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## **Pensions Board**

Friday 25 March 2022

**13:00**

Oak Room, County Buildings, Stafford

John Tradewell  
Director for Corporate Services  
17 March 2022

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

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 17 December 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 Meetings held on 17 December 2021 and 11 February 2022
  - Pensions Committee – Held on 25 March 2022
6. **Data Quality Scores and Data Improvement Plan** (Pages 5 - 12)  
  
Report of the Director for Corporate Services
7. **Staffordshire Pension Fund Risk Register - Investments** (Pages 13 - 22)  
  
Report of the Director for Corporate Services
8. **Pensions Pledge**  
  
Presentation by Director for Corporate Services

## 9. **Dates of Future Meetings**

- Friday, 24 June 2022
- Friday, 30 September 2022
- Friday, 16 December 2022
- Friday 31 March 2022

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

### **PART TWO**

11. **Exempt Minutes of the meeting held on 17 December 2021** (Pages 23 - 26)  
(Exemption paragraph 3)

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

- Pensions Committee – Minutes of the Meetings held on 17 December 2021 and 11 February 2022
- Pensions Committee – Held on 25 March 2022

13. **Internal Audit Reports - Recommendations Progress Log** (Pages 27 - 30)  
(Exemption paragraph 3)

Report of the Director for Corporate Services

#### **Membership**

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 17 December 2021**

Present: Rob Birch (Chairman)

Corrina Bradley

John Mayhew

**Apologies:** Rachel Bailye

**PART ONE**

**111. Declarations of Interest**

There were no Declarations of Interest on this occasion.

**112. Minutes of the meeting held on 24 September 2021**

**RESOLVED** – That the minutes of the meeting held on 24 September 2021 be confirmed and signed by the Chairman.

**113. Pensions Board - Appointment of Board Members**

The Board were informed that, with regard to the appointment of a person to represent local authorities on the Board, a nomination was still awaited from the Staffordshire Leaders and Chief Executives Group.

The Director for Corporate Services also agreed to write to those Members of the Board who had not attended recent meetings to enquire as to whether they wished to remain on the Board.

**RESOLVED** – (a) That the oral report of the Director for Corporate Services be received.

(b) That it be noted that the Director for Corporate Services was to write to those Members of the Board who had not attended recent meetings to enquire as to whether they wished to remain on the Board.

**114. Matters arising from the Pensions Committee Meetings of 24 September and 17 December 2021**

There were no matters arising from the meeting of the Pensions Committee held on 24 September 2021.

With regard to the meeting of the Pensions Committee held on 17 December 2021, the Chairman referred to the following matters which had been discussed by the Committee:

- The presentation by CEM Benchmarking on the results of their 2020/21 survey where Staffordshire was compared on a number of cost and performance metrics to a global peer group of 16 pension funds, and the Committee's subsequent discussion on achieving value for money with regard to Asset Manager Fees.
- EY's Audit Results Report (ISA260) for the Fund which provided for an 'unqualified opinion' on the accounts and stated that there were no matters which should be brought to the attention of the Pensions Committee.
- The ongoing work program to ensure that, over the last two years, the Fund had reviewed and updated all its policies. The Administering Authority Discretions Policy was the last of these policies to be reviewed. Going forward, it was proposed that officers would draw up a review cycle to ensure that all policies were reviewed at least every 2-3 years or annually, where regulation dictated or best practice suggested.

**RESOLVED** – That the matters arising from the Pensions Committee meetings held on 24 September and 17 December 2021 be noted.

#### **115. Staffordshire Pension Fund Risk Register - Funding**

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 determined 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 wished.

At a meeting on 12 November 2021, the officer working group, observed by the 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 believed there to be three high-level risks in this area and

seven areas of medium risk. In response to a question from the Chairman, the Director for Corporate Services indicated that the three high-risk areas were all related to the assumptions and considerations in the upcoming 2022 Actuarial Valuation.

The Chairman encouraged other Board Members to attend future meetings of the Officer working group on a rota basis.

**RESOLVED** – That the risks relating to Funding, from the current Staffordshire Pension Fund Risk Register (Appendix 2 to the report), be noted.

#### **116. Dates of Future Meetings**

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

- Friday, 25 March 2022

#### **117. 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:

**118. Exempt Minutes of the meeting held on 24 September 2021**  
(Exemption paragraph 3)

**119. Exempt matters arising from the Pensions Committee Meetings of 24 September and 17 December 2021**  
(Exemption paragraph 3)

**120. Internal Audit Reports - Recommendations Progress Log**  
(Exemption paragraph 3)

**121. Pensions Board Chairs Meeting of 25 October 2021**  
(Exemption paragraph 3)

**Chairman**





**LOCAL PENSIONS BOARD – 25 MARCH 2022**

**Report of the Director for Corporate Services**

**LOCAL GOVERNMENT PENSION SCHEME (LGPS) REGULATIONS**

**Data Quality Scores and Data Improvement Plan**

**Recommendation of the Chair**

1. That the Local Pensions Board notes the Staffordshire Pension Fund's Data Quality Scores for 2021 and the improvement in both from 2020. These are reported as:
  - (i) a Common Data Score of 97.1% (96.5% in 2020); and
  - (ii) a Scheme Specific Data Score of 96.3% (96.1% in 2020).
2. That the Local Pensions Board notes the existence of a Data Improvement Plan; a summary of which is provided in Appendix 2.

**Introduction and Background**

3. In 2015, the Pensions Regulator (TPR) assumed responsibility for all Public-Sector Pension Schemes. Prior to this, in 2010, the TPR had issued guidance on the approach that they considered to be good practice for measuring the presence and accuracy of Scheme Member data across all UK pension funds and accordingly post 2015, the LGPS was required to comply.
4. TPR set specific targets for two types of Scheme Member data, which they deemed as 'common' and 'scheme specific' data and both areas must be reported. TPR set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand.
5. **Common Data** relates to core data items that are applicable to all pension schemes for example Name, NI Number, Data of Birth, Addresses etc.
6. **Scheme Specific Data** (also known as Conditional Data) depends on the scheme structure or type. So, for the LGPS this includes pension service history, pensionable earnings, Career Average Revalued Earnings (CARE), transfer in service etc. These test the interdependency of data in different fields within a member's record and reports inconsistencies where data is either missing where it should be present or is present when it shouldn't be.

**2021 Data Scores**

7. The Fund, in conjunction with its software provider Heywood Ltd., has completed a review of the "Common and Scheme Specific Data" in line with TPR guidelines. Using the Heywood Data Quality service to assess the quality

of member data held on the Altair computerised administration system, the latest data extractions were run in October 2021 with the subsequent reports prepared and received during November 2021. The results are reported as:

- a Common Data Score of 97.1% (96.5% in 2020); and
  - a Scheme Specific Data Score of 96.3% (96.1% in 2020).
8. Each Heywood report includes a 'Data Correction Plan' which prioritises the areas where potentially incorrect data may need to be addressed. These reports are used to inform the full data cleansing operation performed each year within Pension Services.
  9. The increase in compliance for both "Common Data" and "Scheme Specific Data" is a result of improvements of data received from Scheme Employers and data cleanse exercises following issues identified in the 2020 Data improvement plan, notably improvements for "HMRC" and "Contracting Out" data.
  10. The results and findings have been discussed in detail by the Pensions Services Management Team. A summary of the DIP is included at Appendix 2, together with a comparison of the data scores from 2020.

### **Data Improvement Plan (DIP)**

11. The DIP is a document which examines and quantifies all identified data issues and sets out the method of correction, how the data issues will be resolved, who will be responsible, and it also provides expected delivery timescales.
12. The main elements of focus in the 2021 DIP are:
  - **Common Data – Address.**  
This will be the focus of a Tracing Exercise to be carried out in 2022/23;
  - **Scheme Specific Data – CARE Benefits.**  
Data quality has reduced since 2020 and more work in this area is required. Whilst this is partially due to incomplete data being provided by Scheme Employers, it should improve with the increased roll out of i-Connect for the collection of monthly data from Employers. As 2022 is a triennial Actuarial Valuation year, the majority of missing CARE issues will be identified as part of the 2022 Actuarial Valuation process. The need to comply with the scheme Actuary's data requirements will result in a significant improvement in this area: and
  - **Scheme Specific Data – Contracted Out.**  
Although improvements have been made since 2020, further alignment of HMRC records to the Altair database is still required.

13. It is intended that progress of the DIP will be discussed and monitored, on a regular basis, and will be a key focus for the data cleanse work required ahead of the 2022 Actuarial Valuation of the Fund.

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

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Contact: Melanie Stokes,  
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## Appendix 1

1. **Equalities implications:** There are no direct equalities implications arising from this report.
2. **Legal implications:** The legal implications are covered in the body of the report.
3. **Resource and Value for money implications:** An appropriate level of resource needs to be allocated to this area of activity and this may mean diverting resource from another area of the business in the short term. There are no direct value for money implications arising from this report.
4. **Risk implications:** The risk implications are considered in the body of the report.
5. **Climate Change implications:** There are no direct climate change implications arising from this report.
6. **Health Impact Assessment Screening:** There are no health impact assessment implications arising from this report.

## The Pensions Regulator (TPR) - Data Quality Results 2021 and Summary Data Improvement Plan (DIP)

### Common Data Results

The overall Common Data TPR score for 2021 is 97.1% compared to a score in 2020 of 96.5% (an increase of 0.6%)

A breakdown of scores for each data category within the 'Common' data definition are shown in the table below

TPR score 2020	TPR score 2021	Data category	Comments	DIP Follow-up Action	Target Date
99.9%	99.9%	NI Number	There are a residual number of historic records where the member no-longer has an interest in the Fund (i.e. they have opted out, transferred their pension to another scheme, or died) where there are temporary NI numbers or NI numbers that are incorrect in format. These records account for the small percentage that is preventing 100% of the TPR score being met.	203 records have been identified which count towards the TPR data score. Some further analysis of these records is required.	31 December 2022
100%	100%	Name	No comment	Maintain 100% accuracy	ongoing
100%	100%	Sex and Date of Birth	No comment	Maintain 100% accuracy	ongoing
100%	100%	Date commenced and normal retirement date	No comment	Maintain 100% accuracy	ongoing
100%	100%	Scheme status	No comment	Maintain 100% accuracy	ongoing
96.6%	97.1%	Address	There has been an improvement in cases not failing this test since 2020, however the reason the score is lower than 100% is due to a significant	Engage an external tracing agency to search for missing addresses. Update member records where the search	Ongoing with Tracing Exercise completed by

			number of members with deferred benefits who have not informed us of their change of address details after leaving the Pension Fund. This is a common issue across all Local Authority Pension Funds.	has successfully found a current address.	31 March 2023
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## The Pensions Regulator (TPR) - Data Accuracy Results 2021 and Summary Data Improvement Plan (DIP)

### Scheme Specific Data Results

The overall Scheme Specific data TPR score for 2021 is 96.3% compared to a score in 2020 of 96.1% (an improvement of 0.2%)

A breakdown of scores for each Data category within the 'Specific' data definition are shown in the table below

TPR score 2020	TPR score 2021	Data category	Comments	DIP Follow-up Action	Target Date
99.9%	99.9%	Member Benefits	Data quality standards in this area have been maintained	Some areas notably the format of some transfer in records need further investigation and potential maintenance to member records in accordance with Heywood Ltd.'s Data Correction Plan	31 March 2023
99.8%	99.8%	Member Details	Data quality standards in this area have been maintained	Investigate and implement maintenance to member records in accordance with Heywood Ltd.'s Data Correction Plan	31 March 2023
96.1%	95.3%	CARE Benefits	<p>There has been a slight increase in records failing this test since 2020. The Fund completes detailed tolerance checking of CARE data supplied by Scheme Employers. In some cases, responses to data enquiries were outstanding at the point the data was supplied for analysis in 2021.</p> <p>There will also be some cases where a Scheme Member joins at the very end of a financial year and will only</p>	<p>Continue implementation programme for i-Connect with all Scheme Employers, to fully install electronic data transfer of CARE data on a monthly basis.</p> <p>Continue to check the out of tolerance cases identified to ensure rectification</p>	ongoing

			receive CARE pay in the following financial year. This will appear on the Heywood Ltd's data extract as missing data and be reflected in the percentage score despite it being correct.		
99.8%	100%	HMRC	Data quality standards have improved in this area since 2020.	Maintain 100% accuracy	Ongoing
94.7%	95.2%	Contracted Out	This area has shown an improvement since 2020 however further work is required to fully align HMRC data with that held on the Altair database.	Detailed work has been completed to reconcile pensioner records and amend payments where applicable. HMRC data cut No. 3 records still to be uploaded subject to available resource constraints.	31 March 2023



**LOCAL PENSIONS BOARD – 25 MARCH 2022**

**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 Investment, 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 9 March 2022, the officer working group, reviewed the risk area of Investment. As the meeting was convened at relatively short notice it was not possible for an observer from the Board to attend. However, any significant risks arising from the review will be discussed with the Board, at today's meeting. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered.
6. Post control, Fund Officers believe there are 2 high-level risks in this area and 9 areas of medium risk. The high-level risk areas are both related to the costs and potential savings arising from LGPS Central. The impact of higher inflation on the budget and the transition activity required to implement the Fund's review of its Investment Strategy will need to be monitored closely.
7. The full list of current Investment risks is presented in Appendix 2 for Board members to discuss and /or note.

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

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Contact: Melanie Stokes  
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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.



Investment														
Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control risk Score	Review Date	Action Description	Outcome of Review /Actions made	Owner
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.	2.1 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	Failure of the investment consultant to take account of the Actuarial assumptions in advising on the Strategic Asset Allocation	5	3	15	Strategic Asset Allocation review is being carried out in tandem with the funding strategy review to ensure the consistency of assumptions used by the actuary in setting contribution rates. Ensuring the Actuary and Investment Consultant understand each others assumptions and ensure they are consistent. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy	Pensions Committee receive report from consultant to demonstrate consistency and outcome from modelling. Additional paper produced by Hymans justifying asset outperformance assumption. No issues from Regulation 13 report, GAD. SAA review with investment consultant.	4	2	8	Mar-23	Strategic asset allocation review as part of 2022 actuarial valuation has been carried out.		Pensions Committee
		Failure of the Actuary to model the impact of the Strategic Asset Allocation in setting contribution rates	5	3	15	Use of stochastic models to understand the range of possible outcomes. Use of stabilisation policy	Pensions Committee receive report from the Actuary, to demonstrate the output from modelling and use of stabilisation policy. Pensions Board Responses to consultation are taken into account. Pension Board, Pensions Committee	4	2	8	Mar-23	SAA has been taken into account in setting contribution rates		Pensions Committee
		Failure to clearly explain the impact of the Strategic Asset Allocation in the Funding Strategy Statement (FSS) and failure to consult on the assumptions	2	3	6	Funding Strategy Statement clearly explains the impact.		2	1	2	Sep-22	Pensions committee were consulted on assumptions, FSS to be updated post valuation results.		Pensions Committee
		Failure of LGPS Cental to offer a suitable range of products to meet the requirements of the Fund's SAA	3	4	12	Other managers can be appointed to fulfill required SAA. PAF investment working group, project development protocol, decision tree.	Pensions Committee, LGPS cental joint committee, DLUHC draft regulations, range of LGPSC products available is increasing	3	2	6	ongoing	Review after DLUHC Formal Consultation due 2022		Pensions Panel
		Failure to monitor the actual/ tactical SAA using up to date market values	4	3	12	Actual/ tactical SAA position is monitored monthly and updated to the latest values regularly	Use of benchmark indices to value positions. Valuations from custodian and managers	4	2	8	Monthly	Up to date fund valuations are produced on the last day of each month, and periodically as required. No tactical positions taken currently, new SAA to be approved March 22 with implementation to follow.		MS
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	2.2 The actual/ tactical investment strategy (determined by the Panel) fails to exceed the return of the neutral SAA	Failure to report the actual/ tactical SAA compared to the neutral SAA to the Pension Panel quarterly	4	3	12	Actual/ tactical SAA position is reported to Pension Panel quarterly	Pensions Panel receives quarterly SAA report/ valuation. Pensions Board. Investment Consultants.	4	2	8	Quarterly	Pensions Panel reviews the SAA report and takes mitigating action where required	Panel recommends an amendment to actual/ tactical SAA	Pensions Panel
		Failure to record the tactical positions, approved by the pensions panel, compared to the neutral SAA.	4	3	12	Any tactical positions taken by the Pension Panel are properly recorded and the outcome monitored	Pension Panel minutes. Pension Board. Investment consultants.	4	2	8	Quarterly	Working documents, custody records and performance records updated	No Tactical positions taken currently.	MS
		Failure to monitor the impact of tactical positions against the neutral SAA	4	3	12	Performance measurer reports tactical returns vs neutral SAA returns benchmark	Fund performance reports to Pension Panel. Pension Board	4	2	8	Quarterly			Pensions Panel
		Failure of SPF/LGPS Central to conduct a robust due diligence process in appointing active managers including where appropriate an open competition compliant with EU regulations	4	4	16	Active managers are appointed by LGPS Central through robust competitive process	Use of appropriate procurement process compliant with EU regulations if relevant, including the use of consultant advice as appropriate (LGPS Central use private procurement process)	4	3	12	Quarterly, with a long term focus	LGPS Cental agreed to involve Partner Fund representatives in oversight of appointment process (not decision)		Pensions Panel

**2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other**

**2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.**

Failure of SPF/LGPS Central to ensure managers in the same asset class are complimentary	4	4	16	Active managers in the same asset class are complimentary. Investment advisors review managers/funds in each asset class periodically.	Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee. Investment advisors produce a suitability report prior to investment. Performance measurer report.	3	4	12	Quarterly, with a 5 year focus	LGPS Cental agreed to involve Partner Fund representatives in oversight of appointment process (not decision)	Pensions Panel
Failure of SPF/LGPS Central to consider whether active managers can add value and whether the benchmark and target level of performance allows sufficient scope to deliver their target	4	4	16	Active managers are appointed where it is clear they can add value and their benchmark and performance target allow them scope to deliver	Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee/Pensions Panel/Pensions Board	3	4	12	Quarterly, with a 5 year focus	LGPS Cental agreed to involve Partner Fund representatives in oversight of appointment process (not decision)	Pensions Panel
Failure to report asset manager performance to the Pension Panel or to include annual (and longer term) performance in the Annual Report	4	3	12	Asset manager performance is reported regularly to the Pension Panel and in the Annual Report	LGPS Central performance reports, Performance measurer, Pension Panel reports, Pension Board. Audit. Investment Consultants.	2	1	2	Quarterly		MS
Failure of SPF/LGPS Central to regularly review and understand the reasons for the level of performance of managers	5	4	20	Asset managers are regularly reviewed to ensure changes to key personnel or the investment process do not undermine the reasons for appointing them	Meetings with LGPS Central and mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board, LGPS Central Joint Committee, PAF-IWG	5	3	15	Quarterly	Mangers appointed by LGPS Central invited to attend quarterly PAF IWG meetings where concerns about performance are raised, Manager days. LGPSC 3 yearly review.	Pensions Panel
Failure of SPF/LGPS Central to remove mangers who fail to deliver expected performance	4	3	12	Active managers are sacked or holdings reduced if they do not deliver outperformance, the fund has the right to withdraw its investment if performance is not met	Manager removal or reduction in AUM, Meetings with LGPS Central and mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board, Joint Committee, PAF-IWG	3	1	3	ongoing, long term focus	Mangers appointed by LGPS Central invited to attend quarterly PAF IWG meetings where concerns about performance are raised. LGPSC 3 yearly review.	Pensions Panel
Failure of SPF/LGPS Central to understand the reasons for removing managers leading to high turnover of managers and significant transition costs	4	3	12	Manager processes are understood and clear reasoning is presented to LGPS Central/Panel to approve any removal of a manager	Meetings with LGPS Central and mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board, Joint Committee, PAF-IWG	4	1	4	ongoing		Pensions Panel
Failure to maintain a 'Professional Client status' with investment managers and LGPS Central under MIFID II regulations. Limiting diversification and markets available, therefore potentially reducing returns on investments. Ongoing compliance with criteria is required.	3	2	6	Being an administering authority of a Pension fund is one of the criteria, along with investment balances of over £10m, which the fund is likely to always have.	Continuous monitoring by officers of investment balances	3	1	3	ongoing	MIFID II documents are regularly updtade as they are requested by managers	MS
Failure to consider and address the impact of asset correlation	4	4	16	Asset Liability Modelling undertaken as part of Strategic Asset Allocation review in order to determine likely investment returns for 20 years. This includes asset correlation across return seeking and defensive asset classes.	Meetings with mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board. Annual SAA review.	4	2	8	Quarterly		Pensions Panel
Failure of SPF/LGPS Central to consider and address the impact of manager correlation	4	4	16	Managers strategies are understood to ensure any strategy overlap is minimised	Manager fit is understood on appointment, Manager monitoring, Consultant comments, Performance measurement, Joint Committee, PAF-IWG	3	4	12	Quarterly	likelihood increased due to upcoming implementaion of new SAA following review.	Pensions Panel

**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 consider and address any systemic risk factors across the fund	4	5	20	Macroeconomic factors are understood, Manager awareness of global trends and potential risk areas, The fund has a long term investment strategy, diversification of investments	Quarterly strategic review, meetings with managers, Consultant comments, LGPS Central/Manager presentations to Pension Panel, Pension Board. PAF IWG.	3	4	12	Quarterly	Likelihood increased due to combination of current macroeconomic factors, eg inflation, energy prices, covid, geopolitical events.	Pensions Panel
Failure to consider and address currency risk	3	3	9	Impact of Currency risk on fund value is understood (As a long term investor with no immediate need to sell assets short term fluctuations have a limited impact). Awareness of Currency market fluctuations. Appropriate currency hedging policy is in place if required.	Quarterly strategic review, Consultant comments, Pension Panel, Pension Board	3	3	9	Quarterly	No current requirement for Currency Hedging but need to consider process for implementing Currency Hedging if required in future (LGPS Central?), will be reviewed as part of SAA	Pensions Panel
Failure to consider and address risk from leveraged investment funds	4	3	12	Impact of leverage on the Fund is understood. Amount of leverage within investment funds is understood and limited.	Consultants, Manager due diligence, LGPS Central, PAF-IWG, information in fund prospectus	3	2	6	Ad hoc		Pensions Panel
Failure for the SPF/ LGPS Central to have a policies on RI&E	3	3	9	Fund Policies in place and complied with. All fund managers signed up to UNPRI. All fund managers report quarterly on Voting and Engagement. Quarterly report to Pensions Panel. Investment beliefs include RI&E considerations.	Policy in ISS, Pension Board, LGPS Central Investment Director for RI, PAF-RI, Joint Committee, Climate Change Strategy and TCFD reports.	2	3	6	Annual / March 2	Consideration to be given to actions arising from review of FRC UK Stewardship Code plus SAB guidance.	TB
Failure to comply with the FRC UK Stewardship Code	2	5	10	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.	2	5	10	Annual / October	To become signatories of the 2020 FRC UK Stewardship Code, plus SAB guidance	TB
Failure to have a Climate Policy and take into account the impact of climate change on the SAA and subsequent investment returns	4	3	12	Climate policy produced, Pensions Panel takes into account impact of climate change in its investment decisions and setting of SAA, through scenario analysis, RI factors are incorporated in investment beliefs.	Climate risk report, Climate Policy produced, TCFD reporting, Hymans, LGPSC, Scenario analysis, SAA review incorporates climate change roadmap, Climate Stewardship Plan.	4	2	8	Apr-23		TB
Failure to meet TCFD reporting requirements and understand the associated climate metrics	3	3	9	TCFD report is produced annually and metrics are monitored	Pensions Committee, Pensions Panel, Pensions Board, Hymans, LGPSC, SAB, DLUHC	3	2	6	Apr-23		TB
Failure to have all fund managers signed up the UNPRI Code of Practice	3	3	9	All fund managers signed up to UNPRI.	LGPS Central, manager contracts contain clause	2	3	6	Annual		TB
Failure of LGPS Central/managers to report engagement actions quarterly	3	3	9	All fund managers/LGPS Central report quarterly on Voting and Engagement. Quarterly report to Pensions Panel.	Manager reports, LGPS Central Investment Director for RI, LGPS Central Joint Committee (Hermes)	2	3	6	Quarterly		Pensions Panel
Failure to report RI&E issues to the Pension Panel regularly	3	3	9	All fund managers/LGPS Central report quarterly on Voting and Engagement. Quarterly report to Pensions Panel.	Pension Panel reports, Pension Board	2	3	6	Quarterly		Pensions Panel
Failure to collaborate on RI&E issues	4	3	12	Member of LAPFF, cross pool RI&E working group and LGPS Central.	Member of LAPFF, LGPS Central	2	3	6	Ongoing		TB/ Pensions Panel

2.6 To minimise fee levels and total expense ratios consistent with performance targets i.e. active / passive	2.6 Failure to minimise manager fees and expenses commensurate with performance target	Failure to integrate Climate change and the transition to low carbon economy into the investment portfolio.	4	3	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 (Mercers) offered by LGPS Central. Climate Change Roadmap. SAA review takes account of Climate Change factors.	3	2	6	Ongoing	Review climate risk reporting output from LGPS central, Consider wider implications of Climate risk on the fund, eg funding, employers etc. Investment consultant climate roadmap.	TB/ Pensions Panel				
		Failure of SPF/LGPS Central to include fees as part of a competitive procurement process	3	3	9	Competitive tender process, use of framework, joint procurement	Procurement using EU rules and/or expert external advisor, consideration of performance net of fees	2	2	4	Ad hoc		Pensions Panel				
		Failure to benchmark fees and expenses annually at fund level with appropriate benchmark	3	3	9	Benchmark fees/expenses at fund level	CEM benchmarking, including value add, Total expense ratio, Peer Benchmarking, CIPFA annual report guidance, consideration of performance net of fees	2	2	4	Annual		Pensions Committee				
		Failure to account for fees or to report fees to the Pension Committee and in the Annual Report	2	3	6	Account for fees transparently, Report fees to Pension Committee and in Annual Report (open to scrutiny)	Accounts in accordance with CIPFA annual report guidance, Audit, Pension Committee, Pension Board	2	3	6	Annual		Pensions Committee				
		Failure of SPF/LGPS Central to consider whether performance related fees may be appropriate	3	3	9	Performance related fees considered as part of competitive manager appointment	Fee basis based on individual or sub-fund level reported to Pension Panel, Advisors views taken, consideration of performance net of fees	2	2	4	Ad hoc		Pensions Panel				
		2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	2.7 Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly	Impact of changes in interest rates and its effect on liabilities is not taken into account when setting the 'neutral' SAA	4	3	12	Cash flows of the fund are monitored quarterly 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. Considered as part of the SAA. Asset Liability Modelling.	3	3	9	Annual		Pensions Committee / Pensions Panel		
				Impact of changes in inflation and its effect on liabilities is not taken into account when setting 'neutral' SAA	4	3	12	Cash flows of the fund are monitored quarterly 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. Considered as part of the SAA. Asset Liability Modelling.	3	3	9	Annual		Pensions Committee / 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	Risk that the operating costs of the pool are too high and impact on the return of the Fund	4	4	16	Budgets for operating costs are in place, monitored and there is a cost sharing mechanism in place.	Shareholders approve annual budget (based on inflationary uplift), with additional products requiring additional approval. Quarterly budget monitoring reported to PAF	4	4	16	Mar-23		Shareholders Forum & PAF
						Risk of SPF/LGPS Central losing key personnel and knowledge.	4	4	16	Ensure other members of staff know how to do all roles and are aware of work on going, including within LGPS Central	Regular strategy and planning meetings to schedule work and priorities, generic job descriptions, succession planning, PAF-IWG	3	4	12	Mar-23	LGPS turnover close to 20% Likelihood increased.	MS/Team
				Failure of LGPS Central to deliver the services set out in their Regulatory Business Plan and within agreed timescales to provide SPF with expected level of service for BAU and development.	4	4	16	There is a regulatory business plan approved by shareholders, FCA oversight, Senior manager regime, LGPSC board.	Pensions Panel monitoring, LGPSC joint committee, PAF, budget monitoring, shareholders forum	4	3	12	ongoing	LGPS turnover close to 20% could impact service delivery.	Pensions Committee /MS		



Risk that the forecast savings from pooling do not materialise, impacting the performance of the fund.

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Transition plans are in place, senior management team of LGPS central will monitor fees and have processes in place. SPF input via shareholders forum, LGPS central joint committee and practitioners advisory forum. Cost savings model is used for monitoring.

Shareholders forum, LGPS central joint committee and practitioners advisory forum. Savings are reported. CEM are in place for Benchmarking, use of transition advisor and transition manager.

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Ongoing

reflect on use of pool and the cost savings model

Shareholders Forum



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

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