: There are no direct resource and value for money implications arising from this report.

Risk implications: The legal implications are covered in the body of the report.

Climate Change implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening: There are no health impact assessment implications arising from this report.

Appendix 2

Staffordshire Pension Fund
Local Government Pension Scheme

Communication Policy Statement

Issue Date - 1 July 2021

This Communication Policy Statement will be revised and republished following any material change in policy.

Introduction

This document is the Communication Policy Statement of the Staffordshire Pension Fund, which is administered by Staffordshire County Council. All Local Government Pension Schemes (LGPS) in England and Wales are required to prepare, maintain, and publish a written statement setting out their policy concerning communications with their key stakeholders.

This statement sets out our policy on:

- The provision of information and publicity about the Scheme to our contributing members, deferred members, pensioners, members' representative, prospective members, and scheme Employers; and
- The format, frequency, and method of distributing such information or publicity.

(The terms 'Fund and 'We' have been used interchangeably throughout this document).

Review

We continually review the ways in which we communicate with our stakeholders and this Communication Policy Statement will be revised following any material change.

Key Objectives

We recognise that communicating with our stakeholders and customers is a critical activity for the Fund. We have a set of well, established practices that exceed the minimum standards required by legislation and we include these in our Communication Policy Statement.

The key objectives of our Communication Policy Statement are:

- To provide clear, jargon free and timely communication to our customers and stakeholders;
- To recognise that different styles and methods of communication suit different customers and stakeholders;
- To inform customers and stakeholders about the management and administration of the Fund;
- To consult major stakeholders on changes to regulations, policies and procedures that affect the Fund and its stakeholders;
- To promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to scheme Employers;
- To support scheme Employers, to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme;
- To deliver the Communication Policy Statement in a cost-effective way and encourage the use of electronic / online / multimedia communication and information sharing;
- To evaluate the effectiveness of the communication objectives; and
- to treat information security with the upmost importance.

Key Stakeholders

As a Fund, we aim to communicate with a diverse group of different customers and stakeholders; for the purpose of this Communication Policy Statement, we have categorised these into 6 main groups.

Our Communication Policy Statement recognises that the objectives and key messages to the various groups needs to differ and we also recognise that different styles and methods of communication will suit different groups.

The 6 groups are:

- Scheme Members (and their representatives)
- Scheme Employers
- Prospective Scheme Members
- Pension Fund Officers
- Elected Members & the Local Pensions Board; and
- Other Bodies.

Methods of Communication

As a Fund, we aim to provide our customers and stakeholders with a comprehensive range of communication deliverables and will strive to use the most effective communication medium, adapting our communication where possible, following constructive feedback.

My Pensions Portal (MPP)

More members are using a smartphone or tablet to access their pension information and it is important that the Fund continues to adapt its communication platforms to increase member engagement.

MPP gives our contributing members, deferred members, and pensioners access to their LGPS records which means they can:

- produce their own pension quotes, helping them to plan for retirement;
- view their annual benefit statements;
- update their contact details; and
- pensioners can view their monthly pay advice as well as their annual P60's.

Fund's Website

The Fund's website is the main source of information for both current and prospective members, pensioners, deferred members, and scheme Employers.

The website holds scheme guides, forms, and information for members and Employers to view. Employer's specific responsibilities are set out in the Employer's section of the website and all participating Employers in the Fund are encouraged to use this area to ensure they meet those responsibilities.

The Fund also provides topical information and training videos for both members and Employers to view on its website.

Adapting to new ways of working

The coronavirus pandemic has had an impact on how we deliver and continue to deliver our services to our many stakeholders.

More agile and flexible ways of working, both for the Fund and its stakeholders, as a result of the pandemic means that we have had to adapt some of our communication processes, particularly around the sending and receipt of documents and face to face communication. Providing reliable and secure access to all the Fund's systems and technology, including Microsoft Teams, the telephone helpdesk and the pensions software systems, remains of paramount importance, as does the safety and wellbeing of our Officers.

We also recognise that it will not always be possible for members, Employers, and other stakeholders to attend face-to-face events, so we will offer webinars and online meetings as alternatives, where we are able to do so.

We will continue to work flexibly, finding new ways to adapt our communications in the changing environment.

How we will communicate with Scheme Members (and their representatives)

Communication Method	Description
Internet	There is a dedicated website www.staffspf.org.uk for all members of the Staffordshire Pension Fund. The website contains a full range of information about the Scheme.
My Pensions Portal (MPP)	All Members can use the Pensions Portal on the website to help them with their retirement planning. Their Annual Benefit Statements are also published on this portal, to assist in keeping a record of their continued pension build-up.
Pension Fund publications for Members	Information guides and leaflets are available online or by request covering different aspects of the Local Government Pension Scheme. A newsletter is published once a year, but more frequently if necessary, to both active and deferred members of the Fund. We also publish an annual newsletter to send to retired members of the Fund, the content of which will focus on retirement related topics. Payslips are issued to retired members with their first pension payment. After this point they are only sent when the value of their monthly pension alters by £1 or more. Payslips are always issued in April or May every year as well as a paper P60. Payslips and P60s can also be viewed on the My Pension Portal. Our retired members are encouraged to access their pension payslips and P60's via the My Pension Portal. In the lead up to April 2022 we will contact all retired members not yet signed up to provide guidance on the sign-up process to encourage everyone to register for My Pension Portal. As from April 2022 we will stop routinely posting payslips and P60s, unless pensioners notify us otherwise.

Email and Post	Pensions Services accepts correspondence received by Email and Post. We have a designated email account (pensions.enquiries@staffordshire.gov.uk) for our Members which has an in-built acknowledgement system. There is also a postal address.
Annual Benefit Statements	Annual Benefit Statements are provided to deferred and active members on an annual basis. They are published on the secure online My Pension Portal. Paper statements can be requested by members as an alternative.
Helpline	Pensions Services has a dedicated helpline number (01785 278222) or members can speak directly to the person who is handling their case, by using direct line numbers.
Pensions Webinars (Virtual meetings)	Pensions Services will be developing webinars covering topical member issues. Our staff are also available for 121 online conference meetings.
Members wishing to Opt Out	Pensions Services has specially prepared material to inform Fund Members of the consequences of opting out of the LGPS.
Satisfaction Surveys	An on-line Satisfaction Survey is available on the Pension Fund website.
Annual Report and Accounts	The Report and Accounts are produced annually and can be viewed electronically on the Fund's website.
Existence Validation	As well as monthly mortality tracing for pensioners residing in the UK, Pensions Services undertakes an annual exercise, conducted through correspondence, in order to establish the continued existence of pensioners living abroad.

How we will communicate with Scheme Employers

Communication Method	Description
Contact Database	An email contact database has been set-up for scheme Employers. This enables Pensions Services to communicate information quickly and efficiently to the right people.
Administration Strategy	This Strategy sets out the expected levels of performance of both Pensions Services and Scheme Employers. It provides details about how we monitor performance.
Technical Updates for Employers	All Employers are issued with regular updates to inform them of any changes to the administrative procedures operated by Pensions Services. These come in the form of Factsheets, Newsletters, such as the 'Employer Focus Newsletter' and webinars. We also use these formats to inform Employers about regulatory changes.
Individual Employer Meetings and Webinars	Employers can schedule individual meetings with Pensions Services' Officers. These meetings are tailored to suit the Employer's needs and can be requested by contacting us directly. A specific meeting is held for our newly converted Academies, when the number of conversions justify it, or a request is made by Academy Groups. Generally, this will be delivered online. An AGM is held in the autumn (usually in person) and Employer training events can also be held online, or in person, throughout the year. We also have an Employer Focus Peer Group, which meets on a quarterly basis, to discuss a variety of issues. These issues include discussion about new regulations and legal requirements, as well as internal practices, processes and procedures.
Employer Email	The Fund has a dedicated email address that Employers can use to contact the Fund. (pension.employers@staffordshire.gov.uk)

i-Connect	i-Connect is a direct data capture interface, which reduces the cost and risks associated with the processing of pensions data. Data is taken directly from the Employers payroll system, automatically identifying new starters, leavers, opt-outs and generating an extract for submission to the scheme. This greater efficiency enables both the Fund and our Employers to improve the accuracy of member data plus the processing of the administration casework.
Pensions Committee / Local Pensions Board (Employer Representatives)	There are 5 nominated, non-voting Employer representatives that sit on the Pensions Committee. They present the views and opinions of the Employers they represent to the Pensions Committee. Employer representatives also sit on the Local Pensions Board. These Employer representatives, along with the elected Members of the Pensions Committee receive presentations and updates on topical issues affecting the administration and investment of the Pension Fund. The nominated representatives attend the Pensions Committee meetings to take forward ideas and suggestions from the Employer groups they represent.
Website	We have an Employers' area on the website www.staffspf.org.uk The area contains technical information about the LGPS in relation to Staffordshire Pension Fund as well as forms and documentation. We have a comprehensive set of factsheets and guides, available on the website which are regularly reviewed and updated with the current Scheme rules and operational practices.

Welcome Packs	We issue specially tailored Welcome Packs. These are provided to new scheme Employers, such as Academies and new Transferee Admission Bodies, and advise our new Employers of their role and responsibilities as well as what they can expect from their relationship with Pensions Services.
Employer Surveys	Periodic surveys of our Employers take place to obtain their views on the service and information we provide.

How we will communicate with Prospective and New Scheme Members

Communication Method	Description
New Starter Letter	Each time a new employee begins employment with a scheme Employer, a 'New Starter Letter' is issued. Under the Automatic Enrolment (AE) legislation and the Statutory Scheme requirement, certain categories of employees must be brought into the LGPS. This letter contains a link to the basic scheme guide and a logon to the My Pension Portal.
Website	A wide range of membership information, in relation to the Staffordshire Pension Fund, is accessible on the Fund's website. Our website is www.staffspf.org.uk

How we will communicate within Pensions Services

Communication Method	Description
Induction	All new members of staff are provided with a corporate induction, as well as a more detailed introduction to the work of Pensions Services.
Training	As part of the We Talk initiative, staff have regular 1-2-1's and are able to put individual training and development plans in place. They also attend internal and where appropriate, external courses.
Pensions Qualifications	All staff are encouraged and supported to attain professional qualifications.
Business Plan	The Fund has a Business Plan which is actively managed and discussed in regular Management Team meetings. The plan includes key performance indicators and progress against the plan is reviewed. The content of the Business Plan is shared with the wider service through Team Meetings.
Pensions Management Team Meetings (Virtual or In-person)	The Management Team consists of the Assistant Director for Treasury and Pensions, the Assistant Pensions Managers and the Senior Investment Accountant. They meet on a regular basis to consider and review the major issues affecting the Fund and the delivery of its objectives.
Pensions Team Leader Meetings (Virtual or In-person)	Meetings of the Management Team with Team Leaders, to discuss strategic plans and operational issues, are held monthly.
Team Meetings (Virtual or In-person)	Team Meetings are held as and when required to discuss current issues.
Staff Briefing Notes	Where appropriate, staff receive briefing notes which update them on the activities of all areas of the business, changes in legislation and projects taking place within the Fund. The content is decided by the Management Team.
Intranet	All staff have access to the intranet containing policies, procedures, regular briefings, news updates etc. Use of the intranet ensures that the information is available to all staff at their work location in an accessible, timely and efficient way.
Email	All staff have an individual email account allowing them to communicate quickly, efficiently, and effectively.

Open door policy / online access	Operational staff have unrestricted access to the Management Team and their supervisors and senior colleagues to discuss and resolve pension related issues.

How we will communicate with Elected Members and the Local Pensions Board

Communication Method	Description
Pensions Committee	The Pensions Committee meet at least quarterly and the Fund supports the Committee's governance responsibilities by producing agendas, minutes, reports, discussion papers and briefing notes. All Committee papers are distributed electronically eight working days before the relevant Committee meeting. Topics regularly presented to the Committee include: Investment issues, Funding Level updates, Administration, Governance, Business Plans and Risk Management and Audit Reviews. The Fund publishes a Pensions Committee member training plan and members receive regular formal training, as well as attending a number of national conferences and seminars to ensure that they are fully informed to discharge their responsibilities. A Training Needs Analysis (TNA) is completed annually, by the Pensions Committee (and the Local Pensions Board). The Assistant Director for Treasury and Pensions and Senior Managers maintain regular contact with the Chair of the Pensions Committee outside of the formal meetings and ensure that the Pensions Committee are kept informed of issues that affect the Fund.

The Local Pensions Board	The Local Pensions Board meet quarterly to discuss current issues facing the Fund and assist the Pensions Committee in its role as Scheme Administrator. They receive additional support with a direct link into the Fund's Communication Officer, who supports the members of the Local Pensions Board, as and when required outside of their meetings.

How we will communicate with Other Bodies

Communication Method	Description
Administering Authority's Senior Management	The Assistant Director for Treasury and Pensions meets the Director of Corporate Services and other Senior Finance Colleagues, on a regular basis to provide information or answer any questions. This ensures they are regularly able to seek reassurance on the administration, management, and governance of the Pension Fund.
Trade Unions	We endeavour to work with the relevant trade unions to ensure the scheme is understood by all interested parties. Trade Union Representatives sit on both the Pensions Committee and the Local Pensions Board.
Professional Advisers	The Management Team meets with, and has regular dialogue with, its advisers (such as actuarial / investment advisers and lawyers) to secure information and advice over a wide range of issues relating to the Fund.
Ministry of Housing, Communities & Local Government (MHCLG)	MHCLG are effectively the owners of the LGPS, responsible for drafting and laying the LGPS regulations before Parliament. Pensions Services aim to respond to consultations and draft legislation and share our response with Employers and Scheme Members.
Department of Work and Pensions (DWP)	We communicate regularly with the DWP in relation to the State Benefits and the end of contracting out.
Local Government Employers Association	Our Communication Officer sits on and chairs the National Communication Working Group.
Regional Pension Officers Group	Pensions Officers represent Pensions Services at the Regional Pension Officers Group which meets quarterly to discuss all aspects of the LGPS; knowledge sharing, and collaborative working are key features of this group's discussions.
LGPS Central Limited	Staffordshire Pension Fund is a shareholder of LGPS Central Limited, the investment pool formed to work on a collaborative platform through which administering authorities of the Partner Funds aggregate their pension assets, with a view to providing economies of scale and improved

	investment efficiency. The Assistant Director for Treasury and Pensions and the Chair of the Pensions Committee are regularly involved in meetings with the Company and other Partner Funds.

Data Protection

Confidentiality

To protect personal information held in relation to Scheme members, the Fund is registered under the Data Protection Act 1998 as part of Staffordshire County Council.

We are also fully compliant with the General Data Protection Regulation (GDPR), which was introduced in May 2018.

Our website has a page containing all the relevant links and documentation: https://www.staffspf.org.uk/Governance/GDPR.aspx

Disclosure

The Fund may, if necessary, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Pensions Services staff also receive regular training on data protection issues. Please see our Privacy Statement for more information.

National Fraud Initiative

The Fund participates in the National Fraud Initiative exercise by passing information about pensions in payment on to the Audit Commission. The information is matched to national databases to help prevent and detect fraud. The Fund's participation in this exercise is mandatory.

Document Control System

Pensions Services have a Document Control System to manage, review and update of all its communication material.

We are able to successfully track every version of each document produced.

Rights to Information

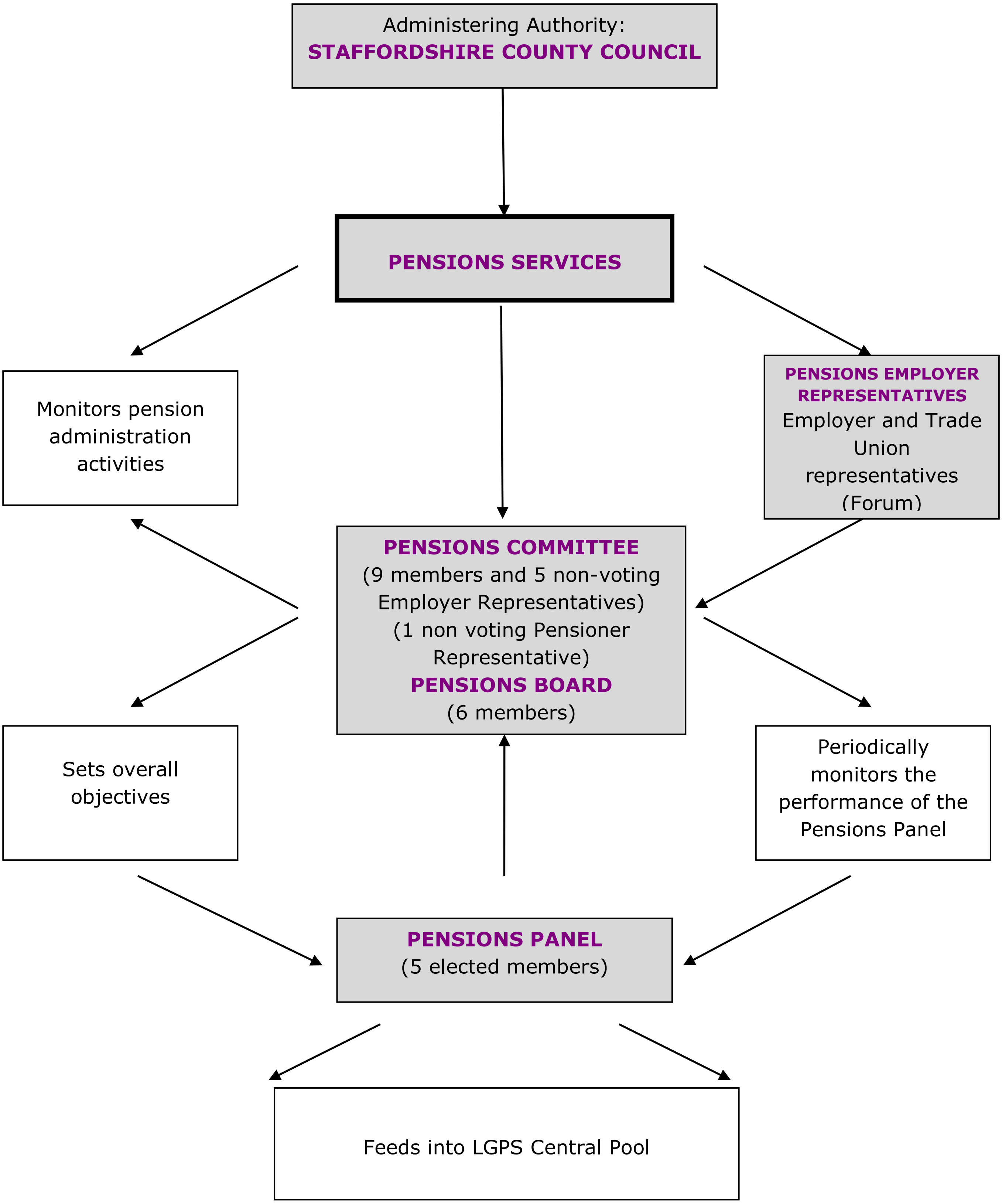
Freedom of Information - Nothing within this policy statement affects Scheme Members' rights to access or receive information under the Freedom of Information Act.

Equality of Access - Information produced by the Fund can be made available in several formats including large print, Braille or other languages as well as being communicated using sound and sight media.

APPENDIX A – Lines of Communication

APPENDIX B – Publication Matrix

Lines of communication relating to the administration of the Pension Fund



Communication/Publication Matrix

Communication Matrix Publications	Paper format (on request)	Electronic Format (pdf)	Website	When Available	When Updated
Scheme Booklet and Induction Pack	✔	✔	✔	Constantly available	Annually
Guide for Elected Members	✔	✔	✔	Constantly available	n/a
Online Opt-Out Facility/ Form	✔	✔	✔	Constantly available	Annually
Employee Newsletter	✔	✔	✔	Constantly available	Annually
Deferred Benefits Information Pack	✔	✔	✔	Annually	Annually
Pre-retirement Pack	✔	✔	✔	Constantly available	Annually
Pensioner Newsletter	✔	✔	✔	Constantly available	Annually
Scheme Member's Annual Benefit Statement	✔	✔	✔	Annually	Annually
Deferred Member's Annual Benefit Statement	✔	✔	✔	Annually	Annually
Scheme Promotion Leaflet	✔	✔	✔	Annually	Annually
Information Leaflets	✔	✔	✔	As required	n/a
Ways of Improving Your Benefits	✔	✔	✔	Constantly available	Annually
Payments to "buy" additional pension	✔	✔	✔	Constantly available	Annually
Funding Strategy Statement	✔	✔	✔	Constantly available	Annually
Annual Report and Accounts	✔	✔	✔	Annually	Annually
Information Letters to Employers	✔	✔	✔	As required	n/a
Administering Authorities Policies	✔	✔	✔	As required	n/a
Administration Strategy	✔	✔	✔	Constantly available	Annually
Pension Payslip Messages	✔	✔	✔	Constantly available	Annually
Communication Strategy	✔	✔	✔	As required	n/a
Welcome Packs	✔	✔	✔	Annually	Annually
Employer Newsletter	✔	✔	✔	As required	n/a
Focus Newsletter	✔	✔	✔	As required	Monthly

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We also have a website at: www.staffspf.org.uk

If you would like this information in large print, Braille, audio tape/disc, British Sign Language, or any other language, please ring 01785 278222

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of Part 1 of Schedule 12A
of the Local Government Act 1972

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