

Minutes of the Pensions Committee Meeting held on 24 June 2022

Present: Mike Sutherland (Chairman)

Attendance

Philip Atkins, OBE	Bob Spencer
Mike Davies (Vice-Chairman)	Samantha Thompson
Colin Greatorex	Mike Wilcox

Also in attendance: Rob Birch, Chantelle Denham and Simon Humble

35. Apologies: Nigel Caine, Derrick Huckfield, Phil, Jones and Stephen Sweeney

36. Declarations of Interest

There were no declarations of interest on this occasion.

37. Minutes of the meeting held on 25 March 2022

The Director for Corporate Services reminded the Committee that spaces were still available for the Local Government Association's Fundamentals Training for Pensions Committee and Local Pensions Board Members. Members of the Committee were asked to inform the Director for Corporate Services if they were interested in attending the meeting so spaces could be booked as soon as possible.

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 25 March 2022 be confirmed and signed by the Chairman.

38. Minutes of the Pensions Panel held on 8 June 2022

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 8 June 2022 be received.

39. Appointment of Pensions Panel

RESOLVED – That the following Members be appointed to serve on the Pensions Panel for the 2022/23 municipal year:

- Philip Atkins
- Mike Davies
- Colin Greatorex
- Mike Sutherland
- Stephen Sweeney

40. Staffordshire Pension Fund Business Plan Outturn 2021/22

The Committee considered the final outturn position for the financial year 2021/22 together with a summary of the key achievements against the Business Plan, provided at Appendix 2 to the report.

Members attention was drawn to the continued high levels of service being provided throughout 2021/22 to scheme members and employers. Specific achievements during 2021/22 included:

(i) Pensions Administration Team

- Tendering for an Administration System provider, to incorporate an external hosting platform service, and testing and implementing the new system;
- Completing the long running Guaranteed Minimum Pensions (GMP) exercise with HMRC;
- Finalising the development of an Employer Covenant Monitoring Process and implementing regular funding reviews;
- Development of a series of regular / shorter virtual Employer Practitioner Workshop(s);
- Undertaking a Training Needs Analysis and producing a Training Plan for Pensions Committee and Local Pensions Board Members in 2022/23; and
- the Team have taken the Pensions Pledge and implemented the regulatory changes required in relation to Transfers.

(ii) Pensions Investment Team

- Developing a Pension Fund Climate Strategy and Climate Stewardship Plan;
- Developing investment reporting in line with the Task Force for Financial Disclosure (TCFD) requirements; and
- Reviewing the ongoing appropriateness of the Fund's Investment Strategy and Strategic Asset Allocation, ahead of the 2022 Actuarial Valuation & in line with the Pension Fund's new Climate Strategy.

The Committee heard that there had been two Staffordshire Internal Audit Service reviews across the Teams throughout the year. The Pensions Administration Audit maintained its 'substantial' assurance rating for the fourth year in a row; and the Pension Fund Investment Audit, focussing on Investment Performance Reporting, which tied in with similar themed Audits at LGPS Central, also received a 'substantial' assurance rating.

The Committee were presented with the Pensions Administration Team's Service Standards for 2021/22 and were informed that the Team had achieved a 90% performance target in 14 of the 15 published standards. As well as providing assurance that the necessary controls were in place, this re-affirmed the hard work and effort of the Teams, and their ongoing commitment to the Fund, despite the increasing complexities of delivering the service whilst working remotely.

Members were informed that there had been difficulty in recruiting experienced team members and focus continued to be on training and 'growing our own'. The increase in turnover had created a situation where the Fund would be recruiting to maintain current resource, as opposed to increasing it. To maintain Service Standards going forward

there would be a need for recruitment to continue at pace. The Team had also committed to explore other recruitment options, such as Apprenticeships. Members were reassured that focus would remain on delivering a service to the end user that was not sub-standard or in direct contravention of the Pensions Regulators Disclosure requirements.

Members heard that in 2021/22, the Fund's investment return was +12.2% versus its strategic benchmark return of +11.9%, an outperformance of +0.3%. The Fund's longer-term annualised performance numbers, at 31 March 2022, remained in excess of 8%, well ahead of the long-term investment return assumptions used by the Actuary in the triennial valuation.

The Pension Fund Budget and Costs were presented to the Committee. This largely focussed on:

- Administration Costs, where it was noted costs had increased due to the installation of a new system which was invaluable to the delivery of the service.
- Oversight and Governance Costs, where the only notable increase being in Actuarial fees, which reflected the work done in preparation for the 2022 Triennial Valuation; and
- Investment Management Costs which had increased by circa £1.0m since 2020/21 due to increases in active global equity and vacant property costs.

Members were informed that Staffordshire Pension Fund continued to take part in a benchmarking exercise with international company CEM Benchmarking. CEM benchmark 300+ global pension funds with total assets of £8.1 trillion to help institutional investors better understand their costs versus peers and the wider market. CEM grouped Staffordshire Pension Fund with 16 LGPS and international funds ranging in size from £3.7bn to £9.3bn (a median size of £6.2bn versus the Fund's total value of £6.1bn at that time). The Fund's costs of 51.1 basis points (or 0.511%) were 5.8bps (0.058%) above the benchmark of 45.3bps (0.453%). This was predominantly because of the way it invested in private markets, such as Private Equity which had been a strong performing asset for the Fund over the period and had delivered returns well above its benchmark return.

Cllr Sutherland welcomed the report and offered his congratulations to the Pensions Team on its delivery.

Cllr Greatorex noted that past performance had not always been great, but the current performance was pleasing. He was also pleased that the Climate Change Strategy had been developed, that officers continued to play a role in the development of the LGPS Central pool and that investment was doing well.

In response to a question from Cllr Wilcox relating to the missed target, it was confirmed that this target had been missed before, but that it had improved year-on-year over the past three years.

In response to a question from Cllr Wilcox relating to the issues with recruitment, it was confirmed that the starting point was at Grade 5 and whilst job progression was a real

possibility attracting people to work in Pensions was often difficult. Commitment would be made to explore other recruitment options, such as Apprenticeships.

In response to a question from Cllr Wilcox relating to the increase in 'Other' Investment Management Fees, it was explained that this was as a result of costs incurred in the year which were related to a historic court case, where the Fund, alongside numerous other LGPS Funds, is attempting to recover tax paid on dividends. .

In response to a question from Cllr Sutherland relating to how Income was generated, it was confirmed that there were three main sources of income. These included recharges to scheme members for e.g a Divorce quote, charges for transfer quotations and charges for the administration and distribution statutory accountancy reports for employers i.e IAS19 and FRS102.

RESOLVED - That the outturn position of the Staffordshire Pension Fund Business Plan for 2021/22 be approved.

41. Staffordshire Pension Fund Risk Register and Risk Management Policy

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

The Committee was informed that Risk management was good practice and 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.

The Committee was also informed that officers reviewed the risk register every quarter, focusing in on the detail of one of four key areas, (Governance, Funding, Administration and Investment), along with a review of any emerging risks. As part of the review, Members of the Local Pensions Board attend the review meetings and take an active role in the discussions. They had also begun to discuss the specific area under review each quarter at formal board meetings in an effort to widen the general understanding of each area. The Board's comments on the Risk Register and the review process were attached at Appendix 2 to the report.

It was also suggested that the Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

The Committee were presented with a summary of the high-level risks associated with the objectives, attached at Appendix 3 of the report. This summarised the highest score of the detailed risks associated with each of the high-level risks and provided a summary of the controls and sources of assurance currently in place. This was intended to give the Committee an overview of the main risks the Pension Fund needed to consider and the controls in place to mitigate them.

The Committee were reminded that as part of the annual review, it was agreed that the Pensions Committee would review emerging risks to the Fund. It was important to recognise that some of the greatest risks faced by the Pension Fund arose from change.

Several transitional areas were reflected in Appendix 4 to the report, which provided more detail on the emerging risks perceived to be faced by the Pension Fund.

The Committee was informed that the Pension Regulator's Code of Practice recommended that a Pension Fund has a Risk Management Policy in place and that this was reviewed periodically. The risk management policy covered 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 was attached at Appendix 5 to the report and was submitted for approval.

RESOLVED – a) That 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, be noted.

b) That the content and recommendations of the Local Pensions Board review of the Staffordshire Pension Fund Risk Register, attached at Appendix 2, and the continued involvement of the Pensions Board in the ongoing review, be noted.

c) That the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 5, be approved.

42. 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.

43. Exempt minutes of the meeting held on 25 March 2022

Exemption Paragraph 3

44. Exempt minutes of the Pensions Panel meeting held on 8 June

Exemption Paragraph 3

45. LGPS Regulations - Admission of New Employers to the Fund

Exemption Paragraph 3

46. LGPS Central Limited Company Update

Exemption Paragraph 3

Chairman