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Pensions Board

Friday 25 June 2021

13:00

Oak Room, County Buildings, Stafford

John Tradewell
Director of Corporate Services
17 June 2021

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 26 March 2021** (Pages 1 - 4)
4. **Pensions Board - Appointment of Union Representative and Staffordshire Leaders Group Nominee**

Oral report of the Director for Corporate Services
5. **Matters arising from:**
 - Pensions Committee – Minutes of the Meeting held on 26 March 2021
 - Pensions Committee – Held on 25 June 2021
6. **Local Pensions Board Annual Report 2020/21** (Pages 5 - 10)

Report of the Chairman
7. **Staffordshire Pension Fund Risk Register and Risk Management Policy** (Pages 11 - 34)

Report of the Director for Corporate Services

8. Dates of Future Meetings

- Friday, 16 July 2021 (Joint Training with Pensions Committee)
- Friday, 24 September 2021
- Friday, 17 December 2021
- Friday, 25 March 2022

9. 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 paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) indicated below'.

PART TWO

10. **Exempt Minutes of the meeting held on 26 March 2021** (Pages 35 - 36)
(Exemption paragraph 3)

11. **Exempt matters arising from:**
(Exemption paragraph 3)

- Pensions Committee – Minutes of the Meeting held on 26 March 2021
- Pensions Committee – Held on 25 June 2021

12. **Internal Audit Reports** (Pages 37 - 70)
(Exemption paragraph 3)

- i) **Staffordshire Pension Fund Administration 2021/21**
- ii) **Staffordshire Pension Fund Investments 2020/21**

Reports of the Chief Internal Auditor

13. **LGPS Central Local Pensions Board Chairs Meeting of 29 March 2021** (Pages 71 - 76)
(Exemption paragraph 3)

Oral report of the Chairman

Notes of Meeting attached for information

Membership

Rachel Bailye
Rob Birch (Chairman)

Corrina Bradley
Kate Salter

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 Board Meeting held on 26 March 2021

Present:

Gordon Alcott
Rachel Bailye

Rob Birch
Corrina Bradley (observer)

PART ONE

74. Appointment of Chairman of the Pensions Board

RESOLVED – That Robert Birch be appointed as the Chairman of the Pensions Board.

76. Declarations of Interest

There were no declarations of interest on this occasion.

77. Minutes of the meeting held on 18 December 2020

Robert Birch referred to minute no. 67 and reported that he had attended the most recent Risk Register review meeting and would continue to do so when he was able.

Rachel Bailye advised that she submitted her apologies for the meeting held on 18th December 2020 and requested her name be recorded as such.

RESCOLVED – That, subject to the amendment stated above, the minutes of the meeting held on 18 December 2020 be confirmed and signed by the Chairman.

78. Pensions Board - Appointment of Employer Representative

RESOLVED – That Corrina Bradley be appointed to the Board as an Employer Representative.

79. Appointment of Vice-Chairman of the Pensions Board

RESOLVED – That Corrina Bradley be confirmed as the Vice-Chairman of the Pensions Board.

80. Matters arising from the Pensions Committee held on 26 March 2021

The Board discussed the presentation to Pensions Committee about Climate Risk and the requirement for the Fund to formally report on the risks around climate change. The Board queried if the expertise was available to produce the risk reporting in-house or if the Officers would require external assistance. In response, the Board were informed that climate risk reporting would produce with the combine input of both in-house and external resources and that LGPS Central would provide the Fund with additional support.

The Board noted the high uptake of the Pensions Portal and queried if it had had any impact on reducing staff workload. The Board were informed that there would soon be additional features on the Pensions Portal which will enable Members to become more self-sufficient and hopefully reduce the pressures on staff.

It was reported that there was no clear timescale on the McCloud judgement and that up to 54,000 members in the Staffordshire Pensions Fund were in scope. Where employers were unable to provide data, assumptions would have to be relied upon and agreed by Government

With regard to staffing, it was reported that 2 Data Technicians and 3 Pensions Administration staff had recently been appointed to pre-empt the additional resource needed to deal with McCloud and also to backfill vacant posts.

RESOLVED – That the matters arising from the Pensions Committee meeting held on 26 March 2021 be noted.

81. Data Scores and the Data Improvement Plan

The Board received a report from the Director of Corporate Services on Data Quality Scores and Data Improvement Plan.

It was reported that in 2015 the Pensions Regulator assumed responsibility for all Public Sector Pension Schemes and set specific targets for two types of Scheme Member data, Common and Scheme Specific Data.

It was reported that the Fund has completed a review of the Common and Scheme Specific Data. The results are reported as:

- a Common Data Score of 96.5% (97.1% in 2019); and
- a Scheme Specific Data Score of 96.1% (94.8% in 2019).

The Board were advised that the score was slightly lower due to the Fund now having a greater amount of addresses held for scheme members marked as not known. It was reported that the issue would be addressed as part of the member address tracing exercise.

RESOLVED – That (a) the Staffordshire Pension Fund's Data Quality Scores for 2020 and the movement in both from 2019 be noted. These are reported as:

- a Common Data Score of 96.5% (97.1% in 2019); and
- a Scheme Specific Data Score of 96.1% (94.8% in 2019).

(b) the existence of a detailed Data Improvement Plan be noted.

82. Dates of Future Meetings

RESOLVED - That the dates of future meetings be noted.

83. 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 paragraph on Part 1 of schedule 12A of the Local Government Act 1972 indicated below.

84. Exempt Minutes of the meeting held on 18 December 2020

(Exemption paragraph 3)

85. Exempt matters arising from the Pensions Committee held on 26 March 2021

(Exemption paragraph 3)

86. Internal Audit Report - Governance

(Exemption paragraph 3)

87. Local Pensions Board - Membership Update

(Exemption paragraph 3)

Chairman



Pension Board Annual Report 2020/2021

Approved by Local
Pensions Board
25 June 2021



Introduction

This is the sixth annual report from the Staffordshire Pensions Board, the Board having been established by Staffordshire County Council Pensions Committee during spring 2015.

The Board is required by The Public Service Pensions Act 2013 to assist the Administering Authority, to secure compliance with the LGPS Regulations and help ensure that the Staffordshire Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

<http://moderngov.staffordshire.gov.uk/mgCommitteeDetails.aspx?ID=994>

Executive Summary

The opinion of the Board is that we do not have any concerns about the Staffordshire Pension Fund or its administration.

Board Members

The Board consists of six members, three representing scheme members and three representing scheme employers drawn from employer organisations.

During the last year we have lost year three members from the Board with one resignation and two members having completed their terms of office. We thank Ian Jenkinson, Gordon Alcott and Tracy McCready for their hard work and contributions to the Board. They brought to the Board a level of experience and scrutiny that has been a tremendous asset during their time as members. Ian Jenkinson, who performed the role of Chair of the Board has now been replaced as Chair by Rob Birch. Corrina Bradley joined the board as an Employer Representative at the end of the year and was elected as Vice Chair. We hope to fill the remaining vacancies in the coming months. Work continues to attract interested candidates to come forward.

Employer Representatives

Councillor Gordon Alcott - Staffordshire Borough & District Councils
(appointment ended 26 March 2021)

Rachel Bailye - Staffordshire University Academies Trust
(appointed 27 September 2019)

Tracy McCready - City of Stoke on Trent Council
(appointed 17 January 2020) (Resigned 29 October 2020)

Corrina Bradley – Vice Chair of the Board, Staffordshire Police
(appointed 26 March 2021)

Scheme Member Representatives

Rob Birch - Active Scheme member – Current Chair of the Board
(appointed 27 Sept 2019)

Ian Jenkinson - Retired Scheme member and former Chair of the Board
(appointment ended 18 December 2020)

Kate Salter - Unison Representative
(appointed 7 July 2017)

Indicates Member as at 31 March 2021

Meeting Attendance

The Board has met on three occasions during the year and attended joint training events and briefing events with the Pensions Committee. The majority of meetings took place online, due to the Covid restrictions in place throughout the year. The meeting scheduled for the 26 June 2020 was cancelled due to Covid restrictions preventing face to face meetings and there being insufficient time to make arrangements for online meetings. Consequently, the Board did not meet the requirement to hold 4 meetings during the course of the year. However, under the circumstances this is not a significant concern. In addition to Board meetings, one or more of the members have attended every Pensions Committee and Pensions Panel meeting, to ensure that there is a full understanding of the decisions made and discussions undertaken. These meetings also took place online for the main part of 2020 due to the Covid restrictions.

Meeting	26 June 2020	25 Sept 2020	18 Dec 2020	26 Mar 2021
Gordon Alcott	Cancelled	Present	Absent	Present
Rachael Bailye	Cancelled	Absent	Absent	Present
Rob Birch	Cancelled	Present	Present	Present
Ian Jenkinson	Cancelled	Present	Present	NA
Tracey McCready	Cancelled	Absent	NA	NA
Kate Salter	Cancelled	Absent	Absent	Absent
Corina Bradley	Cancelled	NA	NA	Present

The meeting of the Board held on the 18 December 2020 was not quorate. This meeting saw the end of the tenure of Ian Jenkinson as a Board Member and Chair. Due to not being quorate it was not possible to elect a new Chair until the next meeting which was held on the 26 March 2021.

Work Programme

During the year Board members have monitored compliance with the Regulations, the Risk Register and the development of the LGPS Central Pool arrangements. In addition, Board members are reviewing internal and external Audit Reports to ensure that there are no significant or high-level recommendations being made and that all other recommendations are being acted upon within a reasonable time-frame. Board members also attend the risk register review meetings and are actively involved in the discussions and scrutiny involved in identifying the various risks across the Staffordshire Pension Fund.

Breaches

The Board has a responsibility to report upon any matter that appears to be materially significant. There were no significant issues of concern raised with, or by the Board, throughout the year.

Scheme members data is subject to specific targets set by The Pensions Regulator. On review of the Data Scores for 2020/21, it was noted that whilst there had been some improvement in the scores over the previous year, there are still several scheme members for whom incorrect address details are held. This is largely due to deferred members not updating their personal details and is largely outside of the control of the Fund. The Board will continue to monitor the compliance with data targets as set by the Regulator. The Board suggested that the website be updated to remind all scheme members to keep their personal details updated.

Risk Register

The Pensions Committee at its meeting of 25 September 2020, once again, 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 continue to play an active role in the ongoing review process.

This work has been carried out by individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register is discussed in line-by-line detail.

The view of the Board is that the Risk Register is a robust, comprehensive and appropriate approach to risk management. The risk rating through RAG colour coding (a 'traffic light' indicator) is an understandable way to identify and categorise the risks.

The Board considers 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 takes their responsibility seriously.

Online governance arrangements

During 2020/2021 most of the Board's review work was carried out online. The Covid pandemic has forced online governance processes to be adopted and this has predominantly been successful.

LGPS Central Pool arrangements

The costs of running LGPS Central continue to be an ongoing concern and the Board were pleased to see pushback from the Pensions Committee members in relation to discussion on terms and conditions of employment for LGPS Central staff which would have increased costs further.

It remains outside of the Board's remit to engage directly on the subject of LGPS Central costs, but the Board remains confident that the Pensions Committee and Officers engage effectively and challenge the LGPS Central Pool, when needed, in order to ensure value for money is delivered by LGPS Central.

Audit Report

The Board receives and monitors Audit Reports. It was noted at the meeting of the Pensions Committee, held on the 18 December 2020, that there had been a delay in producing the External Audit opinion on the 2019/20 Pension Fund Annual Accounts, by the deadline of 1 December 2020. This was due to the issues caused by the pandemic and the Ministry of Housing, Communities and Local Government (MHCLG) had been informed. An interim audit report had been produced and was accepted, with no significant issues identified. The draft of the 2019/20 Annual Report and Accounts was approved by the Pensions Committee, with the caveat that should there need to be any minor adjustments in the final version, this would be agreed by the Chair of the Committee, in due course.

Other matters

The impact of Covid19 on the market value of the investments of the Fund has been of concern to the Board, and no doubt to the Pensions Committee and Officers, as well as scheme members. It remains to be seen how the pandemic might impact investments longer term but given the market rebound in 2020/21, it is possible that new investment opportunities will arise. The Board will continue to monitor the impact of Covid19 on the Fund and also how it is managed over the coming year.

Conflicts of Interest

Declarations of interest are recorded on a declaration form completed by Board members, which should be regularly reviewed and updated as appropriate. There may also be conflicts of interest with regards to items under discussion. Any conflicts that arise during the year are shown in the minutes. No conflicts of interest have arisen during the meetings over the year 2020/2021.

Training

The Board has a duty to monitor its own training needs to ensure that each member has the knowledge required to exercise their responsibilities. The Board, individually, undertakes training through The Pension Regulators Public Service Toolkit and has adopted the CIPFA Knowledge and Skills Framework to aid and audit their understanding. A Training Needs Analysis has not taken place this year, primarily due to the difficulties with Covid19 restrictions but also the fact that a number of Board members were coming to the end of their term of office. Training will be a high priority, once restrictions are lifted, particularly as there will be several new members on the Board.

Costs and Expenses

The costs and expenses of the Board are met as part of the administration costs of the Fund. The total costs during the financial year 2020/2021 were as follows:

Board members travel, training and conferences expenses	£17.90
Total	£17.90

It is of note that the expenses this year are significantly lower than previous years. This is because of meetings taking place online. It is anticipated that cost will revert to more normal levels following the return of face to face meetings and regular training events.

Robert Birch

Chair of the Staffordshire Local Pension Board
May 2021

Item no 7 on the Agenda

LOCAL PENSIONS BOARD – 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 Local Pensions Board notes the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented to the Pensions Committee at their meeting of 25 June 2021. (Appendices 3 and 4 respectively of the Pensions Committee report attached).
2. That the Local Pensions Board notes the Risk Management Policy of the Staffordshire Pension Fund, as presented to the Pensions Committee at their meeting of 25 June 2021. (Appendix 5 of the Pensions Committee report attached).
3. That the Local Pensions Board considers any request of the Pensions Committee, to continue to play an active role in the ongoing review process of the Staffordshire Pension Fund Risk Register.

Background

4. At their meeting in June 2019, the Pensions Committee noted the contents of the Staffordshire Pension Fund Risk Register at that time, and asked the Local Pension Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back on any areas of concern.
5. To do this, Local Pensions Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the working group, on a quarterly basis. Working through the detail of the individual risks, they collectively determine individual risk scores by considering the potential impact any one risk might have, together with the likelihood of that risk occurring.
6. At the meeting of the Pensions Committee, due to take place on 25 June 2021, the Committee will consider whether they wish the Local Pensions Board to continue to undertake that active review role.

John Tradewell
Director for Corporate Services

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

Appendix 1

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

Legal implications: The legal implications are considered in the body of the Pensions Committee report attached.

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.

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.

Appendix 1

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.

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 policies 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 <u>actual</u> 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 through 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
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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 Assurance	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 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 assist implementation of regulation changes, manual calculations-impact on resources	0	MS SJ JW
								need to train staff on impact and practical implementation of significant regulatory change	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		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, managers contracts contain clause.	4	Annual / April 22	To become signatories of the 2020 FRC UK Stewardship Code, plus SAB guidance	0	TB
								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 have a Climate Policy and take into account the impact of climate change on the SAA and subsequent investment returns	16	Climate policy exists, Pensions Panel takes into account impact of climate 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	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
								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
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		6	Ongoing		0	
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 consultations 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
									0	
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	0	Initial Employ MS/JW
									0	

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 Paywood 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	Internal resol	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 assesment statement for MPP, evidence of current security arrangements held by software provider and security certification levels.	15	Jun-22	procedures 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	Project team	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	Jun-22	working effectively, software has been	working effectively, software has been	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	Jan-22	been developed. Consider the impact of the move towards electronic communication and promotion of MPP and potential for increased disengagement	developed. 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 comply with the CoP plus pensions bill 2021.	0	0



Staffordshire
Pension Fund
Local Government Pension Scheme

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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