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## **Pensions Board**

Friday 17 December 2021

**13:00**

Oak Room, County Buildings, Stafford

John Tradewell  
Director for Corporate Services  
9 December 2021

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## **A G E N D A**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 24 September 2021** (Pages 1 - 4)
4. **Pensions Board - Appointment of Board Members**  
  
Verbal update from the Director for Corporate Services
5. **Matters arising from:**
  - Pensions Committee – Minutes of the Meeting held on 24 September 2021
  - Pensions Committee – Held on 17 December 2021
6. **Staffordshire Pension Fund Risk Register - Funding** (Pages 5 - 10)  
  
Report of the Director for Corporate Services
7. **Dates of Future Meetings**
  - 25 March 2022

## 8. **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**

9. **Exempt Minutes of the meeting held on 24 September 2021** (Pages 11 - 12)  
(Exemption paragraph 3)

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

- Pensions Committee – Minutes of the Meeting held on 24 September 2021
- Pensions Committee – Held on 17 December 2021

11. **Internal Audit Reports - Recommendations Progress Log** (Pages 13 - 16)  
(Exemption paragraph 3)

Report of the Director for Corporate Services

12. **Pensions Board Chairs Meeting of 25 October 2021** (Pages 17 - 22)  
(Exemption paragraph 3)

Oral report of the Chair

*Notes of Meeting attached for information*

| <b>Membership</b>    |             |
|----------------------|-------------|
| Rachel Bailye        | John Mayhew |
| Rob Birch (Chairman) | James Mika  |
| Corrina Bradley      |             |

## **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 24 September 2021**

Present: Rob Birch (Chairman)

Corrina Bradley

**Also in attendance:** John Mayhew (Observer)

**Apologies:** Rachel Bailye

**PART ONE**

**101. Declarations of Interest**

There were no Declarations of Interest on this occasion.

**102. Minutes of the meeting held on 25 June 2021**

The Director for Corporate Services reported that the appointment of a person to represent local authorities on the Board was still awaited

**RESOLVED** – That the minutes of the meeting held on 25 June 2021 be confirmed and signed by the Chairman.

**103. Appointment of Pensions Board Member**

The Board considered the appointment of John Mayhew to the Board, as a Scheme Member Representative, to represent the Active, Deferred and Pensioner Members of the Staffordshire Pension Fund.

The Board were informed that Mr Mayhew was is a qualified CIPFA accountant with significant experience of working in finance. He had dealt with the LGPS for South Staffordshire Council and was an active scheme member.

**RESOLVED** – That John Mayhew be appointed as a Scheme Member Representative on the Board, to represent the Active, Deferred and Pensioner Members of the Staffordshire Pension Fund, for a 4-year term to 2025.

**104. Matters arising from the Pensions Committee Meetings of 25 June and 25 September 2021**

Mr Birch referred to the progress on the development of the Staffordshire Pension Fund Annual Report and Accounts 2020/21 which were on track to be published by the 1 December deadline. The Director for Corporate Services added that, although there had not been the same challenges in the

audit of the 2020/21 accounts that were experienced during the audit of the 19/20 accounts and the Pension Fund's external audit had been predominantly completed as planned, additional, and last-minute assurances in relation to the IAS19 actuarial valuation processes were being sought by auditors nationally. This had meant that EY now had some additional testing to complete that they had not originally planned for. This in turn had delayed their ability to issue the ISA260 and their Independent Auditors Statement for the Pension Fund. The Board also noted that the Pension Fund's accounts would be included within the County Council's Statement of Accounts which were due to be presented to the County Council's Audit and Standards Committee on 26 October 2021.

**RESOLVED** – That the matters arising from the Pensions Committee meetings held on 25 June and 24 September 2021 be noted.

### **105. Staffordshire Pension Fund Risk Register and Risk Management Policy**

The Board were informed that, at their meeting in June 2021, the Pensions Committee noted the high-level risks identified within the Staffordshire Pension Fund Risk Register. The Committee also 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 to the Committee on any areas of concern.

To assist with their review, the Pensions Board had requested that one of the four main risk areas (Governance, Funding, Administration, and Investment), be presented to the Board at each meeting, for their consideration. This was to align with the risk area considered by the Officer working group that quarter. Local Pensions Board members had joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the Officer 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. Members of the Pensions Board were invited to continue to attend these working groups if they so wish.

At a meeting on 12 August 2021, the Officer working group reviewed the risk area of Governance. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered. Post control, Fund Officers did not believe there are any high-level risks in this area, however there were 5 areas of medium risk. The Board considered and noted the current Governance risks (Appendix 2 to the report) and discussed what action needed to be taken with regard to those risks rated "Red" and "Amber".

Mr Birch also confirmed that he felt that there was value in Members of the Pensions Board being invited to continue to attend meetings of the officer working group.

**RESOLVED** – That the risks and associated controls relating to Governance from the current Staffordshire Pension Fund Risk Register be noted.

#### **106. Dates of Future Meetings**

**RESOLVED** – That the following dates for meetings of the Pensions Board be noted:

- Friday, 17 December 2021
- Friday, 25 March 2022

#### **107. 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 Board then proceeded to consider reports on the following issues:

#### **108. Exempt Minutes of the meeting held on 25 June 2021**

(Exemption paragraph 3)

#### **109. Exempt matters arising from the Pensions Committee Meetings of 25 June and 25 September 2021**

(Exemption paragraph 3)

#### **110. Staffordshire Pension Fund Internal Audit Reports - Recommendations Progress Log**

(Exemption paragraph 3)

**Chairman**





**LOCAL PENSIONS BOARD – 17 DECEMBER 2021**

**Report of the Director for Corporate Services**

**STAFFORDSHIRE PENSION FUND RISK REGISTER**

**Recommendations of the Chairman**

1. That the Local Pensions Board ('Board') notes the risks, relating to Funding, from the current Staffordshire Pension Fund Risk Register, as presented in Appendix 2.

**Background**

2. At their meeting in June 2021, the Pensions Committee noted the high-level risks identified within the Staffordshire Pension Fund Risk Register. The Committee also asked the Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back to the Committee on any areas of concern.
3. To assist with their review, the Board requested that one of the four main risk areas (Governance, Funding, Administration, and Investment), be presented to them at each meeting, for their consideration. This was to align with the risk area considered by the Officer working group that quarter.
4. Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the Officer 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. Members of the Board are invited to continue to attend these working groups if they so wish.
5. At a meeting on 12 November 2021, the officer working group, observed by Rob Birch, Chair of the Board, reviewed the risk area of Funding. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered. Post control, Fund Officers believe there are 3 high-level risks in this area and 7 areas of medium risk. The high-risk areas are all related to the assumptions and considerations in the upcoming 2022 Actuarial Valuation. The current Funding risks are presented in Appendix 2 for Board members to note.

**John Tradewell**  
**Director for Corporate Services**

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## Appendix 1

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

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



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|---|---|----|---|---|---|---|----|-----------|---|---|-----------|
| 4 | 3 | 12 | Consider monitoring funding position during the inter valuation period, on a desktop basis or commission interim valuation for certain employers. Actuary statement in Annual Accounts.   | Report to Committee, Pension Board, Pension Fund Annual Accounts, External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Acces to hymans online funding tool and internal covenant monitoring system. | 4 | 2 | 8  | Annual    | Greater use of HEAT to flag changes in assets and employer numbers. Risk score could be reduced further by introducing interim valuations, cost outweighs benefit currently. Covenant monitoring will assist. | HEAT now fully impliamented and assiting Hymans | MS        |
| 4 | 4 | 16 | Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions   | Funding Strategy explicitly addresses the split of contribution rates into variable and cash component parts where there is a risk of significant staff reductions. Greater use of Heat, Covenant monitoring, Hymans online FLR                       | 2 | 2 | 4  | Triennial | Greater use of HEAT will provide information on falling payrolls. Covenant monitoring includes cashflow analysis.   |   | MS        |
| 4 | 4 | 16 | Actuary is procured who carry out Stochastic modelling of outcomes demonstrates Consistant or improved funding outcome from the valuation. Any exceptions are clearly documented – e.g. specific deals with individual bodies where for example affordability may conflict with long term cost efficiency | No issues identified by GAD in respect of contribution rate assumptions under their Section 13 analysis, Central government cost cap reviews, SAB annual LGPS report.   | 3 | 2 | 6  | Triennial | Certainty is more difficult currently due to unknown impact of McCloud and Goodwin ruling (expected to be minimal at a total fund level).   |   | MS        |
| 4 | 4 | 16 | Actuary certified funding strategy is in place following the Triennial valuation, Funding Strategy is consulted on before implementation.   | Funding Strategy Statement is up to date and reflects current practice and legislative change, Pension Board, Pensions Committee.   | 4 | 3 | 12 | Triennial | May need to review FSS following triennial valuation.   |   | MS        |
| 4 | 4 | 16 | Use stochastic models (which take into account changes in assumptions) to smooth out changes in contribution rates (stabilisation)  | Consultation responses on Funding Strategy; meetings with employers; Central government/Tax payer underpin  | 4 | 4 | 16 | Triennial | Increase in likelihood due to upcoming 2022 valuation   |   | MS        |
| 4 | 4 | 16 | Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions). Actuary's modelling of funding strategy and investment strategy (ALM) in tandem for 2022 valuation.   | Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Funding Strategy Statement and actuarial valuation report.   | 4 | 4 | 16 | Annual    | Increase in likelihood due to upcoming 2022 valuation   |   | MS, Panel |
| 3 | 3 | 9  | Consultation with Employing bodies  | Responses from employers to consultation on Funding   | 2 | 2 | 4  | Triennial |   |   | MS/JW     |

|   |   |  |   |   |    |  |  |   |   |    |   |   |  |
|---|---|--|---|---|----|--|--|---|---|----|---|---|--|
| 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 inform employing bodies fully so that they understand the outcome of the valuation  | 4 | 3 | 12 | Formal consultation with Employing bodies in place (Employers Pensions AGM, Practitioners meetings, communications etc.)   | Responses to valuation outcome, Employers Forum and responses to consultation, opportunity to discuss with scheme actuary and concerns.  | 3 | 2 | 6  | Triennial   |   | MS/JW                                    |
|   |   | Failure to reflect the unique characteristics of each employer by keeping complete and accurate data for each employing body   | 4 | 5 | 20 | Monitor data to ensure Actuary receives accurate scheme data, Hymans portal Data integrity checks  | Reports produced for the pensions regulator, Actuarial statement of data quality and club VITA report, Acceptable Audit reports, HEAT, Haywoods data cleansing report, Hymans Data Portal, Iconnect gives monthly updates. | 3 | 5 | 15 | Dec-22  | I Connect, increased regulator compliance reporting and HEAT should increase visibility. McCloud increases risk of incorrect data, due to overwriting data. | MS/JW                                    |
|   |   | Failure to take account of employer characteristics including funding and maturity measures in setting contribution rates  | 4 | 4 | 16 | Employer profiling Report from the Actuary takes account employer characteristics  | Outcome and consistency of valuation reports, HEAT, inter valuation contribution rates reviews now allowed under regulation, covenant monitoring will help.  | 3 | 4 | 12 | Dec-22  | I Connect, increased regulator compliance reporting. Introduction of Covenant monitoring and review of high risk employers propr to valuation outcome.      | MS/JW                                    |
|   |   | Failure to protect the Fund and scheme employers from excess repayments of funding surpluses following the cessation of contractor admission agreements, (in accordance with changes to the LGPS regulations from May 2018). There is a risk that contractors will attempt to exit contracts early in order to access surplus payments | 3 | 4 | 12 | Regular funding reviews with appropriate revisions to employer contribution rates, Exit credit policy and discretions, FSS, Passthrough is now the default option for contractor admission agreements. | Regular actuarial reporting, results of fund valuations, currency of Funding Strategy Statement. Monitoring of contract end dates  | 3 | 2 | 6  | Dec-22  | Exit Policy now in Place  | MS                                       |
|   |   | Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.  | 4 | 4 | 16 | Online FLR in place, employer profiling system developed.  | Annual review of employer covenants, Actuary, triennial valuation, employer profiling report   | 4 | 3 | 12 | Dec-22  | Fully introducing new system to review ongoing employer funding and risk levels, including review of external system providers                              | Initial Employer profiling MS/JW         |
| 3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the Fund   | 3.7 Failure to protect the Fund from an employer failing to pay any amounts due including contributions or cessation payments   | Failure to identify employers that may be close to having no active members  | 3 | 5 | 15 | Valuation identifies employers close to having no actives, employer profiling system.  | Valuation risk analysis as documented in the Funding Strategy Statement, Pension Board. Active member numbers reviewed annually, HEAT, FRS102, contributions control system  | 3 | 3 | 9  | Annual (following year end closure)                                   | Employer profiling system also assist in identification   | MS/JW                                    |
|   |   | Failure to identify significant risk of financial failure and to adjust the outcome of the valuation accordingly   | 4 | 4 | 16 | Financial covenant reviews Hymans, FLR   | Approach to covenant review documented in Funding Strategy Statement,  | 4 | 3 | 12 | Annual  | Monitoring process being established  | MS                                       |
|   |   | In those cases where there is a risk of financial failure, failure to ensure the provision of alternative security with appropriate legal safeguards   | 4 | 4 | 16 | Providing alternative security e.g. property   | Case by case basis documented in agreements, Intra valuation contribution rate reviews   | 3 | 4 | 12 | As required, security suitability and amounts to be reviewed annually | Monitoring process being established  | 75 employer identified from review<br>MS |

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|--|--|---|---|---|----|--|---|---|---|----|---|---|----|
| 3.8 To ensure ceding employers are protected from transfers                          | 3.8 Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers                                    | Failure to include a bond or guarantee in admission agreements for admitted bodies  | 3 | 3 | 9  | Bonds/Guarantees in admission agreements   | Standard Admission agreements can include requirements for bonds/guarantees (pass through/ stand alone)                         | 3 | 2 | 6  | Contract anniversary                        | New admission agreements on pass through basis to mitigate this risk. Covenant monitoring process to consider gaurentors for risky employers, check categorisation in actuary valuation | MS |
|  |  | Failure to monitor the existence of bonds/guarantees held in accordance with admission agreements   | 4 | 4 | 16 | Diarised review system, employer spreadsheet.  | Sign off of review, Employer events control. 2019 valuation results indicate more favourable position.                          | 4 | 3 | 12 | Annual                                      | Following annual review, further consideration of any development required.   | MS |
|  |  | Failure of Administering authority to commission the fund actuary to carry out a termination valuation for a departing admission body                                       | 4 | 3 | 12 | Cessation valuations carried out whenever an employing body leaves the fund , employer control spreadsheet, employer profiling system. | Cessation valuation completed by Actuary and documented also documented in valuation report, HEAT will provide an early warning | 4 | 2 | 8  | As required                                 |   | MS |
|  |  | Failure of the Funding Strategy to address how bulk transfers are to be carried out and to ensure that liabilities remaining with ceding employers are funded appropriately | 4 | 3 | 12 | FSS includes appropriate policy on transfers out, taking account of the existing funding level and amend transfer values accordingly   | Documented in the Funding Strategy Statement  | 4 | 2 | 8  | FSS reviewed at triennial valuation outcome |   | MS |
|  |  |   |   |   | 0  |  |   |   |   | 0  |   |   |    |
| 3.9 To ensure that the Strategic Investment Strategy meets the actuarial assumptions | 3.9 Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term |   |   |   | 0  | SEE SEPARATE INVESTMENT SECTION  | Strategic Asset Allocation review carried out as part of ALM prior to Actuarial Valuation.                                      |   |   | 0  |   |   |    |

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of Part 1 of Schedule 12A  
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