Pensions Committee

Friday 31 March 2023
09:30
Oak Room, County Buildings, Stafford

County Buildings, Stafford
DDI 01785 278044
Please ask for Simon Humble
Email:
simon.humble@staffordshire.gov.uk

John Tradewell
Deputy Chief Executive and Director of Corporate Services
23 March 2023

Agenda

Part One

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of the meeting held on 16 December 2022** (Pages 1 - 6)

4. **Minutes of the Pensions Panel held on:**

   a) 6 December 2022 (Pages 7 - 8)

   b) 7 March 2023 (Pages 9 - 14)

5. **Staffordshire Pension Fund Climate Change Strategy** (Pages 15 - 78)

   Report of the Director of Finance and presentation by LGPS Central Limited

6. **Staffordshire Pension Fund 2022 Annual Stewardship Report** (Pages 79 - 130)

   Report of the Director of Finance

Report of the Director of Finance

15. **LGPS Central Limited 2023/24 Business Plan & Budget (Exemption paragraph 3)** (Pages 341 - 360)

Verbal update from the Chair of the Pensions Committee and the Director of Finance

LGPS Central Limited 2023/24 Business Plan and Budget attached for information.

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

Notes for Members of the Press and Public

Recording by Press and Public

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

Minutes of the Pensions Committee Meeting held on 16 December 2022

Present: Mike Sutherland (Chair)

Attendance	
Philip Atkins, OBE	Bob Spencer
Mike Davies (Vice-Chair)	Stephen Sweeney
Derrick Huckfield	Michael Vaughan (Co-Optee)
Phil Jones (Co-Optee)	

Also in attendance: Rob Birch, Simon Humble and John Mayhew

PART ONE

1. Apologies: Mike Allen, Nigel Caine, Colin Greatorex, Samantha Thompson and Mike Wilcox

2. Declarations of Interest

There were no declarations of interest made on this occasion.

3. Minutes of the meeting held on 30 September 2022

Resolved: That the minutes of the meeting of the Pensions Committee held on 30 September be confirmed and signed by the Chairman.

4. Staffordshire Pension Fund Investment Cost Benchmarking 2021/22

The Committee were informed that the Staffordshire Pension Fund had taken part in an annual investment benchmarking exercise with the international company CEM Benchmarking Inc. The Fund was compared on several cost and performance metrics to a global peer group of 16 pension funds that had a median size of £7.1bn versus the Fund's £6.5bn market value. The benchmarking report provided an independent assessment of value-for-money, the results of the survey were attached at Appendix 2 of the report. It was explained that a straightforward comparison of investment returns and costs, as publicly reported by pension funds would not produce a meaningful benchmarking exercise. There are several variables which would also need to be considered to obtain a like for like comparison, such as assets under management, strategic asset allocation, implementation style, etc. The survey undertaken by CEM adjusted for these variables and provided the Pensions Committee with more clarity on investment return and cost.

The Committee received a presentation which provided more detail of the annual investment benchmarking exercise undertaken by CEM Benchmarking Inc. The presentation focussed on Cost, Performance, Risk, and Value for Money. The key take aways of the presentation were:

Cost

- The Fund's investment cost of 56.9 bps was above the benchmark cost of 52.3 bps.
- In aggregate, the Fund had a higher cost implementation style.
- In aggregate, the Fund paid less than peers for similar assets.

Cost trend

- The Fund's costs had increased from 55.8 bps in 2014/15.

Returns

- The Fund's 8-year net total return was 9.4%. This was above the LGPS median of 8.8%.
- The Fund's 8-year benchmark return was 9.4%. This was above the LGPS median of 8.7%.

Funding and Risk

- The Fund's funding level of 112% on the standard Scheme Advisory Board basis in 2019 was the same as the LGPS median of 112%.
- The Fund's strategic asset allocation suggests that it takes more risk relative to its liabilities than LGPS peers.

Value added

- The Fund's 8-year net value added was 0.0%. The LGPS median was 0.1%.
- The Fund's cumulative 8-year net value added has added £70 million to the funding level of the scheme.

Cost effectiveness / value-for-money

- The Fund's 8-year performance return placed it in the positive value added, high-cost quadrant of the Value for Money chart.

It was suggested that, as a result of the Investment Managers performance fees, the Fund was considered high cost, however, it was explained that the Fund had a belief in active management and, whilst this investment strategy had high fees, it added value to the Fund over a longer period of time. Anecdotally the Committee heard that the performance of the Fund over an eight-year period was strong compared to the 16 pension funds it was benchmarked against by CEM.

Resolved: That the information presented by CEM Benchmarking UK Ltd, provided at Appendix 2 of the report, be noted

5. Actuarial Valuation 2022 - Employer Results and Draft Funding Strategy Statement

The Committee received a presentation from Hymans Robertson (Hymans) which focussed on the results of the Actuarial Valuation of the Fund at 31 March 2022 and the impact on the contribution levels for the different types of Employers in the Fund. It also highlighted the review of the current Funding Strategy Statement (FSS) that had been undertaken as part of the 2022 Actuarial Valuation.

Employer Contribution Levels

The presentation focussed on:

- Whole Fund results
- Employer level results
- Factors causing diversity in results
    - Funding profile
    - Membership experience
    - Membership profile
    - Contributions being paid
- Specific focus on different employer groups
    - Councils, Police and Fire
        - Generally freezing rates (as % of pay) with some increases
    - Town & Parish Councils
        - Rate will drop by 3% in stabilised 1% of pay reductions each year
    - Colleges and Universities
        - Rate will move by maximum of 1% of pay each year (average. 25.7% of pay)
    - Academies
        - Rates reducing by 1% of pay p.a. for most. Option to opt out of stabilisation and see a bigger decrease at this valuation (average. 24.2% of pay)
    - Housing Associations
        - Contributions reflect own funding position as well as the risk associated with longevity
        - Consider the fact the employer may or may not be heading to cessation
        - Employers may be able to provide some form of security which gives assurance to the Fund
    - Contractors
        - Contribution reductions likely to apply (possibly £nil rate resulting)
        - If "pass through" then no change in contribution rate

Funding Strategy Statement Review

As required by Regulation, a full review of the current FSS had been undertaken as part of the 2022 Actuarial Valuation. Whilst there had been no significant changes to the funding strategy as part of the 2022 Actuarial Valuation of the Fund, the opportunity to make some changes to the FSS, recommended by the Actuary, had been taken. The new draft FSS included separate and updated policies on:

- Academy funding (Appendix E of the draft FSS);
- Passthrough arrangements for Admission Bodies (Appendix F of the draft FSS); and
- Cessations, including a revised 'risk-based' corridor approach where applicable (Appendix H of the draft FSS).

Other main changes highlighted included:

- An increase in the time horizon allowed for Academies to reach full funding (2.2 of the draft FSS). This was now in line with that of local authorities and had changed from 15 years to 20 years

- Minor changes to the passthrough admissions process (Appendix F of the draft FSS)
- the fact that climate-related risks had been considered and documented when setting the funding strategy (C3 of Appendix C of the draft FSS).

The new draft FSS was open for a period of consultation with all stakeholders and interested parties until 31 January 2023. Employers had been advised of the revised FSS when results schedules were distributed, but a reminder had been sent directly to all Employers and a further note would be included in the Employer Focus Newsletters for December and January 2023. The Committee was asked to approve that the final version of the FSS be signed off by the Director of Finance (Under the new Senior Leadership Team structure, in effect from 12 December 2022), in consultation with the Chair. Members were informed that should there be any significant changes required because of the consultation, these would be presented to the Pensions Committee for approval at the meeting on 31March 2023 before the final FSS is published.

Resolved: a. That the content of the presentation from Hymans Robertson, attached at Appendix 2 of the report, outlining the results of the Actuarial Valuation of the Fund at 31 March 2022, and its impact on the contribution levels for the different groups of Employers in the Fund, be noted.

b. That the draft Funding Strategy Statement (FSS), attached as Appendix 3 of the report, and the revisions to the format and content of the FSS, outlined in this report and referred to by Hymans in their presentation, be noted.

c. That it be agreed that, subject to there being no significant comments received as part of the consultation with stakeholders, the Final version of the FSS be signed off by the Director of Finance (Under the new Senior Leadership Team structure, in effect from 12 December 2022), in consultation with the Chair.

6. Staffordshire Pension Fund Draft Annual Report and Accounts for the year ended 31 March 2022

Members were reminded that the audit of the Fund’s 2020/21 accounts was substantially complete but could not be formally concluded because the Fund accounts were included within the wider County Council Statement of Accounts for 2020/21, which were yet to be finalised.

Members were informed that the audit of the Fund’s2021/22 accounts was also substantially complete, however, the external audit of the County Council’s Statement of Accounts for 2021/22 had also not been completed before the deadline of 30 November 2022. The Fund would only receive its concluding Audit Results Report when the County Council’s Statement of Accounts for 2021/22 were finalised and the external audit could be completed. It was hoped that this would be received in time to be presented to the 31 March 2023 Pensions Committee.

The statutory deadline for Pension Fund’s to publish Annual Reports and Accounts is the 1 December each year. Although the Fund’s accounts had not yet been formally signed off for 2021/22, the draft versions had been published on the Fund’s website. When the 2021/22 audit process concludes an Independent Auditor’s Statement would need to be included in the Fund's Annual Report and Accounts before they were finalised. Once this Statement has been included, and any remaining drafting issues have been corrected, a final version of the Annual Report and Accounts for both 2020/21 and 2021/22 would be presented to the Chair of the Pensions Committee for final sign off. Following this they would be published on the Fund's website.

Resolved: a. That the delayed conclusion of the external audit of the Staffordshire Pension Fund Accounts for 2020/21, be noted.

b. That the publication of the Staffordshire Pension Fund Draft Annual Report and Accounts for 2021/22, be noted.

7. 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.

8. Exempt minutes of the meeting held on 30 September 2022 (Exemption paragraph 3)

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

10. LGPS Central and Pooling Update (Exemption paragraph 3)

Chairman

Minutes of the Pensions Panel Meeting held on 6 December 2022

Present: Mike Sutherland (Chair)

Attendance	
Philip Atkins, OBE	Colin Greatorex
Mike Davies	

Also in attendance: Corrina Bradley (Employer Representative), Iain Campbell (Hymans Robertson) and Philip Pearson (Hymans Robertson)

Apologies: Carolan Dobson and Stephen Sweeney

PART ONE

72. Declarations of Interest

There were no declarations of interest on this occasion.

73. Minutes of meeting held on 6 September 2022

Resolved – that the minutes of the meeting of the Pensions Panel held on 6 September 2022 be confirmed and signed by the Chairman.

74. Dates of future meetings

Tuesday 7 March 2023 – 9.30am at County Buildings, Stafford.

75. Staffordshire Pension Fund Performance and Portfolio of Investments at 30 September 2022

The Deputy Chief Executive and Director for Corporate Services submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments as at 30 September 2022.

Financial markets were reported to have recently stabilised following intervention by the Bank of England early in the quarter to address volatility caused by the mini budget.

The Fund was valued at £6.3 billion as at 30 September 2022, having outperformed its Strategic Asset Allocation benchmark by 1% over the quarter. Members acknowledged the likelihood of more volatile market conditions in the foreseeable future, expressing the view that a policy of diversification had placed the Fund in a strong position to withstand future pressures.

Resolved – That the Pension Fund investment performance and the portfolio of investments for the quarter ended 30 September 2022 be noted.

76. Responsible Investment & Engagement (RI&E) Report Quarter 2 2022/23

The Panel received a summary of Investment Managers' activity during Quarter 2 in fulfilment of their corporate governance and socially responsible investment obligations. The report was accompanied by the Climate Stewardship Plan 2022/23, the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report and the LGPS Central Quarterly Stewardship Update.

Members were reminded of arrangements to hold a special meeting of the Panel on 14 February 2023 to focus solely on Responsible Investment.

Resolved – that the Quarter 2 update be noted and Responsible Investment be discussed in depth at the special Panel meeting.

77. 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 of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

The Panel then proceeded to consider reports on the following issues:

78. Exempt Minutes of the Meeting held on 6 September 2022 (Exemption paragraph 3)

79. Staffordshire Pension Fund Performance and Manager monitoring for the quarter ended 30 September 2022 (Exemption Paragraph 3)

80. Strategic Asset Allocation Review and Monitoring (Exemption Paragraph 3)

a) Economic and Market Update

b) Review of position at 30 September 2022

c) Equity Portfolio Review

81. Infrastructure (Exemption Paragraph 3)

Chair

Minutes of the Pensions Panel Meeting held on 7 March 2023

Present: Mike Sutherland (Chair)

Attendance	
Mike Davies	Colin Greatorex

Also in attendance:

Apologies: Philip Atkins, OBE and Stephen Sweeney

PART ONE

82. Declarations of Interest

There were no declarations of interest made on this occasion.

83. Minutes of meeting held on 6 December 2022

Resolved – That the minutes of the Meeting of the Pensions Panel held on 6 December 2022 be confirmed and signed by the Chairman.

84. Dates of Future Meetings

- Tuesday 6 June 2023
- Tuesday 5 September 2023
- Tuesday 5 December 2023

All meetings scheduled to start at 9.30am at County Buildings, Stafford unless indicated otherwise.

85. Annual Investment Strategy for Pension Fund Cash 2023/24

The Panel received a report of the Director of Finance seeking approval to the Staffordshire Pension Fund's ('the Fund'), Annual Investment Strategy (AIS) for the investment of internally managed cash.

Panel members were reminded that the Fund held a small strategic asset allocation to cash of 1.0%. This recognised that cash balances were needed for the day-to-day management of the Fund. The cash was managed by Officers in the County Council's Treasury and Pension Fund Team, to provide liquidity and pay bills as they arose. The management of this cash remained with the Fund and would not be transferred to LGPS Central Limited, under the LGPS pooling agenda.

It was noted that most of the cash was invested in Money Market Funds (MMF), which were classed as standard investments. The Fund followed the same principles as the County Council's Treasury Strategy, and it was highlighted that the Fund could invest with the UK Government, primarily through other local authorities if needed and with the Fund's banking provider, which was currently Lloyds bank. The maximum investment limit for each category of Standard Investment was detailed in Appendix 2 to the report, but was summarised as follows:

- Short-term MMFs – by default, these were already invested across a large number of counterparties. The limit set reflected this and was set at £40 million per MMF.
- UK Government –investment limit was unlimited in totality, but a maximum lending limit of £10 million per individual local authority had been introduced.
- The Fund's banking provider – a limit of £10 million has been set.

The Fund's approved Lending List was noted and provided at Appendix 2 to the report.

To allow for the practical management of operational treasury transactions each day, the choice over investments made was delegated to the Director of Finance as Chair of the Treasury Management Panel and Treasury & Pension Fund Officers.

In response to a query relating to the length of the relationship with Lloyds Bank and whether this was ever reviewed, it was confirmed that the contract with Lloyds Bank started in 2014 and had recently been reviewed and renewed in 2022 for a further seven years, with the option to extend for a further three years. It was confirmed that the Fund was satisfied with the service that was being provided.

Resolved: That the Staffordshire Pension Fund's Annual Investment Strategy for the investment of internally managed cash in 2022/23, be approved.

86. Pension Fund Performance and Portfolio of Investments as at 31 December 2022

The Director of Finance submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments, as at 31 December 2022.

The Panel were informed that the 2022/23 Quarter 3 performance had been pleasing. The Fund had a market value of £6.4 billion, an increase of £0.1 billion. Performance of the Fund was at 2.0%, outperforming the benchmark by 1.7%. UK Equity Markets performed well in the quarter off the back of a volatile year. However, property and fixed income had suffered because of the increase in interest rates. The portfolio of investments was included at Appendix 1 to the report.

It was noted, that taking into account the market volatility in 2022, and the impact of the conflict in Ukraine, the hard work undertaken by the Officers and Committee over the years to maintain the balance and performance of the portfolio was to be commended.

Resolved: That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 December 2022 be noted.

87. Responsible Investment & Engagement (RI&E) Quarterly Report

The Director of Finance submitted the Responsible Investment and Engagement Report to the Panel, which included the Climate Stewardship Plan for 2022/23 and the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report.

The Panel heard that Fund officers had been working towards finalising the UK Stewardship Code Compliance Statement. This was to be presented for approval at the Pensions Committee meeting due to be held on the 31 March 2023, with a view to submitting the final document to the Financial Reporting Council (FRC) once approval had been received.

The Panel was informed that the quarterly report normally received from LGPS Central would be included as part of their own submission of the UK Stewardship Code Compliance Statement to the FRC and this would be brought to the Pensions Panel meeting due to take place in June 2023.

As part of the annual Climate Stewardship Plan work, officers were tasked with engaging with nine companies that were identified as being responsible for the majority of the Fund's climate related risk. To date eight of the nine companies had been engaged with and details of the engagement that had been carried out was presented in Appendix 1 to the report. Efforts continued to be made to engage with the outstanding company and more details would be brought back to a future Pensions Panel meeting. Similar work had been undertaken with the Portfolio Managers, but it was explained why it was more difficult to engage with certain managers although efforts were still being made to do so. Members heard that a meeting had been scheduled to take place between the Fund and several of its equity managers in May 2023, where climate risk would be discussed.

The Director presented the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report. Key areas highlighted included the engagement around Human Rights and the complexities experienced, specifically when attempting to engage with various large organisations, most notably BHP and Vale. Reference was also made to the article relating to Drax Group plc, which ran the UK's largest power plant, specifically around its business model where, instead of coal, the plant burns imported wood pellets, creating concerns about sustainability flow and the removal of a near-term living carbon sink. This example was cited in contrast to the use of pellets made from waste products, used by a company in which one of the Fund's sustainable infrastructure managers had recently invested. Pensions Panel Members were encouraged to read the report as it highlighted the good work LAPFF continues to do in engaging with organisations on behalf of its members.

The Panel noted the value of the co-ordination of organisations such as LGPS Central and LAPFF, as the influence that could be generated by a larger voice was considered very useful. It was noted that LAPFF focussed on the themes of Human Rights and Climate Change, and it was suggested that some influence could be put on LGPS Central to concentrate on themes that are important to the Fund. The Panel was informed that LGPS Central already included Climate Change and Human Rights in its stewardship themes prioritised for engagement. It was explained that LGPS Central engaged with its Partner Funds when deciding upon future themes and it was confirmed that Panel members could be asked to provide input to this request in the future.

The Chair gave a brief update on the annual Responsible Investment Conference which took place in Bournemouth. This covered a wide range of ESG topics but had a particular focus on Human Rights and Climate Change. It was suggested that this was a worthwhile and engaging conference, which included some interesting panel debates.

Resolved: That the content of the Responsible Investment and Engagement report, including the Climate Stewardship Plan for 2022/23 (Appendix 1) and the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2), be noted.

88. Investment Strategy Statement

The Director of Finance provided the draft Investment Strategy Statement (ISS) to the Pensions Panel.

The Panel heard that the ISS had been reviewed and updated under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which required the ISS to be reviewed and updated at least every three years. The ISS was currently in draft format, but it was expected that it would be formally implemented from the 1 April 2023, pending approval from both the Pensions Panel and Pensions Committee. Pensions Panel Members were asked to note that the document may need further revision following the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) formal consultation on the Statutory Guidance on Asset Pooling in the LGPS; expected sometime in early 2023.

The April 2023 version of the ISS, attached at Appendix 2 to the report, contained revisions which reflected the outcomes from the 2022 Strategic Asset Allocation review and 2022 Actuarial Valuation. The April 2023 ISS also included information about the arrangements for the Fund’s transfer of assets into LGPS Central and details on the Fund’s Climate Change Strategy.

In response to a question relating to the fact the Fund was currently 120% funded, yet some Employers were still paying relatively high contribution rates, and whether there was a case for Employer contribution rates to be lower; it was clarified that feedback received from Employers during the development of the Actuarial Valuation suggested that they appreciated stability. Whilst there may have been an opportunity to reduce contribution rates, it would not have been by much and may have caused an issue for Employers in the future, should there be a need to increase contribution rates at the next valuation.

In response to a query asking at what level the Fund would have to be funded before a change would be made, it was explained that the valuation process takes place every three years to allow for this type of review to be considered and discussed so that changes can be made if deemed appropriate from an actuarial perspective.

Resolved: a. That the updated Staffordshire Pension Fund Investment Strategy Statement be approved, and that further approval of such be sought from the Pensions Committee.

b. That the potential requirement for further updates to the Investment Strategy Statement once the outcome of the Department for Levelling Up, Housing and Communities formal consultation on the Statutory Guidance on Asset Pooling in the LGPS is known, be noted.

89. 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 of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

The Panel then proceeded to consider reports on the following issues:

90. Exempt Minutes of the Meeting held on 6 December 2022
(Exemption paragraph 3)

91. Independent Advisors - Verbal update
(Exemption paragraph 3)

92. Pension Fund Performance and Manager Monitoring for the quarter ended 31 December 2022
(Exemption paragraph 3)

93. Economic and market update
(Exemption paragraph 3)

94. Strategic Asset Allocation - Implementation Update
(Exemption paragraph 3)

95. Strategic Asset Allocation – Quarterly update (Exemption paragraph 3)

96. Property update (Exemption paragraph 3)

a) Property update

b) Confirmation of action taken by the Director of finance

Chair

Item no 5 on Agenda

PENSIONS COMMITTEE – 31 MARCH 2023

Report of the Director of Finance

Staffordshire Pension Fund Climate Change Strategy

Recommendation of the Chair

1. That the Pensions Committee notes the contents of;

   (i) the presentation from LGPS Central Limited on the 2022 Staffordshire Pension Fund Climate Risk Report (Appendix 1);

   (ii) the Task Force for Climate Related Disclosures (TCFD) Report (Appendix 2);

   (iii) the Climate Change Strategy (Appendix 3); and

   (iv) the Staffordshire Pension Fund's Climate Stewardship Plan 2023/24 (Appendix 4).

Climate Risk Report 2022

2. The Responsible Investment and Engagement (RI&E) Team at LGPS Central Limited produce Climate Risk Reports for each of the pool's 8 Partner Funds. Attached at Appendix 1 is a presentation from LGPS Central on the key findings and recommendations from Staffordshire Pension Fund's third Climate Risk Report, based on data at 30 September 2022. Given the length of the document, the full report is not included in the meeting papers but is available to view on request.

3. Using the best available techniques, the purpose of the Climate Risk Report is to provide the Fund with an assessment of material financial risks related to climate change, and to identify the most effective means to manage these risks. The 2022 Climate Risk Report also looks back at the progress the Fund has made on climate related issues since the Fund's first Climate Risk Report in 2020 and makes several recommendations for the Fund to consider going forwards.

4. The 2022 Climate Risk Report includes updated information on the carbon intensity of the Fund's listed equity and bond portfolios. The report highlights that the Fund's Strategic Asset Allocation (SAA) at 30 September 2022 was 19.56% less carbon intensive than the benchmark. This is a significant reduction from the 3.8% above benchmark carbon intensity at 31 March 2020, which was reported in the Fund's first Climate Risk Report.

5. The 2022 Climate Risk Report also contains a section on Climate Scenario Analysis which estimates the effect on key financial parameters (such as risk and return) that could result from plausible alternative climate scenarios. This is an update to the Climate Scenario Analysis that was included in the 2020 Climate Risk Report, where three climate related scenarios (i.e., global temperature increases of +2, +3 and +4 degrees Celsius from the pre-industrial age) were modelled at three specific points in the future (2030, 2050 and 2100). The 2022 Climate Scenario Analysis has been constructed using the latest climate research and differs in that it explores three scenarios (rapid transition, orderly transition, and failed transition) over 5 to 40 years, considering two key risks; transition risk and physical risk.

6. LGPS Central Limited have been invited to attend the Committee meeting to present on the Fund's 2022 Climate Risk Report. Their presentation is included at Appendix 1 for information.

Task Force on Climate Related Financial Disclosures (TCFD) Report

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

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

9. The Fund's Climate Risk Reports are consistent with the disclosures required by the Taskforce on Climate-Related Financial Disclosures (TCFD) and this has enabled the Fund to report in line with the TCFD Framework, which is likely to become compulsory for all LGPS Funds soon. The Fund's latest TCFD Report, which presents the latest Carbon Risk Metrics Analysis, is attached at Appendix 2. The TCFD report also describes the way in which climate-related risks are currently managed by the Fund.

Climate Change Strategy

10. The Staffordshire Pension Fund's Climate Change Strategy (CCS) sets out the Fund's approach to managing the risks and opportunities presented by climate change and was approved by the Pensions Committee at its meeting on 11 February 2022.

11. The overarching aim of the Fund's CCS is to achieve a portfolio of assets with net zero carbon emissions by 2050. To achieve this, the Fund identified several key steps it must take, these are listed below, with further detail in the CCS presented as Appendix 3:

- <u>Integrate climate change considerations</u> into the complete investment process through the selection, due diligence, monitoring and stewardship of assets, either directly or through the Fund's appointed investment managers, with the aim of decarbonising the entire investment portfolio.

- <u>Access the best possible climate change data available</u>, to be able to assess climate risks and opportunities. This will enable the Fund to make the best possible decisions and understand the impact of climate change on its Funding and Investment Strategies.

- <u>Work collaboratively with other investors</u> and organisations, to improve the quality, relevance and availability of climate-related data and encourage alignment with the 2015 Paris agreement.

12. With 2050 being a number of years away; to guide and monitor the Fund's decarbonisation journey, a series of 2030 targets were set which use the agreed position of 31 March 2020 as a baseline.

13. The CCS included at Appendix 3 has no structural changes from the original version approved in February 2022 but has been updated with the latest performance against the 2030 targets. This is based on data from the 2022 Climate Risk Report and demonstrates the good progress to date against the 2030 targets, detailed in the following table:

2030 Climate Target	September 2022 level	Change from March 2020 (absolute/relative)
Reduce the Weighted Average Carbon Intensity (WACI)* of the Fund by 50-60% by 2030.	**WACI* 122.72**	**-53.79 WACI* / -30.47%**
Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.	**6.24%**	**-0.15% / -2.42%**
Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.	**1.72%**	**0.89% / -34.08%**
Increase the proportion of investments where carbon metrics are reported to over 95% by 2030.**	**70.79%**	**1.59% / 2.30%**

*WACI (tCO2e/USDm revenue) is calculated by the division of the number of tons of Carbon Dioxide emitted, by the amount of US Dollar revenue (in millions) generated.
**where climate data is captured, calculated, and provided by the investee companies/managers, rather than estimated by the Fund/data provider.

14. As with the Fund's Funding and Investment Strategy Statements, the CCS is the responsibility of the Pensions Committee. The Committee agreed at their meeting in February 2022, to commit to review the CCS at least every three years; next review due in 2025. However, given the importance of climate change and the availability of data provided in the Fund's annual Climate Risk Report from LGPS Central, the opportunity to update the CCS can be taken on an annual basis.

Climate Stewardship Plan 2023/24

15. Based on the analysis in the Climate Risk Reports, the Climate Stewardship Plan aims to focus the Fund's engagement on the investments in companies which have the most impact on the Fund's climate risk metrics. The companies recommended for engaging with, via the Fund's external partners (e.g., the Fund's investment managers, LGPS Central or the Local Authority Pension Fund Forum (LAPFF)), were identified based on the following factors:

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

16. The Fund's Climate Risk Report for 2022 contained recommendations to update the Fund's current Climate Stewardship Plan, with the addition of one utility company. The Climate Stewardship Plan 2023/24 is presented at Appendix 4.

17. The Fund's Climate Stewardship Plan includes the overarching aim of engaging with the companies in question, to emphasise the importance with which the Fund views the risks of climate change and at the same time to

lower the Funds exposure to climate risk. The Climate Stewardship Plan is a live working document which is updated as engagement with companies occurs, via the Fund's external partners. This activity will continue to be reported quarterly to the Pensions Panel, as part of the Responsible Investment and Engagement Report.

Rob Salmon
Director of Finance

Contact:	Melanie Stokes, Assistant Director for Treasury & Pensions Tim Byford, Strategic Investment Manager
Telephone	(01785) 276330 / 278196

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

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

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

Risk implications: The risk climate change poses to the Fund's investments and the action being taken to manage this risk is discussed throughout the report.

Climate Change implications: These implications of climate change are covered in the report.

Health Impact Assessment Screening: There are no direct implications arising from this report.

SPF Climate Risk Report 2022

LGPS Central Limited

PRESENTED BY

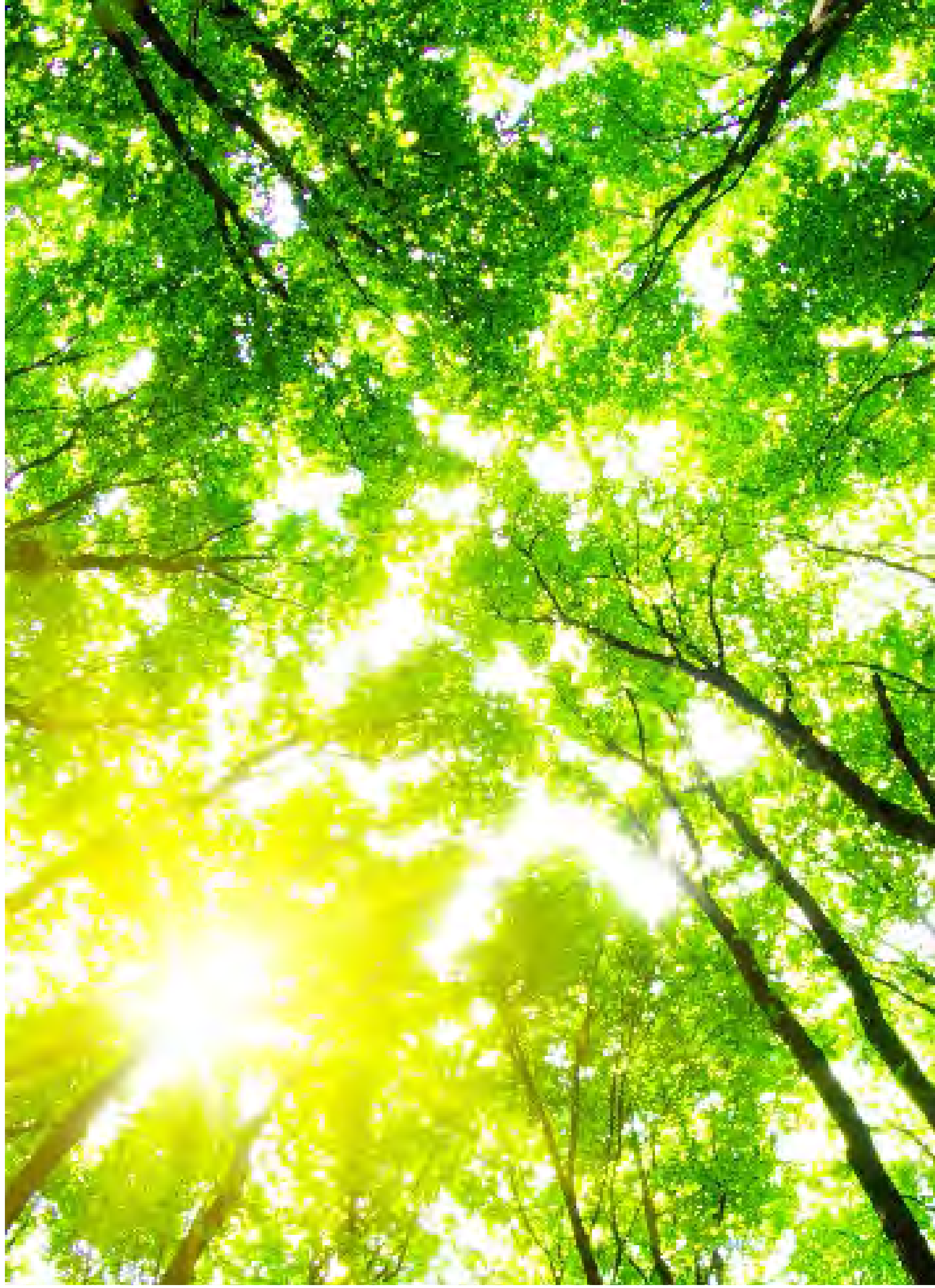
Basyar Salleh

RI&E Manager

Alex Galbraith

RI&E Junior Analyst

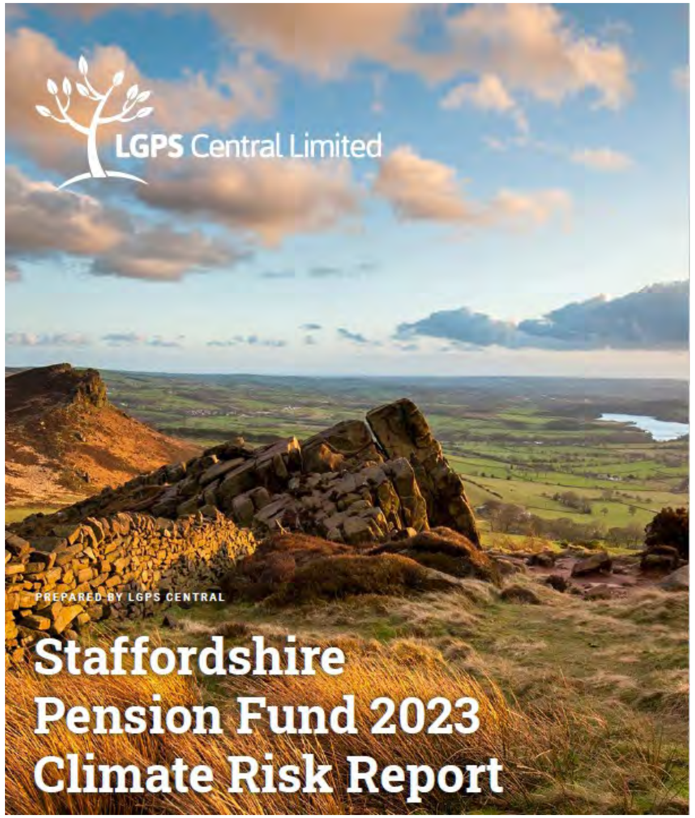
31st March 2023



Purpose of the Presentation

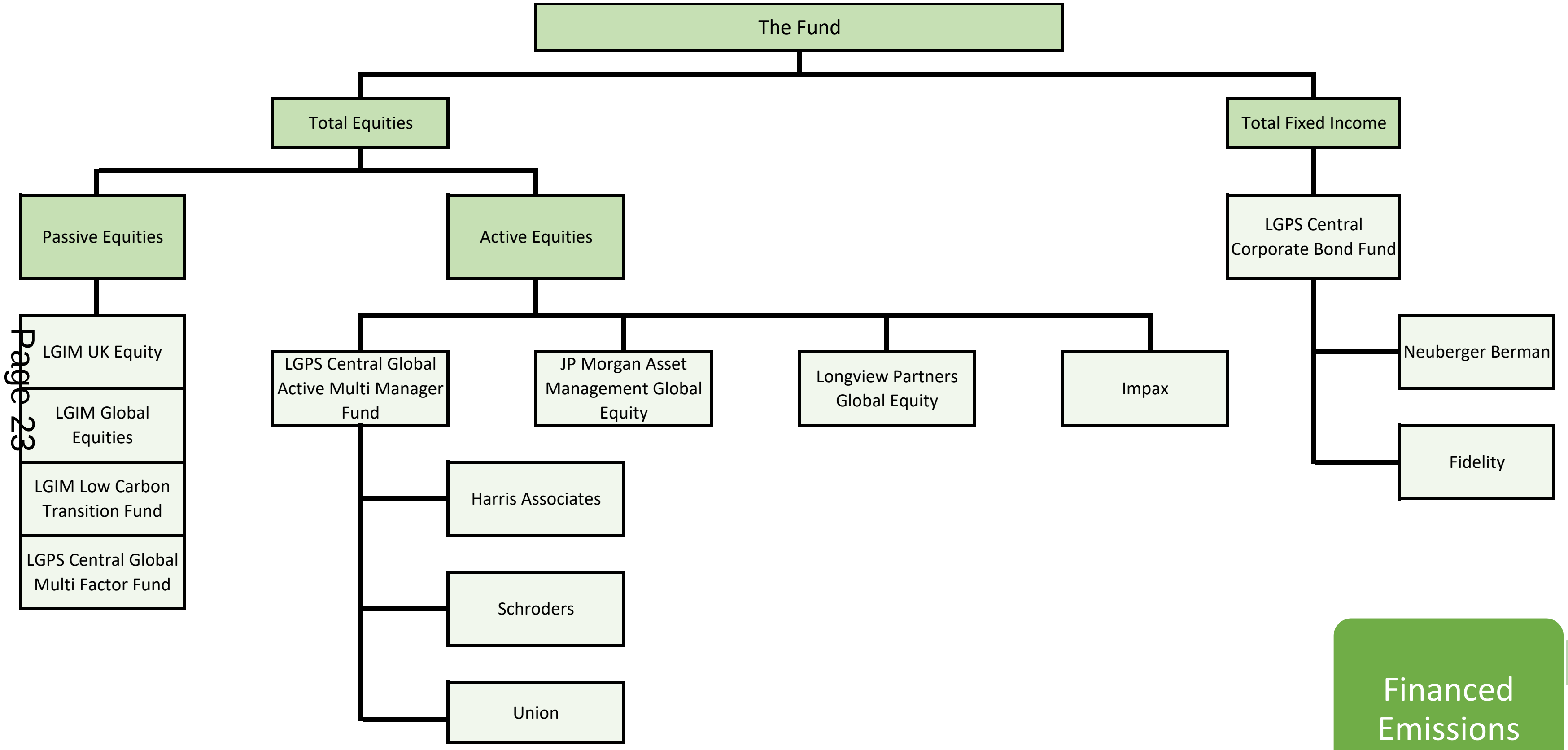
LGPS Central Limited

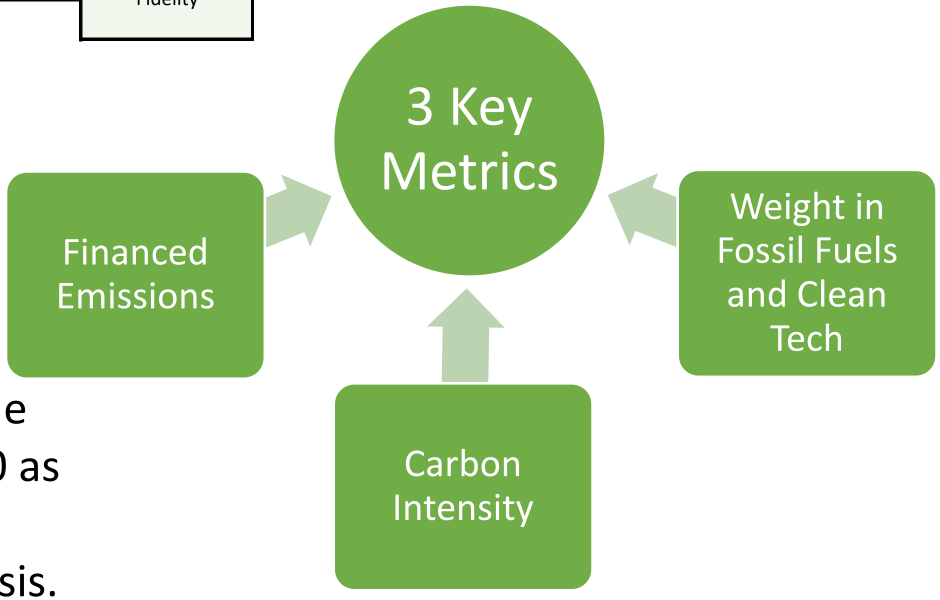
- To support the 2023 Climate Risk Report, which:
  - assesses the Fund's exposure to climate-related risks and opportunities
  - allows the Fund to identify further means to manage its material climate risks
- To highlight the report's key findings
- To provide an overview of the Fund's progress in managing climate risk



Staffordshire Pension Fund: Holdings, Metrics & Analysis

LGPS Central Limited

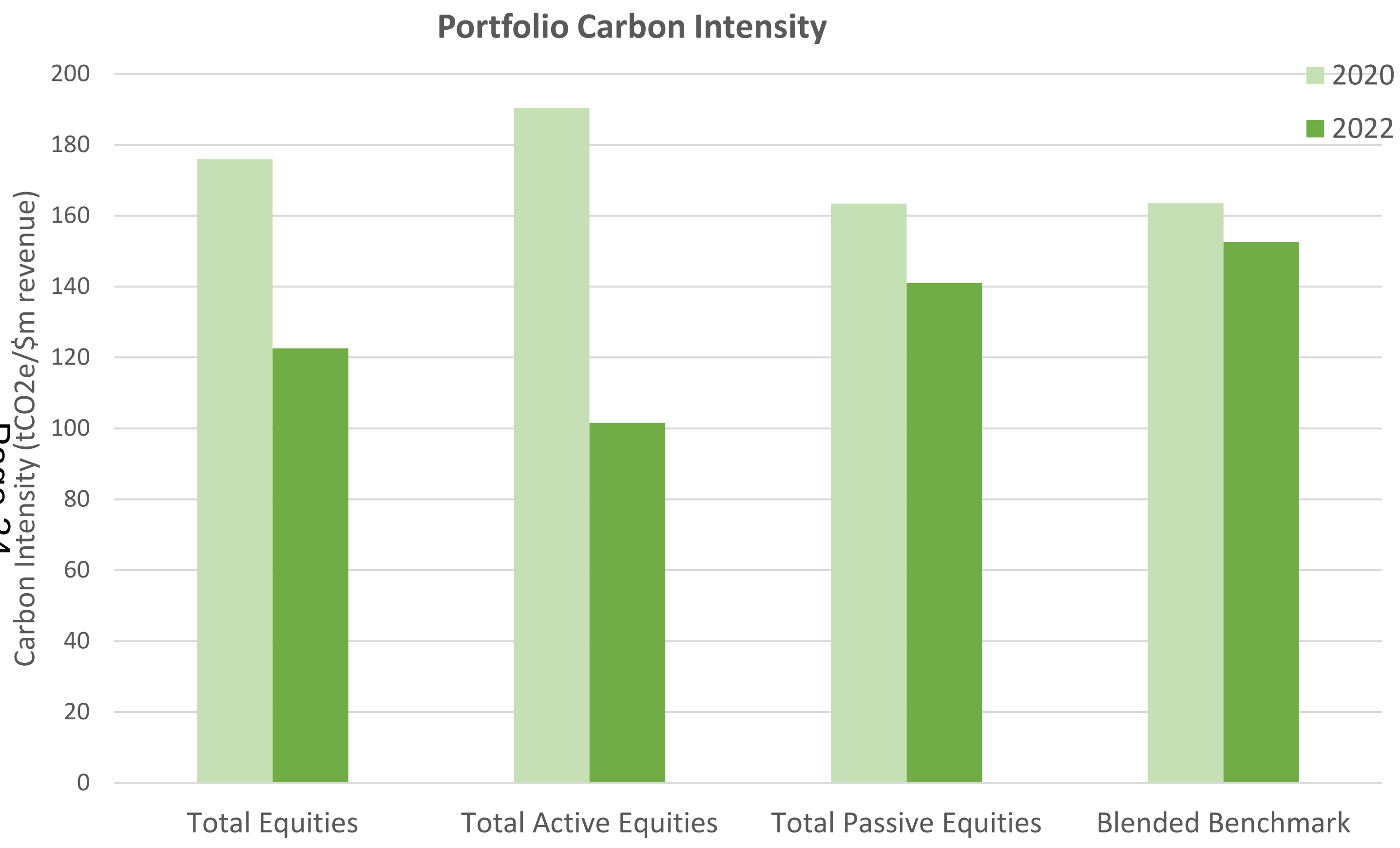




- Analysis examines the Total Equities and Fixed Income portfolios as of the 30th of September 2022 using the portfolios as of the 31st of March 2020 as a baseline.
- This presentation will focus on the findings from the Total Equities analysis.

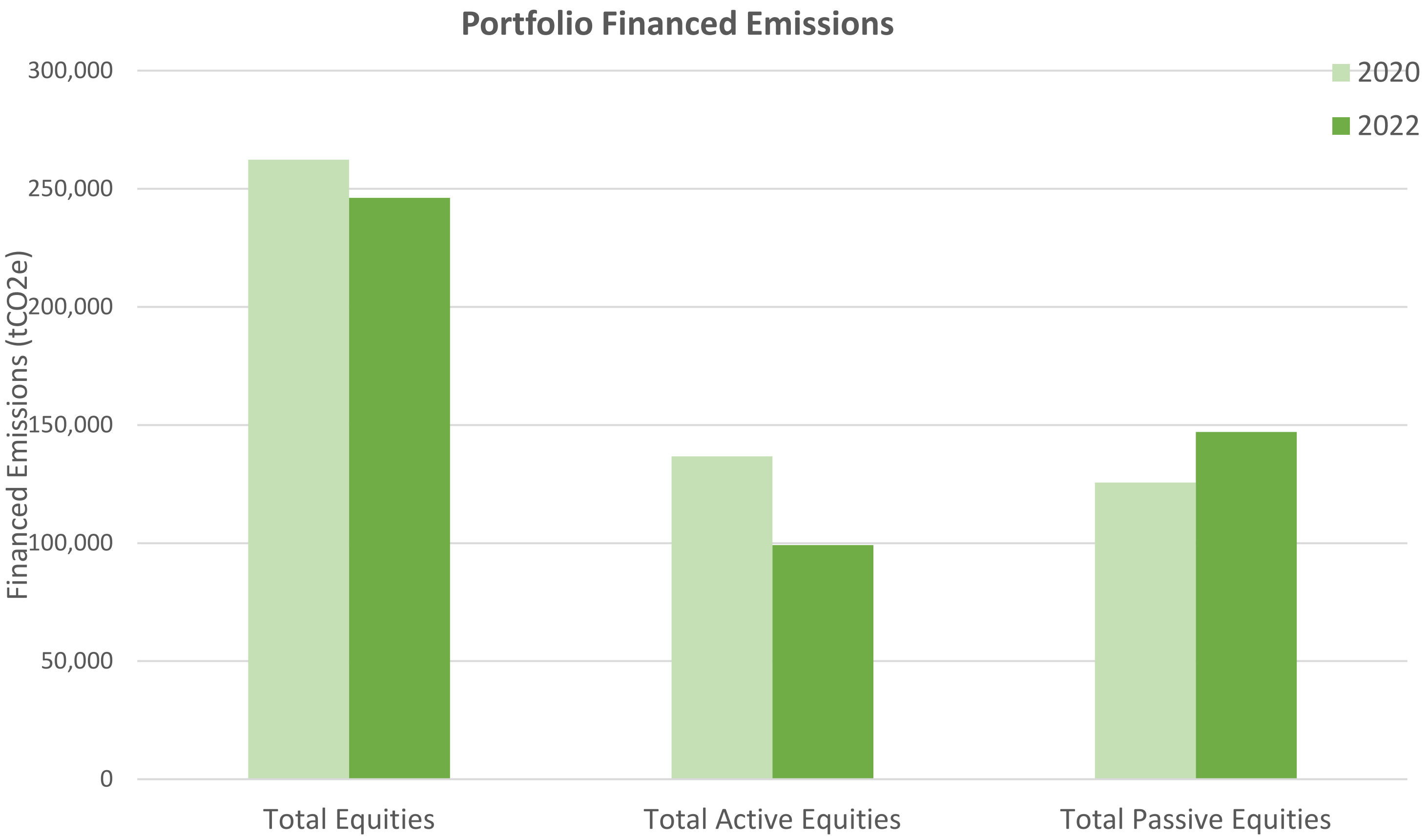
Carbon Intensity

LGPS Central Limited



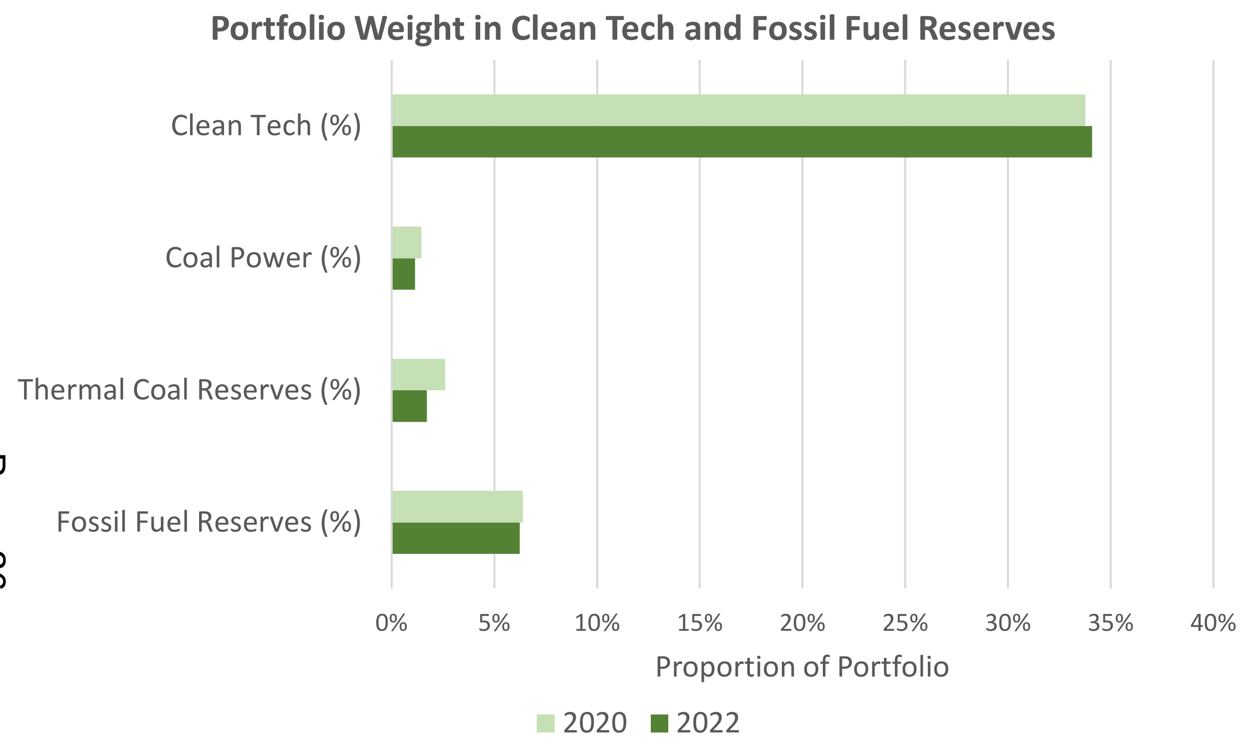
- The carbon intensity of the Fund's Total Equities decreased by 30.5% between 2020 and 2022.
- The Total Equities portfolio is now 19.6% more carbon efficient than the blended benchmark.
- This improvement is associated with the portfolio changes made between 2020 and 2022, as well as the significant decrease in carbon intensity of the Active Equities portfolio.

Financed Emissions



- The financed emissions of the Total Equities portfolio decreased by 6.1%, despite AUM increasing by 41.8%.
- This decrease is again driven by the changes made to the portfolio between 2020 and 2022 as well as the significant decrease in the Active Equities carbon intensity.

Weight in Clean Tech and Fossil Fuel Reserves



- The Total Equities portfolio exposure to coal power, thermal coal reserves and fossil fuel reserves decreased by 0.7%, 0.6% and 2.3%.
- The portfolio's exposure to clean technology increased by 0.3%.

Net Zero Pledges	2022
Proportion of Total Equities	61.6%
Proportion of Companies in Material Sectors	64.6%
Proportion Financed Emissions	76.2%

N.B. The Net Zero Pledge is sourced from three data sources, MSCI, CA100+ and CDP.

Top 5 Contributors

LGPS Central Limited

Company	Portfolio Weight	Contribution to Portfolio Carbon Footprint
Nextera Energy	0.34%	6.78%
Linde	0.58%	6.39%
RWE	0.18%	4.85%
Holcim	0.10%	3.42%
Shell	0.92%	2.89%

Company	Portfolio Weight	Contribution to Portfolio Financed Emissions
RWE	0.18%	11.13%
Shell	0.92%	7.46%
Holcim	0.10%	4.97%
Exxon Mobil	0.38%	2.86%
CRH	0.19%	2.83%

- Four of the top five contributors to the portfolio's carbon intensity are currently in the Climate Stewardship Plan.
- Three of the top five contributors to the portfolio's financed emissions are currently in the Climate Stewardship Plan.
- RWE is not currently included, but is a recommended new addition to the plan as it is a top five contributor to both the total equities carbon intensity and financed emissions.

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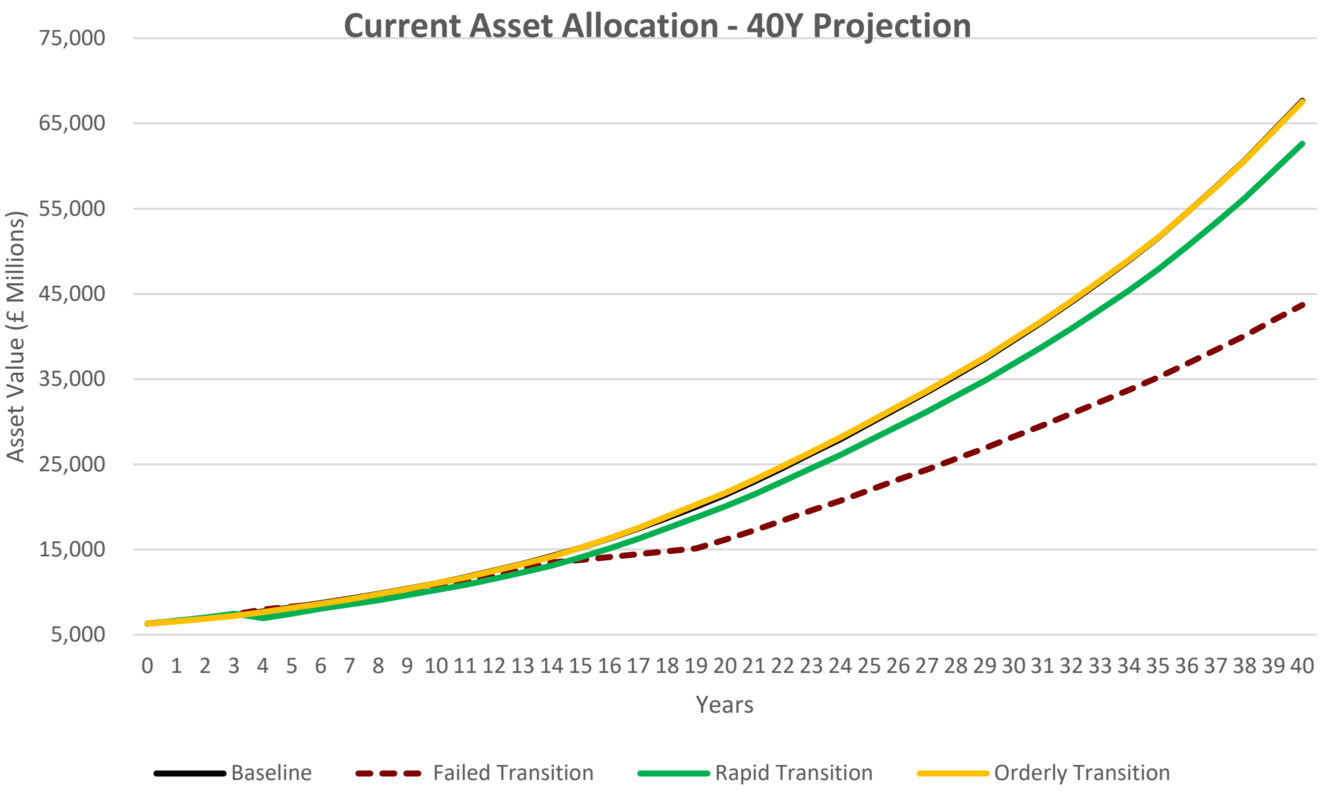
Climate Scenario Analysis



Key Conclusion One: A successful transition is imperative

Key Conclusion Two: Sustainable allocations protect against transition risk, Growth Assets are highly vulnerable to physical risk

Key Conclusion Three: Monitor sector and regional exposures

Key Conclusion Four: Be aware of future pricing shocks

Climate Stewardship Plan

- During June 2021, Staffordshire Pension Fund published their first Climate Stewardship plan.
- The Plan identifies areas in which stewardship techniques can be leveraged to further understand and manage climate risk
- The Plan identifies a focus list of companies for prioritised engagement
- These companies are engaged by the Fund's portfolio managers including LGPS Central through EOS and Climate Action 100+ on behalf of the Fund

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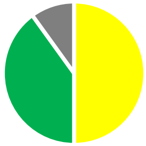
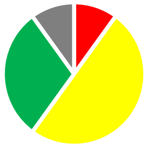
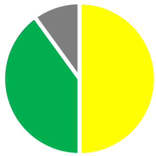
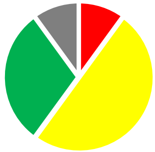
Climate Stewardship Plan

LGPS Central Limited

Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
BP	Energy		Direct engagement by LGIM, CA100+ collaborative engagement, and engagement through EOS	• Achievement of the high-level objectives of the CA100+ initiative • To duly account for climate risks in financial reporting	4*	Not Aligned	National Pledges	1.5 Degrees
CRH	Materials		Engagement by LGIM and CA100+ collaborative engagement with EOS as co-lead	• Improved disclosure around its membership and involvement in trade associations engaged in climate issues • More robust reporting of Scope 1, 2 and 3 emissions • Increased development of activities focusing on low-carbon cement solutions	4	Below 2 Degrees	1.5 Degrees	1.5 Degrees
Glencore	Materials		Engagement by LGPSC as co-lead for the CA100+ Glencore Focus group. Engagement by LGIM.	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark.	4	1.5 Degrees	Below 2 Degrees	National Pledges
Holcim	Materials		Collaborative engagement by the CA100+ focus group and through the Pairs-aligned financial accounting investor initiative.	• Paris-aligned accounts in line with Institutional Investor Group on Climate Change's (IIGCC) investor expectations • Achievement of the high-level objectives of the CA100+ initiative	4	Below 2 Degrees	Below 2 Degrees	1.5 Degrees

■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed

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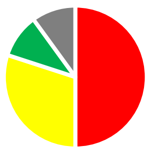
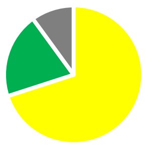
Climate Stewardship Plan

Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
Linde	Chemicals	N/A	Engagement by LGIM and collaborative engagement with EOS as co-lead	• Improve transparency on company's chemical production disclosure. • Take a leadership role in leadership role in phasing out the most persistent chemicals and publish a time-bound commitment to do so	3	N/A	N/A	N/A
NextEra	Energy		CA100+ collaborative engagement with LGPSC in the focus group	• Net Zero GHG emissions by 2050 or sooner ambition • Capital allocation alignment with the Paris Agreement • Commitment to clear medium- and long-term GHG reduction targets	3	1.5 Degrees	National Pledges	National Pledges
Rio Tinto	Mining		Direct engagement by LGIM and collaborative engagement by CA100+	• Achievement of the high-level objectives of the CA100+ initiative	4	Paris Pledges	Paris Pledges	Below 2 Degrees

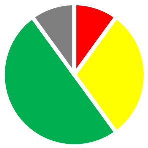
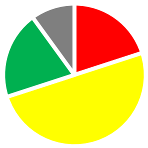
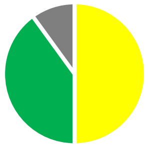
■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed

N.B. "Climate Action 100+ engagement focuses on 166 companies that are critical to the net-zero emissions transition."

"TPI selects sectors based primarily on their contribution to global greenhouse gas emissions and therefore climate change. Within each sector, we focus on the largest public companies by market value".

Due to the methodologies of Climate Action 100+ and TPI, Linde is not included/assessed by Climate Action 100+ or TPI's Carbon Performance.

Climate Stewardship Plan

Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
Shell	Energy		Engagement by LGIM, CA100+ collaborative engagement with LGPSC involved in the focus group	• To set and publish targets that are aligned with the goal of the Paris Agreement • To fully reflect its net-zero ambition in its operational plans and budgets • To set a transparent strategy for achieving net-zero emissions by 2050	4	Not Aligned	Below 2 Degrees	1.5 Degrees
The Southern Company	Energy		CA100+ collaborative engagement and direct engagement by EOS	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework	3	Not Aligned	Not Aligned	Below 2 Degrees
RWE	Energy		Direct engagement by LGIM, collaborative engagement by CA100+ and engagement through EOS	• Achievement of the high-level objectives of the CA100+ initiative • Improve the ambition of short term and medium term targets to be 1.5 degree aligned	3	Not Aligned	National Pledges	1.5 Degrees

■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed

N.B. RWE is a new addition to the CSP following the recommendation to include the company in the Climate Risk Review.

Conclusions

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The Fund has made significant progress in its responsible investment and climate change practice

Key Recommendations for SPF

- Continue with the development of the net zero strategy
- Continue to report against the TCFD Recommendations
- Work with fund managers to understand how they are assessing, monitoring and mitigating key climate change risks
- Repeat the Carbon Risk Metrics annually and the Climate Scenario Analysis every 2-3 years

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All information is prepared as of 10th November 2022.

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“One Central team, working in partnership to invest with purpose and deliver superior returns”

Staffordshire Pension Fund
Local Government Pension Scheme

Staffordshire Pension Fund Climate-Related Disclosures

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

March 2023

Introduction to the TCFD

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

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

Figure 1: TCFD Disclosure Pillars

Staffordshire Pension Fund ('the Fund') supports the TCFD recommendations as the optimal framework to describe and communicate the steps taken to manage climate-related risks and incorporate climate risk management into the investment process. As a Pension Fund, the Fund is a long-term investor with investments diversified across asset classes, regions, and sectors, making it a "universal owner". It is in the best interests of the Fund that the market can effectively price climate-related risks and that policy makers are able to address market failure. The Fund believes that TCFD-aligned disclosure from asset owners, asset managers, and corporates, is also in the best interest of our beneficiaries.

About this report

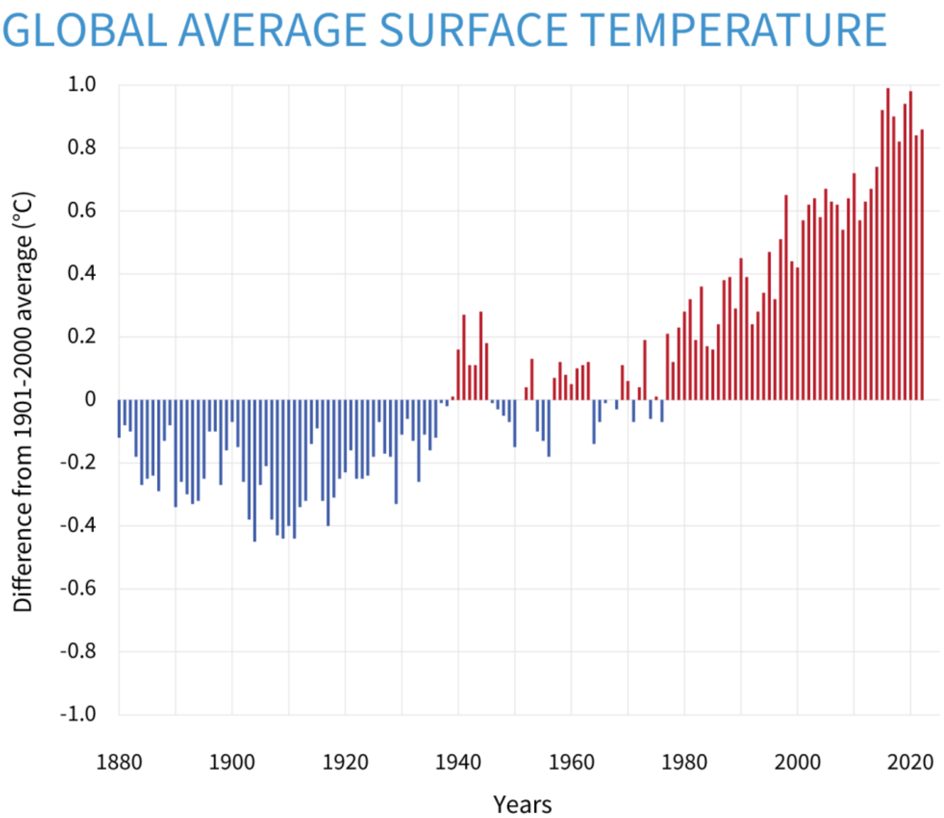
This report is the Fund's third Climate-Related Disclosures report and is published in conjunction with the Fund's Climate Change Strategy (CCS). Both documents draw from the findings of the Fund's Climate Risk Report in 2022, where an in-depth review of the Fund's climate risks under different climate change scenarios was undertaken by the Fund's pooling company, LGPS Central Ltd (LGPSC).

This report explains how the Fund manages climate-related risks and discloses the most recent Carbon Risk Metrics Analysis and Climate Scenario Analysis.

Climate-related risks

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the ten warmest years on record taking place since 2010. 2022 was the sixth warmest year on record according to the US National Oceanic and Atmospheric Administration's (NOAA) temperature data, the year also observed a global mean surface temperature which was 0.86°C higher than the 20th century average. The overwhelming scientific consensus is that the observed climactic changes are the result primarily of human activities including electricity and heat production, agriculture and land use change, industry, and transport.

Figure 2: Global temperature difference from the 1880-2022 average[1].



[1] NOAA Climate.gov, Climate Change: Global Temperature. Published 18th January 2023, retrieved on 23rd January 2023 from https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature

In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. The UN Emissions Gap Report[2] states implementation of current policy pledges will lead to temperatures rises of 2.4-2.6°C by the end of the century above preindustrial temperatures, falling significantly short of the 1.5°C Paris goal. This report finds that an urgent system wide transformation is required to limit greenhouse gasses to return to a 1.5°C pathway.

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

Paris Agreement Article 2(1)a

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

Paris Agreement Article 2(1)c

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

Paris Agreement Article 4(1)

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

Source: United Nations Framework Convention on Climate Change.

Given its contribution to global greenhouse gas (GHG) emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. Figure 4 demonstrates electricity generation by technology under the climate scenario which is used as a baseline assessment by Bloomberg NEF, and shows that there is expected to be a significant decrease in coal, oil and gas by 2050. It is important to recognise however that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a

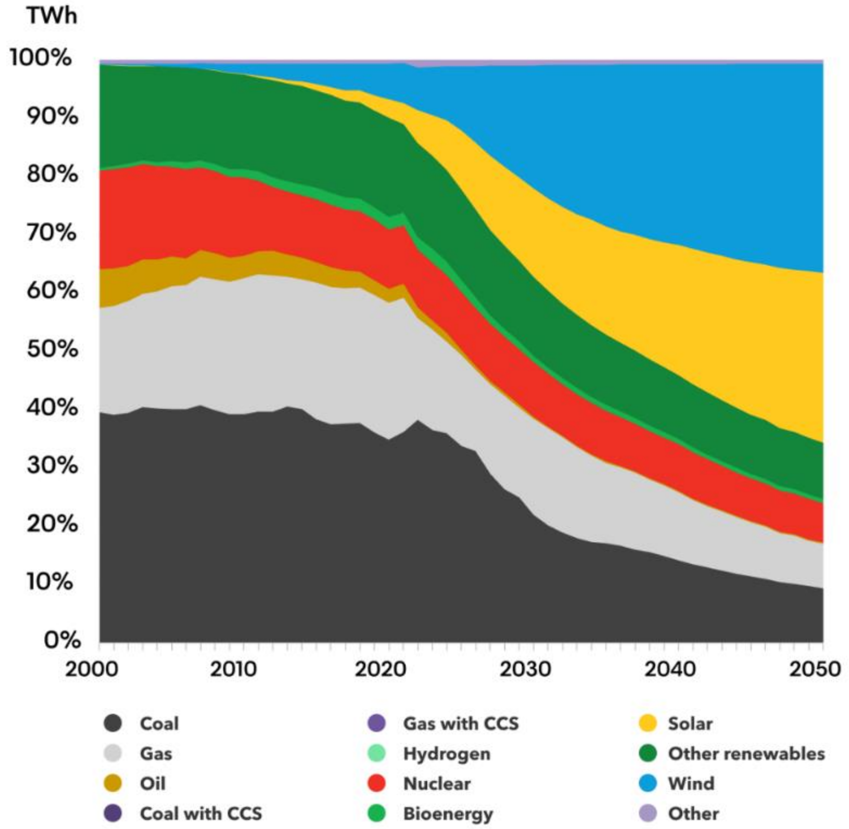
[2] UN Environment Programme, Emissions Gap Report 2022. Published 27th October 2022, retrieved 24th January 2023 from https://www.unep.org/resources/emissions-gap-report-2022

crucial role too. In addition, the behaviour of private and state-owned energy companies (not commonly invested in by UK pension funds) is as important as their publicly traded counterparts.

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

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

Figure 4: The Bloomberg New Energy Outlook global power generation mix. Source: Bloomberg NEF[3].



[3] Bloomberg NEF, New Energy Outlook 2022. Published January 2023, retrieved 24[TH] January 2023 from https://about.bnef.com/new-energy-outlook/

Taskforce on Climate-related Financial Disclosures (TCFD)

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

Governance

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

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

The Pensions Committee is responsible for approving the Investment Strategy Statement (ISS) and CCS. The ISS includes a formal investment belief on climate change, recognising it as a factor that could materially impact financial markets. The CCS is premised on 10 beliefs about climate change, which consider the science behind climate change, the energy transition and climate stewardship.

The Pensions Committee and the Pensions Panel each meet quarterly. The Pensions Panel receives quarterly engagement and voting reports from its stewardship providers, LGPSC, the Local Authority Pension Fund Forum (LAPFF) and external investment managers, as regular items on the meeting agenda. Reports from the Fund's investment adviser, which include advice on responsible investment, are also received regularly

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

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

The Assistant Director for Treasury and Pensions has primary day-to-day responsibility for the way in which climate-related investment risks are currently managed and where appropriate, LGPSC, assists in assessing and managing climate-related risks. As detailed in the CCS, the Fund leverages partnerships and initiatives, including the Institutional Investors Group on Climate Change (IIGCC), to identify and manage climate risk. The Assistant Director for Treasury and Pensions and the Fund's Senior Officers are accountable to the Pensions Committee for delivery of the CCS.

As a predominantly externally managed fund, the implementation of much of the management of climate-related risk is delegated to a range of appointed investment managers. These external investment managers are monitored on a regular basis by the Pensions Panel.

Strategy

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

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

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

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

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

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

Although the Fund is diversified across asset classes, regions, and sectors, it is recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone.

The Fund's CCS sets out the Fund's approach to managing the impact of climate-related risks. The main management techniques within the Fund's investment strategy are below:

1. Integrate climate change considerations into the complete investment process through the selection, due diligence, monitoring, and stewardship of assets, either directly or through the Fund's appointed investment managers, with the aim of decarbonising the entire investment portfolio.

2. Access the best possible climate change data available, to be able to assess climate risks and opportunities and facilitate informed decision making.

3. Work collaboratively with other investors and organisations to improve the quality, relevance and availability of climate-related data and encourage alignment with the 2015 Paris Agreement.

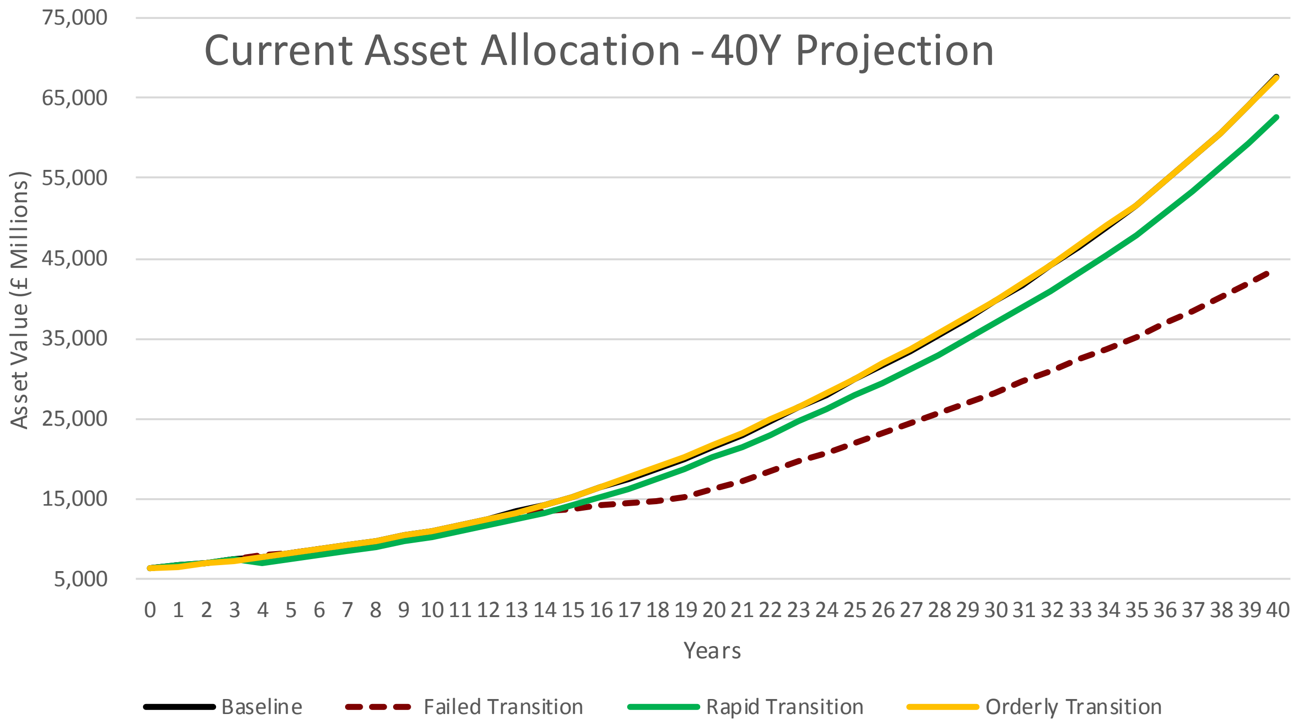
As most of the Fund's investments are managed externally, responsible investment and climate change considerations form part of the selection and appointment process and are regularly discussed with investment managers on an ongoing basis.

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

In 2022, the Fund engaged the expertise of an external contractor, Mercer LLC, to understand the extent to which the Fund's risk and return characteristics may be affected by a set of plausible climate scenarios. This included an estimation of the annual climate-related impact on returns (at both the total fund and asset-class level). All asset classes were included in this analysis and the climate scenarios considered were a rapid transition, orderly transition, and failed transition. This analysis is carried out every 2 to 3 years and the results of the 2022 analysis are provided below.

The scenarios are defined according to the change since pre-industrial times in mean global surface temperatures. A rapid transition scenario leads to a 1.5°C temperature increase by 2100 and is characterised by sudden divestments on a global scale in 2025 to align society to the Paris Agreement goals. An early and smooth transition is represented by a 1.6°C temperature increase by 2100, with the markets pricing-in dynamics occur gradually over four years. A failed transition is represented by a temperature increase of 4.3°C by 2100, with severe physical and extreme weather events and the markets pricing in these risks.

Graph 1: Cumulative Return Projections by Climate Change Scenario.[4]



The analysis shows that over medium to long-term, a successful transition is imperative for the Fund as its asset allocation fare better under rapid and orderly transition scenarios versus the failed transition. Over the long term for nearly all investors, a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes, due to lower physical damages.

Translating Climate Scenario Analysis into an investment strategy is a challenge because there is a wide range of plausible climate scenarios; the probability of any

[4] Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated January 2023 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Shropshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

given scenario is hard to determine, and the best performing sectors and asset classes in an orderly scenario tend to be the worst performers in a failed scenario, and vice versa. Despite the challenges, the Fund believes in seeking out the best available climate-related research to make its portfolio as robust as possible.

Risk Management

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

The Fund seeks to identify and assess climate-related risks at the total fund level and at an individual asset level. The Fund's Climate Risk Reports include a combination of both top-down and bottom-up analysis. The Fund recognises that the tools and techniques for assessing climate-related risks in investment portfolios are an imperfect but evolving discipline. The Fund aims to use the best available information to assess climate-related threats to investment performance.

As far as possible, climate risks are assessed in units of investment return to enable them to be compared to other investment risk factors (see 'Carbon footprint/weighted average carbon intensity (WACI)' explanation in the Glossary for further detail).

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

Engagement activity is conducted with investee companies through selected stewardship partners including LGPSC, EOS at Federated Hermes, and LAPFF, in addition to that carried out by external investment managers. Based on the most recent Climate Risk Report received, the Fund has updated its Climate Stewardship Plan to ensure that engagement resources are focused on the most relevant investments in terms of climate risk.

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

The Fund manages climate risk in different ways according to the nature, duration, magnitude, and time horizon of the risk itself. As set out in the Fund's CCS, the main management techniques are integrating climate change considerations, accessing the best possible climate change data available, and working collaboratively with other investors.

Engagement and shareholder voting are important aspects of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors.

The Fund supports the engagement objectives of the Climate Action 100+ (CA100+) initiative, which aims to ensure that companies adopt the appropriate governance structures to effectively manage climate risk; decarbonise in line with the Paris Agreement and disclose effectively using the TCFD recommendations. In September 2020, CA100+ introduced a benchmark framework which identifies ten key indicators of success for business alignment with a net zero carbon emissions future and goals of the Paris Agreement.

Either through its own membership or indirectly through LGPSC, the Fund has several engagement partners that engage investee companies on climate risk.

Table 2: The Fund's Stewardship Partners

Organisation	Remit
LGPS Central Limited	The Fund is a 1/8th owner of LGPS Central Limited Climate change is one of LGPSC's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPSC engages with companies on the Fund's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is appointed by LGPSC to expand the scope of the engagement programme, especially to reach non-UK companies.
Local Authority Pension Fund Forum	The Fund is a long-standing member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds.

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

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

Based on the Climate Risk Reports received, the Fund has also developed a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by LGPSC, EOS at Federated Hermes, and LAPFF, includes targeted engagement with ten investee companies of particular significance to the Fund's portfolio. The Fund believes that all companies should align their business activities with the Paris Agreement on climate change.

Table 3: Companies included in the Climate Stewardship Plan

Company	Sector	Country
British Petroleum (BP)	Energy	UK
CRH plc	Materials	Ireland
Glencore	Mining	UK
Holcim	Cement	Switzerland
Linde	Chemicals	Ireland
NextEra Energy	Utilities	USA
Rio Tinto	Mining	Australia
Royal Dutch Shell	Energy	Netherlands
The Southern Company	Energy	USA
RWE[5]	Energy	Germany

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

Both 'mainstream' risks and climate-related risks are discussed by the Pensions Committee and Pensions Panel. The Fund recognises the "failure to follow responsible investment principles" as a key risk in the Funding Strategy Statement (FSS), and while specific macro-economic risks are not usually included in isolation, the Fund has included climate risk in its Risk Register.

[5] Added to the table as a proposed addition to the Climate Stewardship Plan in the 2023 Climate Risk Report.

Climate risk is further managed through the Fund's CCS and Climate Stewardship Plan.

Metrics and Targets

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

The Fund receives annual reports from LGPS Central Limited which set out the carbon risk metrics for its listed equities and fixed income portfolios. The poor availability of data in unlisted asset classes prevents a more complete analysis currently.

The carbon risk metrics analysis includes:

- portfolio carbon footprints[6]
- financed emissions of the portfolio[7]
- weight of portfolios invested in companies with fossil fuel reserves.
- weight of portfolios invested in companies with thermal coal reserves.
- weight of portfolios invested in companies whose products and services include clean technology.
- weight of the portfolio invested in companies that have set net zero targets.
- metrics assessing the management of climate risk by portfolio companies.

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

In considering its carbon risk metrics, the Fund remains aware of the limitations of the available metrics and the underlying datasets. There are certain data gaps caused by companies failing to report GHG data, or by companies reporting unreliable GHG data. In such cases the GHG data must be estimated, and different suppliers of GHG datasets might have different methodologies for making such estimations, leading to potentially different values for the same company or portfolio of companies. The results should, therefore, be treated with some degree of caution. Despite the potential pitfalls, the Fund has resolved to integrate the consideration of carbon risk metrics within the Fund's overall framework of risk management, whilst remaining conscious that the results are primarily useful in enabling the Fund to reach broad conclusions, to enable risk management measures to be prioritised and to enable a broad direction of travel and progress to be assessed.

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

[7] Calculated by multiplying the attribution factor by a company's emissions, giving a figure of the absolute tons of CO2 for which an investor is responsible.

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

In line with the TCFD guidance and following receipt of a Climate Risk Report from LGPSC the following table provides the carbon footprint of the Fund's equity portfolio as at 30 September 2022[8]:

Table 4: Carbon risk metrics for the equity portfolio at 30 September 2022[9]

	Fund	Benchmark	Difference (absolute/relative)
Financed Emissions (tCO_2e)	246,242	-	-
Portfolio Carbon Footprint (Weighted Average Carbon Intensity (WACI) tCO_2e/$m revenue)	122.72	152.56	-29.84 WACI / -19.56%
Weight in fossil fuel reserves (%)	6.24%	7.52%	-1.28% / -17.04%
Weight in thermal coal reserves (%)	1.72%	2.36%	-0.63% / 26.92%
Weight in clean tech (%)	34.10%	36.83%	-2.73% / -7.42%

The Fund's total equity portfolio is 19.56% more carbon efficient than the blended benchmark. The total equity portfolio has a lower exposure to both fossil fuel reserves and thermal coal reserves in comparison to the benchmark, but also a slightly lower exposure to clean technology.

Whilst the Fund's carbon risk metrics results show the Fund generally 'outperforms' its benchmarks, the Fund is proactively exploring ways to further embed climate risk

[8] Analysis undertaken on the listed equities portfolios with holdings data as of 30th September 2022. The information in Table 4 was provided to the Fund in a report authored by LGPS Central Limited. In LGPS Central Limited's report, the Total Equities portfolio comprises of eight underlying portfolios weighted according to their size in GBP. Three underlying portfolios managed by LGIM, two managed by LGPS Central, and JP Morgan, Longview Partners and Impax all managed one underlying portfolio each.

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management in its investment decision making. The Fund expects to update its carbon risk metrics data on an annual basis.

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

To ensure that the Fund remains on track to achieve its long-term net zero climate objective in 2050, a series of interim climate related targets for 2030 have also been set within the CCS. The Fund's targets are measured against a baseline of data as at 31 March 2020, as reported in the Fund's 2021 TCFD Report.

A progress update against the Fund's targets as of 30 September 2022 is provided below.

Table 5: 2030 Climate Change Strategy targets - September 2022 update

2030 Climate Target	September 2022 level	Change from March 2020 (absolute/relative)
Reduce the Weighted Average Carbon Intensity (WACI) of the Fund by 50-60% by 2030.	122.72 WACI	-53.79 WACI / -30.47%
Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.	6.24%	-0.15% / -2.42%
Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.	1.72%	-0.89% / -34.08%
Increase the proportion of investments where carbon metrics are reported to over 95% by 2030*.	70.79%	1.59% 2.30%

*Where climate data is captured, calculated, and provided by the investee companies/manager, rather than estimated by the fund/data provider.

Appendix 1

TCFD Recommendations for Asset Owners (source: TCFD)

Governance

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

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

Strategy

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

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

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

Risk Management

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

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

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

Metrics and Targets

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

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

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

Appendix 2: Glossary

Clean technology/ weight in clean technology: the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include alternative energy, energy efficiency, green building, pollution prevention, and sustainable water.

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

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

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

Financed emissions: The absolute tons of CO_2 for which an investor is responsible. Calculated by multiplying, the ratio of investment in a company versus its total value, by the company's total emissions.

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

Carbon footprint/weighted average carbon intensity (WACI): A proxy for a portfolio's exposure to potential climate-related risks. It is calculated by the addition of each portfolio companies carbon intensity (tCO2e/USDm revenue), weighted by its size (%) in a portfolio.

Scope 1 greenhouse gas emissions: Direct emissions from an owner or sources controlled by the owner, including on-campus combustion of fossil fuels and mobile combustion of fossil fuels by institution-controlled vehicles.

Scope 2 greenhouse gas emissions: Indirect emissions from the generation of purchased energy.

Scope 3 greenhouse gas emissions: Indirect emissions that are not controlled by the institution but occur because of that institution's activities. Examples include commuting, waste disposal and embodied emissions from extraction.

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

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

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

Appendix 3: Important Information

Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated January 2023 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Staffordshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third-party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

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Staffordshire
Pension Fund
Local Government Pension Scheme

Climate Change Strategy

March 2023

Climate Change Strategy

1. Introduction

1.1 This Climate Change Strategy (CCS) sets out Staffordshire Pension Fund's (the Fund) approach to managing the risks and opportunities presented by climate change. The publication of a specific CCS demonstrates the seriousness with which the Members of the Staffordshire Pensions Committee view the potential impact of climate change on the Fund.

1.2 This is the second iteration of the CCS, with the original having been published in March 2022. This version of the CCS contains updated data at 30 September 2022 along with other minor revisions. The CCS is due for a major 3-year review in 2025.

2. Background

2.1 Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the ten warmest years on record occurring since 2010. 2022 was the sixth warmest year on record according to the US National Oceanic and Atmospheric Administration's (NOAA) temperature data and observed a global mean surface temperature which was 0.86°C higher than the 20th century average. The overwhelming scientific consensus is that these observed climate changes are the result primarily of human activities, including electricity and heat production, agriculture and land use change, industry, and transport.

2.2 To mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, most climate scientists anticipate that even given the current level of climate action, by 2100 the world will be between 2°C and 4°C warmer, with significant regional variations. This is substantially higher than the Paris Climate Change Agreement of 2015 (COP21), which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

3. Climate Change Beliefs

3.1 The Fund recognises that climate-related risks can be financially material, and that consideration of climate risk falls within the scope of the Fund's fiduciary duty. As a result of this, and due to the potential impact of climate change, the Fund has established some specific climate change beliefs which are detailed below. These build on the investment beliefs, detailed in the Fund's Investment Strategy Statement (ISS), which already incorporate wider responsible investment considerations.

- The Earth's climate is changing because of human activity, and that unabated, such change would have devastating consequences.

- The Fund supports the ambitions of the 2015 COP21 Paris Agreement and aims to achieve a portfolio of assets with net zero carbon emissions by 2050.

- Governments, policy makers, consumers, companies, and investors must all work collaboratively in a co-ordinated response to limit the rise in global temperatures. Individual investor influence is not enough alone.

- As part of a transition to a low carbon economy, demand for energy must be addressed in addition to the suppliers of energy, for greenhouse gas emissions to reduce to net-zero.

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

- Climate change is a long-term financially material risk for the Fund, across all asset classes, and has the potential to impact the funding level of the Fund through impacting on employer covenant, asset pricing, longer-term inflation, interest rates and life expectancy.

- The Fund supports engagement over divestment and the objectives of the Climate Action 100+ initiative; an investor led initiative to ensure the world's largest carbon emitting companies adopt the appropriate governance structures to effectively manage climate risk, decarbonise in line with the Paris Agreement, and disclose using the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations.

- Climate change risks and opportunities should be considered at all levels of investment decision making, from asset allocation to individual investment decisions.

- Diversification across a variety of asset classes, economic areas and sectors is an important tool in reducing climate risk and maximising opportunities presented by the transition to a low carbon economy.

- Improvements in reporting, consistency, comparability, and data quality, including scope 3 emissions are needed for investors to make accurate and fully informed investment decisions.

4. How the Staffordshire Pension Fund will achieve net zero carbon emissions by 2050

4.1 The overarching aim of the Fund's CCS is to achieve a portfolio of assets with net zero carbon emissions by 2050. To achieve this the Fund has identified several key steps it must undertake:

- Integrate climate change considerations into the complete investment process through the selection, due diligence, monitoring and stewardship of assets, either directly or through the Fund's appointed investment managers, with the aim of decarbonising the entire investment portfolio.

- Access the best possible climate change data available, to be able to assess climate risks and opportunities. This will enable the Fund to make the best possible decisions and understand the impact of climate change on its Funding and Investment Strategies.

- Work collaboratively with other investors and organisations, to improve the quality, relevance and availability of climate-related data and encourage alignment with the 2015 Paris agreement.

Integrate climate change considerations

4.2 The Fund will continue to work closely with its investment adviser, Hymans Robertson (Hymans) to ensure that any long-term net-zero carbon target is achievable. High-level, potential changes, to adjust for climate risks within the investment strategy, will be considered across the following categories:

- Changing the investment strategy – e.g., making further commitments to infrastructure, with a focus on renewable energy.

- Revising and monitoring existing investment mandates – e.g., ensuring all existing arrangements have climate change considerations embedded into them and are monitored regularly, to ensure that the investment managers who invest on behalf of the Fund, are taking climate considerations into account.

- Reallocating capital to new investment managers or investment strategies - e.g., reallocating to specific climate thematic strategies.

4.3 Other more practical considerations will also be considered, such as the impact of any changes made, the availability of solutions and the capacity of the Fund to implement them. These high-level changes will be modelled to develop and continually review a roadmap for decarbonisation and will feed into any Strategic Asset Allocation (SAA) changes the Fund makes.

4.4 Outside of the parameters of this strategy document, as the Fund's Actuary, Hymans will also take climate change considerations into account for the Fund's Triennial Valuation and Funding Strategy. Details of this are available in the Fund's Funding Strategy Statement (FSS) which is presented alongside the Investment Strategy Statement (ISS) on the Fund's website www.staffspf.org.uk.

Access the best possible climate change data available

4.5 In 2020, the Fund received its first Climate Risk Report from its asset pooling company, LGPS Central Limited. This report, which will be received annually going forward, provides the Fund with an assessment of the material financial risks related to climate change. It also identifies the most effective means by which the Fund can manage these risks.

4.6 The Climate Risk Report is consistent with the disclosures required by the Taskforce on Climate-Related Financial Disclosures (TCFD). This has allowed the Fund to report in line with the TCFD Framework, on an annual basis, which is seen as best practice.

4.7 Based on the recommendations of the Climate Risk Report, a Climate Stewardship Plan is also produced. This document, which is refreshed annually, is a working document for Fund Officers, to focus the Fund's climate related engagement on the specific investments and investment managers which are contributing most to the Fund's climate risk and carbon footprint.

4.8 The Fund's TCFD Report's is available on the Fund's website www.staffspf.org.uk and the Fund's Climate Stewardship Plan is available quarterly, as part of the reporting for the Staffordshire Pensions Panel*.

Work collaboratively with other investors

4.9 Working with partners such as LGPS Central and Hymans, is going to be crucial to ensure the Fund can meet its long-term net zero carbon emissions target. The Fund will also look to work alongside other organisations it is a member of, such as the Local Authority Pension Fund Forum (LAPFF).

4.10 Through its relationship with LGPS Central, the Fund also endorses several other industry initiatives which will support the transition towards net-zero carbon emissions. Some of these are listed below:

- United Nations Principles for Responsible Investment (UN PRI)
- Institutional Investor Group on Climate Change (IIGCC)
- Transition Pathway Initiative (TPI)
- British Private Equity and Venture Capital Association (BVCA)
- Climate Action 100+
- The Investor Forum

5. Climate Targets

5.1 To ensure the Fund is on track to achieve its long-term net zero climate objective in 2050, a series of interim climate related targets for 2030 have been developed, in conjunction with Hymans. These are to be measured versus the levels and data observed at March 2020, as reported in the Fund's TCFD report at 31 March 2021. The climate targets demonstrate the seriousness with which the Pensions Committee takes climate change risks and the achievement of its long-term net zero 2050 objective.

5.2 The 2030 climate related targets, in Table 1, have been carefully considered to ensure they are meaningful, achievable, and suitably ambitious. They will be reviewed alongside the CCS in 2025, albeit progress made will be reported annually. Due to the limited availability of data, the Fund's climate targets are currently based on listed (or public) equity assets only. In subsequent revisions of the CCS, the Fund intends to update the targets to incorporate information on additional asset classes. There is also the potential to introduce further targets, on green revenues and transition pathway alignment (as recommended by the Institutional Investors Group on Climate Change (IIGCC) framework), when the metrics which allow this become more widely available.

Table 1

2030 Climate Target	March 2020 level
Reduce the Weighted Average Carbon Intensity (WACI)* of the Fund by 50-60% by 2030.	**176.51 WACI***
Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.	**6.39%**
Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.	**2.61%**
Increase the proportion of investments where carbon metrics are reported to over 95% by 2030.**	**69.20%**

*WACI (tCO2e/USDm revenue) is calculated by the division of the number of tons of Carbon Dioxide emitted, by the amount of US Dollar revenue (in millions) generated.
**where climate data is captured, calculated, and provided by the investee companies/managers, rather than estimated by the Fund/data provider.

September 2022 update

5.3 The most recent Climate Risk Report has been received from LGPS Central Limited which compares the data at September 2022 (which will be reported in the Fund's TCFD report at 31 March 2023) to the March 2020 baseline data. Although relatively early days, the September 2022 data demonstrates good progress by the Fund, towards the 2030 targets. This is shown in Table 2.

5.4 Table 2

2030 Climate Target	September 2022 level	Change from March 2020 (absolute/relative)
Reduce the Weighted Average Carbon Intensity (WACI)* of the Fund by 50-60% by 2030.	**WACI* 122.72**	**-53.79 WACI* / -30.47%**
Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.	**6.24%**	**-0.15% / -2.42%**
Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.	**1.72%**	**0.89% / -34.08%**
Increase the proportion of investments where carbon metrics are reported to over 95% by 2030.**	**70.79%**	**1.59% / 2.30%**

6. Governance of the Climate Change Strategy

6.1 This CCS has been developed alongside the Fund's Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) detailing how climate change risks will be managed. The Staffordshire Pensions Committee is responsible for preparing the ISS and FSS and have also assumed responsibility for the CCS.

6.2 The Pensions Committee will review the CCS at least every three years, or at such times as it is deemed appropriate, and intends to update the climate targets to incorporate metrics on further asset classes, as the data becomes more widely available. Progress against the decarbonisation roadmap and the interim targets for 2030 will be reported to the Pensions Committee annually.

6.3 Responsibility for the implementation of the Fund's CCS and monitoring and management of climate risks lies with the Assistant Director for Treasury and Pensions and the Fund's Senior Officers. LGPS Central Limited and Hymans will assist the Fund in assessing and managing climate-related risks.

Transparency, Reporting and Disclosure

6.4 Annually, the Fund will publish an updated Climate Change Strategy, TCFD Report and Climate Stewardship Plan.

6.5 Details of engagement on climate change, by the Fund's investment managers and LGPS Central Limited will continue to be reported to the Pensions Panel*, as part of a quarterly Responsible Investment and Engagement (RI&E) report. This report will also include details of engagement activity by the Local Authority Pension Fund Forum (LAPFF) who the Fund is a member of, and who engage across the investment industry on behalf of most Local Government Pension schemes. Details of voting, where it is undertaken on the Fund's behalf, will also continue to be included.

*The Pensions Panel are a sub-group of the Pensions Committee, who meet quarterly and are tasked with focussing on the Fund's investments.

If you have any comments on this Climate Change Strategy or require any more information on the details contained within it, please contact:

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Staffordshire
Pension Fund
Local Government Pension Scheme

Climate Stewardship Plan

2023/24

Staffordshire Pension Fund Climate Stewardship Plan 2023/24

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

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

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

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

Following production of the Fund's first Climate Risk Report, as presented to the Pensions Committee on 23 March 2021, a Climate Stewardship Plan (CSP) for 2021/22 was created. Receipt of the most recent Climate Risk Report has enabled an updated CSP to be produced for 2023/24. This reflects changes in the Fund's portfolio and underlying company investments and was approved by the Pensions Committee at its meeting on 31 March 2023.

The 2023/24 CSP again focuses on the investments having the most impact or of the most relevance to the Fund's climate risk, which improves upon the existing approach to climate-related engagement in terms of prioritisation. The **companies** recommended for engagement have been identified based on the following factors:

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

Updates on progress and engagement, in line with the priorities identified in the CSP will be presented to the Pensions Panel each quarter, as part of a Responsible Investment and Engagement report. An updated CSP will be presented to the Pensions Committee annually, alongside updates to the Fund's Climate Change Strategy, which was introduced in 2022.

The main differences in the CSP to the companies recommended for engagement in 2023/24 are:

- the addition of RWE Aktiengesellschaft.

As a result of the updated carbon metrics analysis contained in the Fund’s most recent Climate Risk Report, it was recommended that RWE Aktiengesellschaft was added to the CSP in 2023/24 due to its significant contribution to the Fund’s carbon footprint.

Companies recommended for engagement in 2023/24

Company	Sector	Portfolio	% of CA100+ Net Zero Benchmark* Indicators Met	TPI Framework** Management Quality Score	Objectives	Vehicle	Next Steps	Engagement carried out 2023/24
BP	Energy	• LGIM • LGPS Central • JP Morgan	30%	4*	• Achievement of the high-level objectives of the CA100+ initiative • To duly account for climate risks in financial reporting	LGIM, CA100+, LAPFF, JP Morgan, EOS	• Improved green house gas (GHG) intensity emissions reduction trajectory on products sold, as -12-20% by 2030 doesn't appear Paris aligned • Publish absolute emissions projections for downstream business • Lower oil price used in the capex test (engagers believe $60/bbl is too high)	
CRH	Materials	• LGIM • LGPS Central	30%	4	• Improved disclosure around its membership and involvement in trade	LGIM, LGPS Central via CA100+	• Climate-aligned accounting and audit: • The company has thus far not responded to investor expectations regarding how material climate risks	

					associations engaged in climate issues • More robust reporting of Scope 1, 2 and 3 emissions • Increased development of activities focusing on low-carbon cement solutions		are considered in its accounts, how its own climate targets have been incorporated into the assessment of assets, liabilities and profitability, or what a 1.5° pathway might mean for CRH's financial position. • EOS will continue to engage on this topic.	
Glencore	Materials	• LGPS Central • LGIM	40%	4	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark.	LGIM, LGPS Central via CA 100+, LAPFF	• LGPS has voted against Glencore's climate progress report at the AGM 28 April, alongside 35pprox. 23% of shareholders. Above 20% is substantial opposition, and the UK Corporate Governance Code requires the company to open dialogue with shareholders to understand their views and reasons for the opposition. • As co-lead of CA100+ engagement with Glencore, we will	

							continue dialogue with the CEO, but also seeking dialogue with the Board Chair and Chair of Audit Committee, on: • More ambitious short-term targets - A specific 2030 target, to ensure full transparency on the trajectory of decarbonisation relative to IEA/IPCC's 1.5C for coal • Net zero accounting, with dialogue based around the findings of Carbon Tracker (previously shared with Glencore) • Climate policy lobbying, with emphasis on Glencore actively advocating for a policy environment in key markets (including Australia) which will be conducive to the green shift and supportive of the pivot	

							that Glencore is seeking	
Holcim	Materials	• LGIM • LGPS Central	30%	4	• Paris-aligned accounts in line with IIGCC's Investor Expectations • Achievement of the high-level objectives of the CA100+ initiative	LGIM, LGPS Central via CA 100+, LAPFF	• To continue to push the company to set targets aligned with a 1.5C scenario. • To continue asking for clear, meaningful, and actionable strategies for the company to achieve its targets. • To request the company explains how its capital expenditure plans align with long-term emissions reductions.	
Linde	Materials	• LGIM • LGPS Central • Impax • JP Morgan	N/A	3	• Improve transparency on company's chemical production discl osure • Take a leadership role in phasing out the most persistent chemicals and publish a timebound commitment to do so	LGIM, LGPS Central, Impax, JP Morgan	• EOS have highlighted that Linde have been reluctant to engage on certain topics including climate change, a target should be to place additional pressure on Linde and escalate engagement where possible. • Improve transparency regarding chemical production. • Improve performance to reduce scope 1 and	

							2 emissions to better align to the trajectory of 2035 and 2050 greenhouse gas targets. • Get targets validated from the science-based targets initiative	
NextEra Energy	Utilities	• LGIM • LGPS Central • Impax	10%	3	• Capital allocation alignment with the Paris Agreement • Commitment to clear medium- and long-term GHG reduction target	LGIM, LGPS Central via CA100, LAPFF	• NextEra should aim to get their targets validated by the science-based target initiatives (SBTi), and targets should be aligned to a 1.5 degrees scenario. • Inclusion of scope 3 emissions in targets. • Robust scenario analysis and TCFD reporting should also be considered.	
Rio Tinto	Materials	• LGIM • LGPS Central • JP Morgan	20%	4	• Achievement of the high-level objectives of the CA100+ initiative	LGIM, CA100+, LAPFF, JP Morgan	Engagement will focus on encouraging the company to: • Set robust, time-bound scope 3 emissions reductions target • Exit any industry associations with climate lobbying practices that are	

							misaligned with the Paris Agreement • Provide a definition of the extent that the company will rely on carbon capture and storage within its decarbonisation strategy	
Royal Dutch Shell	Energy	• LGIM • LGPS Central • JP Morgan	50%	4	• To set and publish targets that are aligned with the goal of the Paris Agreement • To fully reflect its net-zero ambition in its operational plans and budgets • To set a transparent strategy for achieving net-zero emissions by 2050	LGIM, CA100+, LAPFF, JP Morgan	• Intensity emissions reduction targets must be complimented by absolute emissions reduction targets, across all scopes. • Aligning CAPEX with their NZ ambition. • Demand-side: investors will work with sectors on the demand side, alongside Shell's engagement with its customers, to influence a 1.5°C aligned transition.	
The Southern Company	Utilities	• LGIM • LGPS Central	20%	3	• Achievement of the high-level objectives of the CA100+ initiative including	LGIM, CA100+, LAPFF	• Improved CA100+ NZB Score • For the company to set a short term GHG reduction target	

					attainment of the specific indicators in the CA100+ Benchmark Framework.		• For the company to decarbonise its capital expenditures	
RWE	Utilities	• LGIM • LGPS Central • JP Morgan	40%	3	• Achievement of the high-level objectives of the CA100+ initiative • Improve the ambition of short term and medium-term targets to be 1.5 degree aligned	LGIM, CA100+, EOS, JP Morgan	Engagement will focus on encouraging the company to: • More ambitious short and medium terms targets, such that they are 1.5-degree pathway aligned. • Improvement of climate scenario analysis included in the TCFD report.	

CLIMATE ACTION 100+ (CA100+)*

The CA100+ Net Zero benchmark is designed to assess the performance of the world's 166 largest corporate greenhouse gas emitters against ten key indicators. These indicators are all measures of success for business alignment with a net zero emissions future and with the goals of the Paris Agreement.

The ten indicators are:

1. Net Zero GHG Emissions by 2050 (or sooner) ambition
2. Long-term (2036-2050) GHG reduction target(s)
3. Medium-term (2026-2035) GHG reduction target(s)
4. Short-term (up to 2025) GHG reduction target(s)
5. Decarbonisation Strategy (Target Delivery)
6. Capital Alignment
7. Climate Policy Engagement
8. Climate Governance
9. Just Transition
10. TCFD Disclosure

The first assessments for each CA100+ company against the ten indicators were published on 22 March 2021 and refreshed on 30 March 2022. These assessments offer comparative assessments of individual focus company performance against the goals of the initiative. The most recent company assessments took place during October 2022. Climate Action 100+ has been consulting on a set of proposals to enhance the Net Zero Company Benchmark for the initiative's next phase, which is set to begin in 2023.

TRANSITION PATHWAY INITIATIVE**

The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets. There are six management quality levels a company can be assigned to:

- Level 0 – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- Level 1 – Acknowledging Climate Change as a Business Issue
- Level 2 – Building Capacity
- Level 3 – Integrated into Operational Decision-making
- Level 4 – Strategic Assessment
- Level 4* – Satisfies all management quality criteria

Companies expected future emissions intensity pathways – labelled carbon performance – is assessed against international targets and national pledges made as part of the 2015 Paris Agreement. Alignment is tested on different timeframes, including 2030 and 2050.

There are eight carbon performance trajectories:

- No or unsuitable disclosure
- Not aligned
- International pledges
- National pledges
- Paris pledges
- 2 Degrees
- Below 2 Degrees
- 1.5 Degree

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Item no 7 on Agenda

PENSIONS COMMITTEE – 31 MARCH 2023

Report of the Director of Finance

Staffordshire Pension Fund Business Plan 2023/24

Recommendation of the Chairman

1. That the Pensions Committee approves the Staffordshire Pension Fund Business Plan for 2023/24 and notes the key challenges.

Background

2. For reasons of best practice and good governance, it is important for the Pensions Committee to consider and approve an annual Business Plan for the Pension Fund. This report reviews progress against the current financial year's Business Plan (Appendix A - 2022/23) and provides the proposed Business Plan for the following financial year (Appendix B – 2023/24).

Pensions Business Plan 2022/23 – Progress Update

3. With the disruptive impact of the Covid-19 pandemic behind us, we continued to settle into our new normal, with hybrid working arrangements allowing us to continue to embrace the developments that have been made in technology, and the impact these have on our operational activities. And so once again, it is extremely pleasing to be able to report good progress against the current year's Business Plan; this is detailed in Appendix A.

4. The experience, dedication and enthusiasm demonstrated across the Treasury & Pensions Team enabled the ongoing delivery of a high level of day-to-day service provision to all the Fund's stakeholders, as well as the delivery of several Key Development Activities from the 2022/23 Business Plan. These include:

- The successful collection and provision of data to the Scheme Actuary to facilitate the 2022 Actuarial Valuation at 31 March 2022 and the dissemination of results schedules to the Fund's 500+ Employers. This is a resource intensive exercise for Fund Officers, over and above the routine year end exercise. Members of the Pensions Committee will appreciate the input from the Actuary, from their attendance at meetings over the last 12 months and the decision-making process that they have been involved in. The opportunity to restructure and update the Funding Strategy Statement was also taken.

- Whilst the ask was to evaluate the viability of Digital Proof of Life, the Fund was able to go a step further and has successfully competed its first Digital Proof of Life exercise. Since there is no requirement to notify the Fund of the death of a Pensioner, who lives overseas, the Fund has mailed out a paper 'Proof of Life' document for several years. Prior to return, this had to be completed and signed by an official representative, such as a Doctor, Postmaster, or the Local Mayor, to effectively verify that the individual was still alive. The idea of digital proof of life, replaces the paper process with digital biometric facial recognition meaning that the member no longer needs to involve a third party but can use the digital system provided to confirm their identity from their computer or mobile phone.

- Following on from the Strategic Asset Allocation and high-level Investment Strategy review, which was undertaken ahead of the 2022 Actuarial Valuation, Fund Officers have been working with the Investment Consultant and the Pensions Panel to consider how best to implement the strategy across the various asset classes. Whilst the focus in 2022 has predominantly been on Equities, the pace of investment into Private Markets (e.g., Private Equity and Infrastructure), has been maintained and opportunities to invest in several funds, including those offered by LGPS Central Limited, have been taken.

5. Several planned activities which were brought forward from 2021/22 which were dependent on the procurement of the new Administration System were also completed in 2022/23. These include:

   - Task Design in Altair for Deaths and Concurrency; and
   - Use of the interactive dashboard or alternative provision in Altair Insights.

6. Unfortunately, some development activities were not achieved in 2022/23 and the opportunity to reflect on why not, and any potential barriers, was taken. As a result, a few of the activities have been redefined for 2023/24 and will tie into project work required for larger projects such as data readiness for the national Pensions Dashboard Program. Full details will be included in the final outturn report which will be presented to the Pensions Committee at their meeting in June 2023.

Performance Standards 2022/23

7. The Committee have been made aware in previous year's reports of the challenges implicit in administering the LGPS, since the introduction of the 2014 scheme and the regulatory complexity that brings with it. Hybrid working has become the norm, and no longer presents the challenges that it did in 2020 but planning for a raft of new and changing legislation (e.g., McCloud and the national Pensions Dashboard Program), means that there will always be more to do.

8. Inevitably, there will always be room for improvement in performance and there will always be good reason why performance in certain areas may not be at an optimum level. Throughout 2022/23, the Treasury & Pensions Teams

have been very aware of the challenges they face and have made excellent progress in meeting the competing demands across the service. Morale and motivation remain high, and the Team continue to challenge themselves about working practices and processes, making incremental improvements wherever they can.

9. The Fund has experienced a small increase in staff turnover over the last 12 months which has not been helped by a challenging recruitment environment; a problem echoed nationally across the LGPS. However, our recruitment program has continued and whilst the level of applicants has fallen dramatically, several successful appointments have been made. We have finally been able to introduce our new 5 pillar team structure, which will future proof the service and allow for succession planning. This has facilitated internal promotions, to a new wider Management Team, and allowed us the opportunity to promote some of the more experienced team members. Younger and newer team members are also being offered internal and external training opportunities and these have been taken up by several of the team.

10. A full set of performance statistics will be provided as part of the Outturn reporting for the June Committee.

Staffordshire Pension Fund Business Plan 2023/24

11. The Business Plan presented for 2023/24 moves away from the two distinct sections of Key Development Activities (KDAs) and Business as Usual Activities (BaUAs) that have been presented as part of Business Plans over the last few years. The initial purpose of the separation was to clearly define the operational difference in the two activities, but as more of the KDAs have become BaUAs, and as BaUAs have become sufficiently bedded down within the Teams operational workplans, there is no longer a need to formalise them as part of a wider Business Plan. However, we do recognise that this does not diminish their importance or the implications on the resource needed to deliver them to a continually high standard.

12. Several areas that the Treasury & Pensions Team have identified as Key Development Activities in 2023/24 include:

- Continuing to collect retrospective data from Employers and planning for the implementation of remedial action arising from the McCloud / Sergeant judgement;

- Appointing an Integrated Service Provider (ISP) and the undertaking of a ‘data readiness’ exercise ahead of the LGPS staging date for the Department of Work & Pensions’ (DWP) new national Pensions Dashboard;

- Tendering for a provider of Actuarial Services; and

- Continuing with the implementation of the new Investment Strategy following the review of Fund's Strategic Asset Allocation.

Pensions Administration – Key and Ongoing Development Activities

McCloud

13. Committee Members will be aware from previous reports of the McCloud / Sergeant judgement and the resultant government consultation, in respect of the remedy for making good the potential for claims of age discrimination across UK Pension Schemes. Whilst the government have published their response to the consultation for unfunded schemes, they have still yet to publish such for the LGPS. And so, as the October 2023 deadline gets closer, there is still huge uncertainty about the detail of the recalculation and rectification requirements.

14. Our project to collect data for the c54,000 Scheme Members who have post 2014 service has been underway for the last 18 months. However, as the scope of the affected membership has widened and as we seek to collect another years' worth of data, it is increasingly apparent what a huge challenge this project will be for several years to come. Whilst having an appropriately configured Administration System will take away the need for most of the manual recalculation work, the real challenge is still around the collection of data and the assumptions that will need to be made when some or all of that data is missing; the evidence of which is becoming an increasing reality.

Pensions Dashboard – Integrated Service Provider (ISP) and Data Readiness

15. Committee members will likely be aware of DWP's intentions to launch their Pensions Dashboard during 2023. Whilst the resource and operational implications for the LGPS are becoming clearer, the initial onboarding date of September 2024 may yet be pushed back. However, there is still a need to prepare and appoint an ISP, which will enable the linking and the transfer of information about an individual's pension account, and their relevant data, between the national Pensions Dashboard and the local Administration System.

16. Due to the potential numbers of individuals likely to be accessing the Pensions Dashboard, there is a need to agree a set of 'matching criteria' e.g., National Insurance Number, Address etc. Whilst some of these will be in a consistent format, others will not, and the onus will be on the Fund to determine what constitutes a 'full' or a 'partial' match. Therefore, it is vitally important that our data is as clean, and as up to date, as possible. Whilst this is relatively straightforward for active members of the Fund, who are still on a payroll and known to us, it is less so for a deferred member, for example, who may have moved jobs and address several times and failed to inform the Fund. A 'Data Readiness' project aims to assist with the quality of the Common Data, such as the NI Number, which is relatively standard and the address, which is less so. However, at the same time as we need to be

dealing with the McCloud rectification program, the timing of this additional workload is most unwelcome.

Actuarial Services Provider

17. The previous contact for Actuarial Services was let in May 2017 and expires in April 2024. The seven-year contract period was to facilitate some stability in Actuarial Valuations over two valuation cycles and is likely to be replicated this time with Actuarial Valuations due in March 2025 and March 2028. The tender will be awarded through the Norfolk Framework for LGPS Actuarial Services.

Pensions Investment – Key Development Activities

Strategic Asset Allocation Review and Implementation

18. 2022/23 saw the start of conversations with the Fund Investment Advisers at Hymans Robertson about the detail and the implementation of the Fund's new Strategic Asset Allocation and Investment Strategy, which was approved by the Pensions Committee at its meeting in March 2022. A high-level timetable was agreed which focusses on one asset class at a time, allowing due consideration to be given to all aspects and elements of investing in each of them.

19. Whilst the focus for the Investment Team in 2023/24 will be the continuation of the review of the equity portfolio and in particular the factor-based equity allocation, which will be followed by a review of the Defensive allocation (Gilts and Corporate Bonds), there are a number of dependencies that need to be worked through. Once recommendations have been approved by the Pensions Panel, the Team will be responsible for the practical implementation of those decisions, which will likely involve several asset transitions and due diligence being carried out on a number of new investment products.

20. As the implementation timetable is spread over three financial years and is only likely to be fully implemented by the end of 2026, it will remain a KDA for the Team for some time.

Pensions – General

21. There are many other smaller development projects, such as Enhanced Admin to Pay and the continued promotion of the My Pension Portal that will drive efficiencies within the service. There are other activities that will be undertaken, such as the letting of the contract for an Independent Performance Measurer that may mean we change the way we think about and present information. And there are some development projects that are yet unknown; these will only come to light following published guidance from DLUHC on Asset Pooling in the LGPS and the Pensions Regulators Single Code of Practice. Flexibility to prioritise will be of paramount importance given the limited resource and increasingly competing demands across the service.

Cost and Resources

22. The Pension Fund currently has six main areas of 'resource/cost':

- Pension's administration and accounting (internal);
- Governance (internal and external);
- Advice from actuary and consultants/advisors (external);
- Legal support (internal and external);
- Investment management (external); and
- Custody (external).

23. Several costs are very difficult to anticipate for example, costs for investment advice and legal support vary depending on the level of activity. Investment Management fees vary dependent of the value of assets under management (AUM) and the level of manager performance, impacting on the payment of performance related fees. Therefore, it is likely that there could be considerable variation in the final outturn position. The level of Investment Manager fees paid is also likely to increase, as the Fund's Strategic Asset Allocation moves away from more traditional asset classes e.g. equities into more expensive alternative asset classes e.g. Infrastructure, and this has been reflected in the budget estimates going forwards.

24. CIPFA reporting guidance states it is good practice to produce a three-year budget and Table 1 illustrates our best estimate of the likely budget costs for the three years commencing 2023/24. Clearly, given the difficulty outlined in the previous paragraph these are indicative costs only and as such, will be subject to further variation with changes over time.

25. The indicative costs have been produced using the information we have available at the current time, with reasonable assumptions made about growth in AUM and levels of activity. However, even small changes in activity levels combined with other factors, such as increases in the governance and running costs of LGPS Central Limited or contra to that, reduced investment manager fees, as a direct or indirect result of asset pooling, could create significant variations from these figures.

Table 1 - Indicative Pension Fund Costs 2023-2026

Cost Heading	2023/24	2024/25	2025/26
	£000	£000	£000
Pensions Administration	3,110	3,130	3,190
Governance*	1,270	1,300	1,340
Audit	60	60	60
Actuarial Fees	180	180	240
Investment Oversight fees	410	420	430
Investment Advice	130	130	140
Investment Management Fees**	18,530	19,590	20,670
Property Expenses (ex-legal)	4,070	4,190	4,310
Monitoring and Custody	90	90	90
Other expenses	360	370	380
Total	**28,210**	**29,460**	**30,850**

**Includes the running costs of LGPS Central*
*** the above does not include the cost of transition which will be taken from the capital value of assets.*

26. The LGPS Central Limited Strategic Business Plan and Budget for 2023/24, was presented to Shareholders for approval on 28 February 2023. Whilst the full implication of this for Partner Funds is still being analysed through the Cost Savings Model, the Fund's estimated share of the budget is included in the Governance costs in the table above. As the budget is directly linked to inflation this has resulted in a larger forecast increase in 2023/24 and this may continue in future years should inflationary pressure persist.

27. Whilst, the LGPS Central costs include an element of fixed cost that the Fund must pay by virtue of being a Shareholder of the company, (e.g. in relation to the governance and the operation of the Company) many other elements of cost will be dependent on a number of variables, including the services being provided to the Fund by the Company e.g. manager monitoring. This is in addition to the investment management fees payable for Fund assets invested in the sub-funds being offered by the Company.

28. Transition costs arising from changes in asset class or investment manager are not included in the table above, as these are deducted from the capital value of the assets being transitioned.

29. The ongoing increases in Investment Manager Fees is as a direct result of increasing the Fund's allocation to alternative asset classes, such as Infrastructure, Private Equity and Private Debt, as opposed to low fee Passive Equities. As always, value for money from investment management is more important than simple minimisation of costs.

30. Property expenses are forecast to decrease slightly, from current levels, in 2023/24 because of the increase in new lettings and reduction of voids across the property portfolio, following the Covid-19 pandemic. However, to be prudent, and to account for inflationary pressures, the budget shows a slight increase over the coming years from the current level.

31. Due to the uncertainty around several costs, which has been highlighted in the previous paragraphs, it is not proposed to use these estimated costs for 'budget monitoring' purposes per-se but to use them as an indication. Whilst they will be compared to the budget forecast post 31 March, as part of the outturn report, the Committee is asked to consider them alongside cost comparisons, benchmarking, and trends to ensure that value for money is being delivered. A more detailed report on comparative outturn costs for 2022/23 will be presented to the Committee in June 2023.

Risk

32. The primary risks to the continued delivery of a pension's administration, accounting and investment monitoring service to the high standards achieved are;

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

These, and other risks, are further analysed in the Pension Fund's Risk Register, the latest version of which will be presented in full to the June 2023 meeting of this Committee.

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

Legal implications: There are no direct legal implications arising from this report albeit LGPS Regulations do have an impact on the business.

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

Risk implications: There are no direct risk implications, but the report does contain some actions to address risks identified in the Fund's Risk Register.

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

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

Staffordshire Pension Fund Business Plan 2022-2023

Appendix A

Area of Service	Key Development Activity	Progress
LGPS Pensions Administration	Review / Implement any recommended actions arising from the external review of Additional Voluntary Contribution providers	**Substantially complete** Recommendations from external provider received and actions substantially complete, including rationalisation of AVC offering and updated SPF website. Additional complications because of Shared Cost AVC's and provider Lifestyle Plan naming conventions still being addressed.
	Commence a Living as Stated / Address Tracing Exercise to improve the accuracy of deferred pensioner & pensioner membership data	**Redefined for 2023/24** Award initially planned via Norfolk Framework but Tracing Services expired in 2022. Reintroduction of Framework planned in 2023/24 where approach will be split into 2 activities which will also take account of requirements for Pensions Dashboard readiness.
	Following the collection of retrospective data from Employers, continue to plan and implement required remedial actions arising from the McCloud / Sergeant judgement (& possibly Goodwin	**Partially achieved and ongoing in 2023/24** DLUHC McCloud consultation response for LGPS still pending. Internal Project team set up and significant progress made. Affected members identified. Final data collection from Employers ongoing. Testing of software providers calculation routines and interface to upload data to member records ongoing.
	Evaluate viability of using Digital Proof of Life for Overseas Pensioners prior to undertaking tender	**Achieved** Proof of Concept delivered with first live biometric exercise successfully undertaken in January 2023.
	Review Pensions Services staffing levels and structure to future proof and address succession planning	**Achieved (but with ongoing recruitment requirements)** New 5 pillar team structure in place with effect from 1 January which considers succession planning across the wider service. Ongoing recruitment required to support changes in resource / caseload and to respond to projects. e.g. McCloud & Pensions Dashboard.
2022 Actuarial Valuation	Agree timing of key decision-making milestones & detailed delivery plan with Actuary (plus appropriate Training)	**Achieved** 2022 Actuarial Valuation of the Fund is complete.
	Collaboratively work with Actuary and Employers to ensure all valuation work and the processing of data is	**Achieved** 2022 Actuarial Valuation of the Fund is complete.

Appendix A

Area of Service	Key Development Activity	Progress
	carried out in a timely, informative, and efficient way	
Pensions Administration System	Review task design in Altair for Deaths & Concurrency	**Achieved** Internal processes reviewed following implementation of externally hosted Administration System. Several minor changes made.
	Review use of interactive dashboard in Altair	**Achieved** Internal review undertaken alongside functionality of Insights reporting tool following implementation of externally hosted Administration System
	Review use of Altair Insights and Disclosure reporting in Altair	**Achieved** Review of Insights functionality and reporting capability undertaken to ascertain ongoing use in Disclosure reporting.
	Understand implications of Pensions Dashboard and data requirements	**Partially achieved and ongoing in 2023/24** Good understanding of requirements including systems, data and reporting. Awaiting launch of framework to select Integrated Service Provider (ISP) to enable system connection and go-live in September 2024
Governance	Following receipt of recommended guidance etc, implement actions from Scheme Advisory Board's Good Governance Project, as identified in September 2021 Gap Analysis	**Partially achieved** Gap Analysis presented to Pensions Committee in September 2021. Still Awaiting further implementation Guidance from DLUCH / CIPFA / SAB
	Develop a Cyber Security Policy	**Substantially achieved** Staff and Committee training undertaken. Project Team working with Council's Cyber Security Officer to document / implement the framework established to assess and manage cyber risk. Policy in draft form and needs to reflect BC/DR plans. Review of Cyber Risk to form part of wider review of Risk Register.
	Provide Founder Member support for the Norfolk Framework for Legal Services and Tender for an	**Partially achieved** SPF acted as founder member and provided input into LGPS Legal Services Framework which went live on 16

Area of Service	Key Development Activity	Progress
	appropriate external Legal Services provider once the framework is live.	January 2023. Scope of external legal requirements to be defined and tender to be undertaken in 2023/24.
Communications – Scheme Members	Set-up a My Pensions Portal (MPP) Working Group	**Achieved** Working group met regularly to determine potential improvements from using MPP and draw up a list of priorities.
	Promote and encourage the use of Member Self Service / My Pension Portal (MPP) to Retired Scheme Members (with the aim of issuing the majority of P60s and payslips electronically)	**Redefined for 2023/24** Review of project undertaken by MPP working group with recommendation to target membership based on demographics. E.g., rising 55's, new retirees.
	Consider feasibility of running Member Webinars and/ or use of video content on website e.g. for MPP	**Partially achieved and ongoing into 2023/24** Several member webinars delivered on request in 2022/23. Format and content to be further developed in 2023/24
	Review range of Member Communications i.e. Active and Deferred Scheme Member newsletters and InContact for Pension Scheme Members	**Achieved** Review undertaken which resulted in less reliance on use of regional communication templates. Moved to BAU activity 2023/24 onwards.
	Tender for printing contract for Member Communications	**Achieved** Direct award through Norfolk Framework after internal benchmarking exercise.
The Pensions Regulator (TPR)	Review compliance with TPR *Single Code of Practice* as applicable to the LGPS	**Deferred** to 2023/24 as Single Code not yet published
Pension Fund Investment	Appoint Independent Investment Advisor to Pensions Panel	**Partially achieved** Appointment on hold until supplier issues resolved.
	Implement recommendations from Strategic Asset Allocation Review across liquid Asset Classes (i.e., Equities and Bonds) focussing on any implications for the Climate Change Strategy	**Partially achieved and ongoing into 2023/24** as changes to the implementation strategies and recommended changes within the different asset classes are considered.
	Re-apply to Financial Reporting Council for Tier 1 UK	**Achieved**

Area of Service	Key Development Activity	Progress
	Stewardship Code signatory status	Application pending approval by Pensions Committee on 31 March prior to submission to FRC before 30 April 2023.
	Understand the implications for the LGPS as a result of the Department of Work & Pensions - Taking action on climate risk: improving governance and reporting by occupational pension schemes (likely to apply from 2023)	**Partially achieved and ongoing into 2023/24** Compliance to date achieved in collaboration with LGPS Central through TCFD reporting on assets but greater focus now required on impact on liabilities.

Area of Service	Resource Intensive – Business as Usual Activity	Period
LGPS Pensions Administration	Review Pensions Services staffing levels and structure	1 April – 30 September
	Finalise Year end data	1 April - 30 July
	Publish Deferred Annual Benefit Statements	1 May – 31 August
	Publish Active Annual Benefit Statements	1 July – 31 August
	Maintain high level of KPIs / Service Standards	Ongoing – monthly reporting
	Record Keeping Data Integrity Checks and continual improvement in quality of data across the Scheme generally	Ongoing
Pensions Administration System	Continue to implement i-Connect with a range of smaller / larger Employers to achieve an overall target as close to 100% of Active Fund Membership data being submitted monthly	Ongoing
	Continue to develop new working practices with Third Party Payroll Providers following the introduction of i-Connect	Ongoing
Governance	Continue to review published policies e.g. Administration Policy	Ongoing
	Further develop Employer Administration policies / guides / practices and promote such to relevant	Ongoing

Staffordshire Pension Fund Business Plan 2022-2023

Appendix A

Area of Service	Key Development Activity	Progress
	Employers e.g. Ill-Health Retirement	
	Annual review of Employer Covenants. Use of internal monitoring process, Hymans online funding tool, HEAT, financial metrics etc	Ongoing
	Assess the impact of any Regulatory Changes and communicate such to all interested parties and stakeholders **	Ongoing
Communications with Members and Employers	Continue to review and refine website content	Ongoing
	Continue to develop the role of the Employer Focus Peer Group and the Employer Focus Newsletters	Ongoing
	Continue to develop a series of regular / shorter **virtual** Employer Practitioner Workshop(s) e.g., Breaches, Ill-health retirement, IDRP & targeted workshops for different Employer Groups	Ongoing
	Review Employer compliance with Administration Strategy	Ongoing
The Pensions Regulator (TPR)	Continually review compliance with The Public Service Scheme *Code of Practice 14* and Public Service Regulatory Strategy in relation to Disclosure of Data	Ongoing
	Maintain Improve common and conditional data scores	Ongoing
	Maintain and review Breaches Log and improve reporting to tPR	Ongoing
Pension Fund Investment	Produce Pension Fund Annual Report and Accounts in line with CIPFA's updated guidance	1 April – 30 September
	Annual Review of Climate Change Strategy, Task Force for Climate Related Financial Disclosure (TCFD) Reporting and Climate Stewardship Plan	1 December – 31 March

Area of Service	Key Development Activity	Progress
	Monitor processes, reconcile data and report performance impact following asset transitions into LGPS Central e.g., Global Sustainable Equities, Multi-Asset Credit	Ongoing

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

Staffordshire Pension Fund Business Plan 2023-2024

Appendix B

Area of Service	Key Development Activity	Timetable
LGPS Pensions Administration	Finalise implementation of recommended actions arising from the external review of Additional Voluntary Contribution providers. This will include: resolving outstanding issues with chosen provider; a review of the legacy AVC providers; and the setting up of a routine monitoring process across all AVC providers.	31 December 2023
	Retender for provider of an Existence Checking / Living as Stated Service (e.g. ATMOS)	31 March 2024
	Undertake an Address Tracing Exercise to improve the accuracy of deferred pensioner & pensioner membership data in readiness for the Pensions Dashboard	31 March 2024
	Following the collection of retrospective data from Employers, continue to plan and implement required remedial actions arising from the McCloud / Sergeant judgement including familiarisation with software provider update and recalculation offering.	31 March 2024 (and ongoing)
Pensions Administration System	Implement Enhanced Admin to Pay	30 September 2023
	Continue to review capabilities of Altair Insights for Service Standard reporting and Employer Compliance monitoring	31 March 2024
	Appoint Integrated Service Provider (ISP) ahead of the Pensions Dashboard connection deadline and determine data matching criteria.	31 March 2024
Funding & Actuarial	Implement initial changes to stabilisation approach to contribution rate setting for Academies and continue to review ahead of the 2025 Actuarial Valuation.	31 March 2024 (and ongoing)
	Explore wider use of HEAT and its role in understanding Employers funding positions and cashflow profiles ahead of the 2025 Actuarial Valuation	31 March 2024 (and ongoing)
	Tender for a provider of Actuarial Services	31 March 2024
Governance	Following receipt of recommended guidance etc, implement	31 March 2024

Appendix B

Area of Service	Key Development Activity	Timetable
	actions from Scheme Advisory Board's Good Governance Project, as identified in September 2021 Gap Analysis	
	Consider need for provider(s) of external Legal Services and Tender through the Norfolk Framework as required.	31 March 2024
Communications – Scheme Members	Promote and encourage the use of Member Self Service / My Pension Portal (MPP) by targeting Members based on demographics. E.g. rising 55s's, new retirees.	31 March 2024
	Develop and extend content of Member Webinars and/ or use of video format on website.	31 March 2024
The Pensions Regulator (TPR)	Review compliance with TPR *Single Code of Practice* as applicable to the LGPS	31 March 2024
Pension Fund Investment	Implement recommendations from Strategic Asset Allocation Review across liquid Asset Classes (i.e., equities and bonds) focussing on any implications for the Climate Change Strategy	31 March 2024
	Continue to monitor processes, reconcile data and report performance impact following asset transitions into LGPS Central e.g., Multi-Asset Credit	31 March 2024
	Tender for Independent Performance Measurer	30 September 2023
	Appoint Independent Investment Advisor to Pensions Panel	31 December 2023
	Consider and response to any actions arising from DLUCH Guidance on Asset Pooling in the LGPS	31 March 2024

Item no 8 on Agenda

PENSIONS COMMITTEE – 31 MARCH 2023

Report of the Director of Finance

2022 Actuarial Valuation Report, Funding Strategy Statement (FSS), and Investment Strategy Statement (ISS)

Recommendations of the Chair

1. That the Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022, including the Rates and Adjustments Certificate and detailing the contribution rates for individual employers, attached at Appendix 1, be noted.

2. That the Staffordshire Pension Fund's Funding Strategy Statement (FSS) attached at Appendix 2, as amended post consultation, is approved but that the Committee notes the potential for further updates, as and when regulatory change is effective and requires implementation; and

3. That the Staffordshire Pension Fund's Investment Strategy Statement (ISS) attached at Appendix 3 is approved but that the Committee notes the potential requirement for further updates, once the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) further consultation on Asset Pooling in the LGPS is known.

Background

4. Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires that:

   Actuarial valuations of pension funds

   62.*—(1) An administering authority must obtain—*

   (a) an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;

   (b) a report by an actuary in respect of the valuation; and

   (c) a rates and adjustments certificate prepared by an actuary.

   (2) Each of those documents must be obtained before the first anniversary of the date ("the valuation date") as at which the valuation is made or such later date as the Secretary of State may agree

5. All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain, and publish FSS and ISS documents. The FSS must be formulated, maintained, and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained, and

published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Both documents must be kept under review and revised from time to time and at least every three years. The FSS must be issued for consultation during each triennial Actuarial Valuation and the Pensions Committee must also formally approve the FSS and ISS as part of the triennial Actuarial Valuation process.

6. In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The latest guidance for both documents was published in September 2016.

2022 Actuarial Valuation Report

7. Throughout late 2021 and most of 2022, the actuarial team from Hymans Robertson, who are the Fund's appointed Actuary, have attended Pensions Committee meetings to provide training and discuss the 2022 Actuarial Valuation of the Fund at 31 March 2022. Over this period, Members have approved the actuarial approach to be taken, the actuarial assumptions to be used and they have received reports on the high-level results of the 2022 valuation and the funding and contribution levels for the different employer groups.

8. The Report on the Actuarial Valuation at 31 March 2022, attached at Appendix 1, fulfils the requirements of Regulation 62(3) and 62(4) in providing a document of record. It contains no fundamentally new information to that already presented by Hymans to the Pensions Committee at their meetings in September and December 2022.An Executive Summary can be found on page 3 of the report.

9. Members are asked to note that the Primary Rate for the whole Fund, which indicates the amount needed to be paid for **future** service contributions, has increased from 19.7% of pay at 31 March 2019, to 21.5% of pay at 31 March 2022, mainly due to higher inflation. This has been offset to some degree by a decrease in the Secondary Rate, which indicates the amount needed to be paid for **past** service liabilities, because of better-than-expected investment performance since the last valuation in 2019.

10. The Rate and Adjustments Certificate, which states the minimum Primary and Secondary Contribution Rate for each Employer in the Fund for the three years commencing 1 April 2023 can be found on pages 33-59 of the Report. Whilst there are significant variations in both rates across the range of employers it is important that the focus should be on the Total Contribution Rate payable.

11. Following each triennial Actuarial Valuation, Section 13, of the Public Service Pensions Act, requires the Government Actuaries Department (GAD) to publish a report on the health of the LGPS. Using a common set of assumptions determined by the Scheme Advisory Board (SAB), to enable consistent comparison, Hymans have recalculated the Fund's 2022 Funding

position on a local funding basis (120%) which has resulted in a funding position of 128% on a SAB basis; an increase of 16% since the last valuation in 2019.

12. The full Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022 will be published on the Pension Fund's website.

Funding Strategy Statement (FSS)

13. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded and how employers, or pools of employers, pay for their own liabilities. As required by Regulation, a full review of the FSS has been undertaken as part of the 2022 Actuarial Valuation. As well as a more general review, the opportunity to make some changes recommended by the Actuary has also been taken. These include a review of the structure and layout of the FSS and once published on the Fund's website, these will also improve accessibility and navigation for stakeholders.

14. Whilst there have been no significant changes to the funding strategy as part of the 2022 Actuarial Valuation of the Fund, the new FSS includes separate and updated policies on:

- Academy funding *(Appendix E of the FSS);*
- Passthrough arrangements for Admission Bodies *(Appendix F of the FSS)*; and
- Cessations, including a revised 'risk-based' corridor approach where applicable *(Appendix H of the FSS).*

15. Other main changes to highlight in the FSS include:

- An increase in the time horizon allowed for Academies to reach full funding *(2.2 of the FSS).* This is now in line with that of local authorities and has changed from 15 years to 20-years;
- Minor changes to the passthrough admissions process *(Appendix F of the FSS)*; and
- the fact that climate-related risks have been considered and documented when setting the funding strategy *(C3 of Appendix C of the FSS)*.

16. The draft FSS was published on the Fund's website and was made available to Employers and other interested parties for a period of consultation that ran from 16 December 2022 to 31 January 2023. The consultation was publicised to Employers in several different ways. Albeit limited, feedback and questions arising from the consultation were received which resulted in some changes being made to the draft FSS presented to Pensions Committee previously.

17. The changes centred around the Fund permitting all individual academies within the same Multi Academy Trust (MAT) to be considered as pooled for contribution rate setting purposes. This would be dependent on certain criteria being met and would only be considered at the request of the MAT and

agreed at the discretion of the Fund. Minor amendments to allow for this were made in Section 2 – How does the Fund calculate Employer contributions? (2.6) and in the Policy on Academy Funding (Appendix E).

18. The final version of the FSS, incorporating the changes is attached for the approval of the Pensions Committee at Appendix 2.

19. In line with best practice, once the FSS has been approved and published, it will be maintained and updated periodically as Regulation and good governance dictates. The new format should make this significantly easier, and thanks go to Hymans Robertson for their assistance with this revision of the FSS and the reformatting.

Investment Strategy Statement (ISS)

20.. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the first ISS (which replaced the Statement of Investment Principles) had to be published by 1 April 2017, kept under review, and revised from time to time and at least every three years.

21. The ISS documents how the investment strategy for the Fund is determined and implemented and is required to cover numerous areas, specifically:

- The requirement to invest money across a wide range of investments;
- An assessment of the suitability of particular investments and investment types;
- The maximum percentage authorities deem should be allocated to different asset classes or types of investment;
- The authority's attitude to risk, including the measurement and management of risk;
- The authority's approach to investment pooling;
- The authority's policy on social, environmental and corporate governance considerations; and
- The authority's policy with regard to stewardship of assets, including the exercise of voting rights.

22. The last major review of the ISS was undertaken in April 2020, and this incorporated the outcome and outputs from the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation.

23. Whilst very similar in structure, the April 2023 version of the ISS, attached at Appendix 3, contains major revisions, as it reflects the outcome and outputs from the 2022 Strategic Asset Allocation review and 2022 Actuarial Valuation. The April 2023 ISS also includes detail about the arrangements for the Fund's transfer of assets into LGPS Central Ltd and it incorporates the Fund's Climate Change Strategy (first published in 2022).

24. Under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

In the formulation of the updated ISS, the Fund has consulted with its investment advisors, Hymans Robertson, and the Pensions Panel, who are recommending approval of the ISS to the Pensions Committee.

25. Pensions Committee Members are asked to note that the ISS may need some revision following the outcome of DLUHC's further consultation on Asset Pooling in the LGPS; expected sometime in early 2023. At this stage, wider consultation on the ISS may also be considered appropriate.

Rob Salmon
Director of Finance

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

Background Documents:

- Local Government Pension Scheme Regulations 2013
- Public Service Pensions Act 2013
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

Equalities implications: There are no direct equalities 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 triennial Actuarial Valuation is a significant cost to the Pension Fund but is a legal requirement. The direct cost of producing the FSS and ISS is relatively small; they are published only on the web site. The wider resource and value for money implications are included in the body of the reports.

Risk implications: The publication of these documents is a requirement under Regulation.

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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HYMANS ROBERTSON

Staffordshire Pension Fund

Report on the actuarial valuation at 31 March 2022

Use the menu bar above to navigate to each section.

Contents

In this report:

Executive Summary

We have been commissioned by Staffordshire County Council (the Administering Authority) to carry out a valuation of the Staffordshire Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	21.5% of pay		19.7% of pay	
Secondary Rate	2023/2024	£48,503,000	2020/2021	£41,000,000
	2024/2025	£51,454,000	2021/2022	£47,000,000
	2025/2026	£54,383,000	2022/2023	£54,000,000

- The Primary rate has increased mainly due to higher inflation
- The Secondary rate has decreased from the level currently in payment due to better than expected investment performance since the last valuation

Funding position

At 31 March 2022, the past service funding position has improved from the last valuation at 31 March 2019. Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	1,764	1,666
Deferred Pensioners	1,282	1,180
Pensioners	2,651	2,359
Total Liabilities	**5,696**	**5,204**
Assets	**6,833**	**5,131**
Surplus/(Deficit)	**1,137**	**(73)**
Funding Level	**120%**	**99%**

The required investment return to be 100% funded is now 3.3% pa (4.0% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is 83% (69% at 2019).

HYMANS ROBERTSON

Approach to valuation

Valuation Purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by Staffordshire County Council (the Administering Authority) to carry out a valuation of the Staffordshire Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.

2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Fund's Pensions Committee. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, eg inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

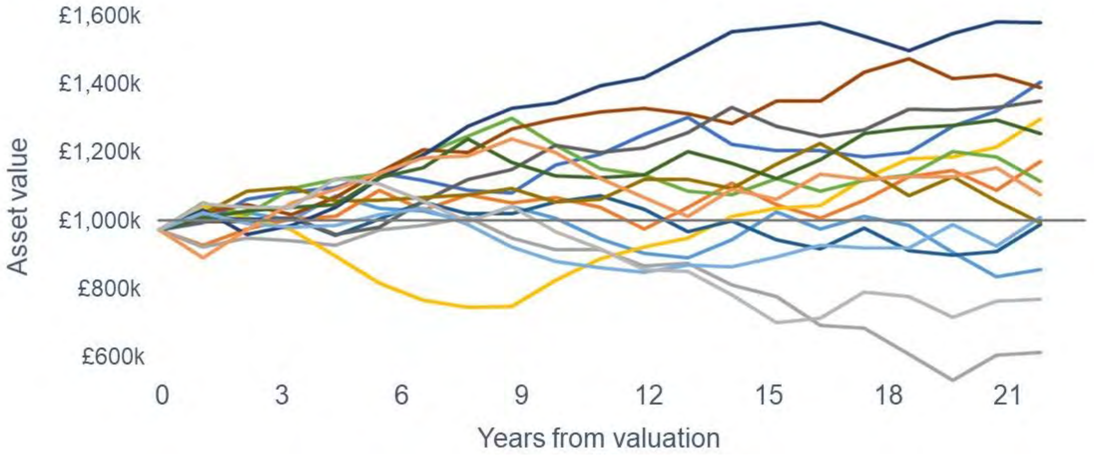
What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values under different economic scenarios



Measuring the funding level

The past service funding level is measured at the valuation. Whilst it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. To measure the funding level, a market-related approach is taken to calculating both the assets and the liabilities (so they are consistent with each other).

- The market value of the Fund's assets at the valuation date have been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

Further detail on the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

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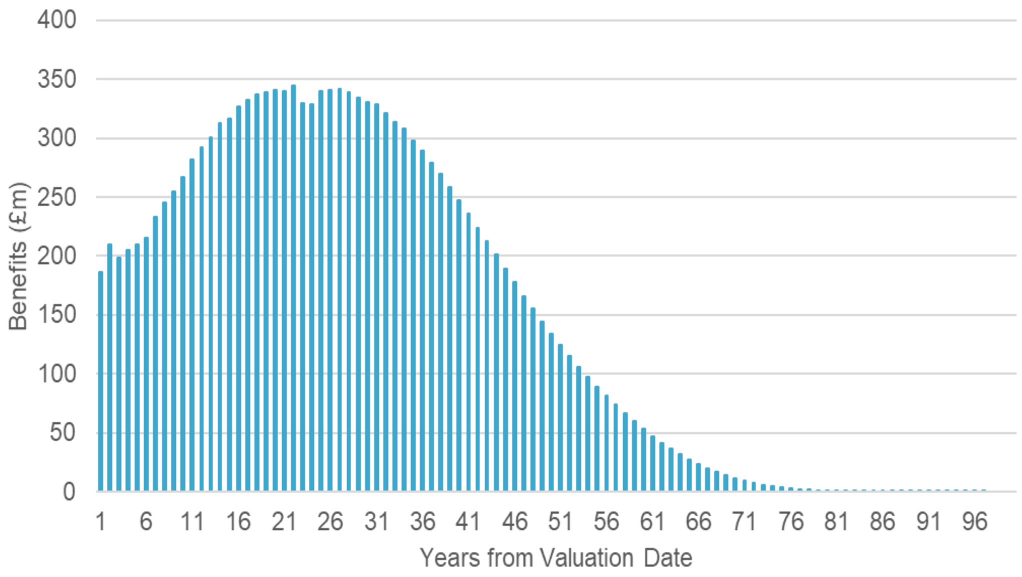
Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



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Valuation results

Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.
1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have increased since the last valuation due to rising inflation.
- Secondary rates have decreased due to better than expected investment performance since the previous valuation.

However all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	21.5% of pay		19.7% of pay	
Secondary Rate	2023/2024	£48,503,000	2020/2021	£41,000,000
	2024/2025	£51,454,000	2021/2022	£47,000,000
	2025/2026	£54,383,000	2022/2023	£54,000,000

The primary rate includes an allowance of 0.8% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.4% of pay (6.3% at 31 March 2019).

Funding level

The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

To help better understand funding risk, the likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line). The green line shows the same analysis at 31 March 2019.

- **The funding position at 2022 is stronger than 2019.**
- **The funding level is 100% if future investment returns are c.3.3% pa. The likelihood of the Fund's assets yielding at least this return is around 83%.**
- **The comparator at 2019 was a return of 4.0% pa which had a likelihood of 69%.**
- **There is a 50% likelihood of an investment return of 6.2% pa. So the best-estimate funding level is 164% at 31 March 2022 (128% at 2019).**

Chart 2: funding level across a range of future investment returns

Figures on each line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years. The pink diamonds show the single reported funding position at each valuation.

Single funding level as at 31 March 2022

Whilst the chart on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.4% pa has been used. There is a 72% likelihood associated with a future investment return of 4.4% pa.

Table 4 details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022, however there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 121%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,764	1,666
Deferred Pensioners	1,282	1,180
Pensioners	2,651	2,359
Total Liabilities	**5,696**	**5,204**
Assets	**6,833**	**5,131**
Surplus/(Deficit)	**1,137**	**(73)**
Funding Level	**120%**	**99%**

Important: *the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022
The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The experience analysis below shows that there has sadly been a higher than expected number of deaths over the period. However, the impact on the funding position has been small. This is likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

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Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
3 year period	12.2%	33.9%	21.7%	+£1,089m
Annual	3.9% pa	10.2% pa	6.3% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
Early leavers	9,788	12,267	2,479	+£5m
Ill-health retirements	165	184	19	+£2m
Salary increases	3.4% pa	4.2% pa	0.8% pa	-£27m
Benefit increases	2.3% pa	1.8% pa	-0.5% pa	+£76m
Pension ceasing	£11.7m	£12.9m	£1.2m	+£9m

Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: due to change in the Fund's investment strategy and financial markets, future investment returns are now expected to be higher than at the last valuation.

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Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 4.4% pa vs. 3.9% pa at 2019.	Decrease of £476m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £416m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	Increase of £6m
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £13m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £37m

Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities.

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Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Surplus / Deficit
	£m
Last valuation at 31 March 2019	**(73)**
Cashflows	
Employer contributions paid in	484
Employee contributions paid in	109
Benefits paid out	0
Net transfers into / out of the Fund*	(14)
Other cashflows (e.g. Fund expenses)	(13)
Expected changes	
Expected investment returns	611
Interest on benefits already accrued	(628)
Accrual of new benefits	(503)
Expected position at 31 March 2022	**(27)**

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Surplus / Deficit
	£m
Expected position at 31 March 2022	**(27)**
Events between 2019 and 2022	
Salary increases greater than expected	(27)
Benefit increases greater than expected	76
Early retirement strain (and contributions)	(1)
Ill health retirement strain	2
Early leavers less than expected	5
Commutation less than expected	(1)
Pensions ceasing less than expected	9
McCloud remedy	(9)
Other membership experience	(40)
Higher than expected investment returns	1,089
Changes in future expectations	
Investment returns	476
Inflation	(416)
Salary increases	(6)
Longevity	(24)
Other demographic assumptions	30
Actual position at 31 March 2022	**1,137**

Numbers may not sum due to rounding

Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means its important to understand their sensitivity and risk levels.

Contribution rates

The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level

Financial assumptions

On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	(£m)	%
2.5%	1,309	124%
2.7%	1,137	120%
2.9%	954	116%

Demographic assumptions

The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	(£m)	%
1.5%	1,137	120%
1.75%	1,090	119%

Sensitivity and risk analysis: other risks

Regulatory, Administration and Governance risks

Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Goodwin:** the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1-0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.
- **Cost Cap:** a legal challenge is ongoing in relation to the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Post valuation events

Since 31 March 2022, there has been significant volatility in the financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

- The Fund's investment return since 31 March 2022 is estimated to be somewhere between -3% and -7%.
- Liability valuations are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns more than offsetting the higher than expected (10.1%) pension increase at April 2023.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

[1] www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

Sensitivity and risk analysis: climate change

Background
Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of Hymans Robertson's LGPS 2022 valuation toolkit[1]

Outcome of analysis
The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 20 years' time
- Downside risk – the average worst 5% of funding levels in 20 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: sensitivity of funding position to climate change risk

Scenario	Likelihood of success	Downside risk
Core	**86%**	**54%**
Green Revolution	83%	47%
Delayed Transition	83%	57%
Head in the Sand	84%	53%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. Whilst the risk metrics are weaker, they are not materially so and not enough to suggest that the funding strategy is unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

HYMANS ROBERTSON

Final comments

Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc
- The Fund's risk register

New employers joining the Fund
Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers
Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency
Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 where contribution rates payable from 1 April 2026 will be set.

Douglas Green FFA
21 March 2023
For and on behalf of Hymans Robertson LLP

Robert Bilton FFA

Appendices

APPENDIX 1

Data

Membership data
A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data
To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	33,031	32,466
Total actual pay (£000)	581,020	533,303
Total accrued pension (£000)	113,513	102,124
Average age (liability weighted)	51.9	50.9
Future working lifetime (years)	6.4	8.5
Deferred pensioners (including undecideds)		
Number	53,686	51,883
Total accrued pension (£000)	75,153	68,694
Average age (liability weighted)	51.9	51.1
Pensioners and dependants		
Number	39,213	34,763
Total pensions in payment (£000)	167,693	148,141
Average age (liability weighted)	68.6	67.9

APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

This information is as provided by the Fund's Investment Consultant.

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Table 14: Investment strategy used for the 2022 valuation

Asset class	Allocation
Global equities	44.0%
Private equity	5.0%
Property	12.5%
Infrastructure equity	10.0%
Private debt	7.5%
Fixed interest gilt (long dated)	5.0%
Index linked gilt (long dated)	5.0%
Multi Asset Credit	5.0%
UK corporate bonds	5.0%
Cash	1.0%
Total	**100.0%**

APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out in-depth analysis and review in November 2021 with the final set agreed by the Pensions Committee on 17 December 2021.

Financial assumptions

Setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Asset class annualised total returns										Inflation/Yields		
Time period	Percentile	Cash	Index Linked Gilts (long)	Fixed Interest Gilts (long)	Private Equity	Property	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	All World ex UK Equity	Direct Lending (private debt)	Corporate debt (short) A rated	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th	0.8%	-3.1%	-1.5%	-1.2%	-0.6%	0.7%	1.7%	-0.4%	2.7%	1.4%	1.6%	-1.7%	1.1%
	50th	1.8%	-0.7%	0.7%	9.4%	4.4%	5.9%	3.5%	5.8%	6.0%	2.4%	3.3%	-0.5%	2.5%
	84th	2.9%	2.0%	2.8%	20.1%	9.5%	11.2%	5.2%	11.9%	9.2%	3.4%	4.9%	0.7%	4.3%
20 years	16th	1.0%	-2.6%	-0.2%	2.4%	1.4%	2.6%	2.8%	1.8%	4.3%	2.0%	1.2%	-0.7%	1.3%
	50th	2.4%	-0.9%	0.9%	10.0%	5.0%	6.5%	4.4%	6.3%	6.8%	3.2%	2.7%	1.1%	3.2%
	84th	4.0%	0.8%	2.0%	17.6%	8.9%	10.6%	6.0%	11.1%	9.2%	4.6%	4.3%	2.7%	5.7%
40 years	16th	1.2%	-1.1%	1.2%	4.7%	2.6%	3.9%	3.6%	3.4%	5.5%	2.4%	0.9%	-0.6%	1.1%
	50th	2.9%	0.3%	1.9%	10.3%	5.5%	7.0%	5.3%	6.8%	7.7%	3.9%	2.2%	1.3%	3.3%
	84th	4.9%	1.9%	2.8%	16.1%	8.8%	10.3%	7.1%	10.4%	10.0%	5.8%	3.7%	3.2%	6.1%
	Volatility (5yr)	2%	9%	8%	30%	15%	15%	6%	18%	10%	3%	3%		

APPENDIX 2

Assumptions

Financial assumptions

Calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.4% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 72% likelihood of returning above the discount rate.	3.9% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.2% pa	To determine the size of future final-salary linked benefit payments.	2.7% pa

Allowing for the McCloud remedy

Allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1]. Further technical detail about this assumption is set out in guide 13 of Hymans Robertson's LGPS 2022 valuation toolkit[2]

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

Table 17: Summary of longevity assumptions

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	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	VitaCurves based on member-level lifestyle factors
Future improvements	**CMI 2021 model** Initial addition = **0.25% (both Female and Male)** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0.25% (Female), 0.5% (Male)** Smoothing factor = **7.0** **1.25% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Tables 19 & 20
Retirements in ill health	See sample rates in Tables 19 & 20
Withdrawals	See sample rates in Tables 19 & 20
Promotional salary increases	See sample rates in Tables 19 & 20
Commutation	65% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0.5% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

APPENDIX 2

Assumptions

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.14	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.14	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.16	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.19	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.33	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.54	111.96	224.96	0.35	0.27	0.07	0.05
50	162	0.87	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.36	72.68	145.94	3.54	2.65	0.51	0.38
60	162	2.45	64.78	130.02	6.23	4.67	0.44	0.33
65	162	4.08	0.00	0.00	11.83	8.87	0.00	0.00

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.08	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.08	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.11	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.19	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.30	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.50	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.72	112.34	148.65	0.97	0.73	0.24	0.18
55	162	0.95	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.22	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.56	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

APPENDIX 3

Reliances and limitations

We have been commissioned by Staffordshire County Council ("the Administering Authority") to carry out a full actuarial valuation of the Staffordshire Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Pension Committee dated 25 March 2022 which discusses the funding strategy for the Fund's Local Authority, Police & Fire employers
- Our paper to the Fund's Pension Committee dated December 2021 which discusses the valuation assumptions
- Our initial results report dated 9 September 2022 which outlines the whole fund results and inter-valuation experience
- Our data report dated March 2023 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Asset-liability modelling	An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forward into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Deferred pensioners	A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

APPENDIX 4

Glossary

Term	Explanation
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
Employee members	Members who are currently employed by employers who participate in the fund and paying contributions into the fund.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Pensioners	A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

APPENDIX 4

Glossary

Term	Explanation
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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Rates & Adjustments certificate

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the Staffordshire Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2023 and in Appendix 2 of the report on the actuarial valuation dated March 2023. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		21.5% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£48,503,000	7.8%
	2024/25	£51,454,000	8.1%
	2025/26	£54,383,000	8.2%

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Major Scheduled Bodies									
Pool	**Staffordshire County Council Pool**								
101	Staffordshire County Council (excl. schools)	21.6%	£9,204,000	£10,757,000	£12,389,000	21.6% plus £9,204,000	21.6% plus £10,757,000	21.6% plus £12,389,000	1,2
101	Staffordshire County Council LEA Schools	21.6%	7.0%	8.0%	9.0%	28.6%	29.6%	30.6%	
2	West Midlands Employers	21.6%	7.0%	8.0%	9.0%	28.6%	29.6%	30.6%	
97	Nexxus	21.6%	7.0%	8.0%	9.0%	28.6%	29.6%	30.6%	
212	Make Some Noise West Midlands Ltd	21.6%	7.0%	8.0%	9.0%	28.6%	29.6%	30.6%	
Pool	**Staffordshire Moorlands District Council Pool**								
102	Staffordshire Moorlands District Council	22.3%	£919,000	£944,000	£970,000	22.3% plus £919,000	22.3% plus £944,000	22.3% plus £970,000	1.2
314	NEC Software Solutions	22.3%	14.5%	14.5%	14.5%	36.8%	36.8%	36.8%	
347	NEC Software Solutions	22.3%	14.5%	14.5%	14.5%	36.8%	36.8%	36.8%	
103	Newcastle Under Lyme Borough Council Pool	22.0%	£1,437,000	£1,476,000	£1,517,000	22.0% plus £1,437,000	22.0% plus £1,476,000	22.0% plus £1,517,000	1
104	Stoke-on-Trent City Council Pool	21.8%	£8,362,000	£8,592,000	£8,828,000	21.8% plus £8,362,000	21.8% plus £8,592,000	21.8% plus £8,828,000	1,2
105	Stafford Borough Council Pool	22.0%	£1,380,000	£1,417,000	£1,456,000	22.0% plus £1,380,000	22.0% plus £1,417,000	22.0% plus £1,456,000	1,2
106	East Staffordshire Borough Council Pool	22.0%	£1,491,000	£1,532,000	£1,575,000	22.0% plus £1,491,000	22.0% plus £1,532,000	22.0% plus £1,575,000	1,2
107	South Staffordshire District Council Pool	21.8%	£591,000	£704,000	£823,000	21.8% plus £591,000	21.8% plus £704,000	21.8% plus £823,000	1
108	Cannock Chase District Council Pool	22.4%	£2,376,000	£2,441,000	£2,580,000	22.4% plus £2,376,000	22.4% plus £2,441,000	22.4% plus £2,580,000	1,2
109	Lichfield District Council Pool	22.0%	£746,000	£767,000	£788,000	22.0% plus £746,000	22.0% plus £767,000	22.0% plus £788,000	1, 2
110	Tamworth Borough Council Pool	22.1%	£668,000	£730,000	£796,000	22.1% plus £668,000	22.1% plus £730,000	22.1% plus £796,000	1

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other employing authorities									
198	Stoke And Staffs Comb Fire Authority	21.9%	£193,000	£198,000	£204,000	21.9% plus £193,000	21.9% plus £198,000	21.9% plus £204,000	2
1AA	Staffordshire Police Authority	21.5%	0.0%	0.0%	0.0%	21.5%	21.5%	21.5%	1
Further education establishments									
100	South Staffordshire College Pool	26.9%	-4.0%	-5.0%	-6.0%	22.9%	21.9%	20.9%	1
133	Newcastle and Stafford Colleges Group	26.4%	£108,000	£111,000	-0.6%	26.4% plus £108,000	26.4% plus £111,000	25.8%	1
150	Staffordshire University	25.3%	£1,019,000	£1,052,000	£1,086,000	25.3% plus £1,019,000	25.3% plus £1,052,000	25.3% plus £1,086,000	
154	Stoke On Trent College	26.9%	£34,000	£35,000	-0.8%	26.9% plus £34,000	26.9% plus £35,000	26.1%	
156	Burton & South Derbyshire College	26.8%	-2.5%	-3.5%	-4.5%	24.3%	23.3%	22.3%	
218	Keele University	59.1%	£77,000	£77,000	£77,000	59.1% plus £77,000	59.1% plus £77,000	59.1% plus £77,000	
78J	Newfriars College	27.2%	£132,000	£136,000	£140,000	27.2% plus £132,000	27.2% plus £136,000	27.2% plus £140,000	1

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Minor employers pool									
70	Alrewas Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
72	Heath Hayes And Wimblebury P C	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
73	Swinfen And Packington P C	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
75	Cheslynhay Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
115	Cheadle Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
119	Burntwood Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
121	Great Wyrley Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
130	Uttoxeter Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
134	Anglesey Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
136	Lichfield City Council (Former Charter Trustees)	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
140	Penkridge Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
141	Wombourne Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
142	Stone Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
143	Norton Canes Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
146	Brereton And Ravenhill Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
147	Codsall Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
148	Kinver Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
149	Brewood & Coven Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
171	Lapley, Stretton & Wheaton Aston Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
172	Perton Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
176	Hednesford Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Minor employers pool (continued)									
177	Essington Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
183	Kidsgrove Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
184	Eccleshall Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
187	Audley Rural Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
188	Biddulph Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
190	Colwich Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
191	Draycott In The Clay Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
193	Abbots Bromley Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
195	Gnosall Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
196	Branston Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
197	Rugeley Town Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AF	Tatenhill Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AI	Tutbury Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AK	Bilbrook Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AL	Forsbrook Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AN	Barlaston Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AP	Berkswich Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AQ	Checkley Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	
1AR	Fulford Parish Council	25.0%	-0.4%	-1.4%	-2.4%	24.6%	23.6%	22.6%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools									
10	Cannock Chase Academy	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	1
11	Weston Road Academy	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
12	Eaton Park Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	1
13	Bursley Academy The Praxis Trust	20.8%	5.4%	4.4%	3.4%	26.2%	25.2%	24.2%	
14	St Joseph Edmund. Rice Academy Trust	20.2%	4.9%	3.9%	2.9%	25.1%	24.1%	23.1%	
15	The Rural Enterprise Academy	20.4%	1.4%	0.4%	-0.6%	21.8%	20.8%	19.8%	
19	Sutherland Academy	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	1
23	St Edwards C E Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1
56	JCB Academy	19.8%	0.9%	-0.1%	-1.1%	20.7%	19.7%	18.7%	
58	Erasmus Darwin Academy	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
61	The Crescent Academy	19.5%	4.7%	3.7%	2.7%	24.2%	23.2%	22.2%	
62	The Cheadle Academy	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
66	Biddulph Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
69	St Peter's CofE Academy	19.4%	6.8%	5.8%	4.8%	26.2%	25.2%	24.2%	1
411	Carmountside Primary Academy	19.3%	3.5%	-0.6%	-4.7%	22.8%	18.7%	14.6%	
412	Alleynes Academy	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
414	Glebe Primary Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
415	Sandon Primary Academy	19.3%	6.9%	5.9%	4.9%	26.2%	25.2%	24.2%	
416	Woodhouse Academy	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
417	St Giles & St Georges Academy	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	1
13A	Manifold Primary Academy	21.2%	5.0%	4.0%	3.0%	26.2%	25.2%	24.2%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
13B	Hollinsclough Primary Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
16B	Discovery Academy (Mitchell-Edensor)	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
16C	Maple Court Primary Academy	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	
16E	The Excel Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1
16G	Sneyd Academy Ex 104	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
17A	Anglesey Academy	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	1
17B	Rawlet	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
17C	Belgrave High	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
18A	Painsley Catholic College	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
18B	St Filumenas	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
18C	St Giles Cheadle	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
18D	St Josephs Uttoxeter	20.8%	5.4%	4.4%	3.4%	26.2%	25.2%	24.2%	
18E	St Marys Leek	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
18F	St Thomas Kidsgrove	21.3%	4.9%	3.9%	2.9%	26.2%	25.2%	24.2%	
18G	Faber Cotton	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1BB	St Giles Primary	21.3%	4.9%	3.9%	2.9%	26.2%	25.2%	24.2%	
1BC	St Lawrence Primary	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1BD	Woodseaves Primary	20.5%	5.2%	4.2%	3.2%	25.7%	24.7%	23.7%	
1BK	Kinver High School and Sixth Form	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1BL	Ounsdale High School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1CB	St John's Primary Academy	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	

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Academy schools (continued)									
1CD	St Peters Primary School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1CE	Etching Hill Primary	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
1CK	Castle Primary Mow Cop	21.6%	4.6%	3.6%	2.6%	26.2%	25.2%	24.2%	
1DB	Loxely Hall Academy	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	
1DC	Cicely Haughton Academy	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
1DD	Meadows Special School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1DE	Springfield Special School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1DF	Merryfields	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	
1DG	Rocklands School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	1
1DH	Chaselea PRU	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	
1DK	Howard Primary Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1DL	St Mary's Primary Academy	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1DM	Richard Crosse Primary Academy	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
1DN	Anson CofE Primary	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1DU	Bailey Street Alternative Provision Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1EK	St Christophers Primary	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1FB	Dilhorne Academy	21.2%	6.0%	6.0%	6.0%	27.2%	27.2%	27.2%	
1FC	St Werburghs Academy	20.8%	5.4%	4.4%	3.4%	26.2%	25.2%	24.2%	
1FD	Valley Primary Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1FE	Great Wood Primary	21.1%	5.1%	4.1%	3.1%	26.2%	25.2%	24.2%	
1FF	Bishop Rawle CofE School	21.4%	4.8%	3.8%	2.8%	26.2%	25.2%	24.2%	

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Academy schools (continued)									
1FK	Newcastle Academy	19.4%	6.8%	5.8%	4.8%	26.2%	25.2%	24.2%	1
1FL	Clayton Hall Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1
1FM	Sir Thomas Boughey	19.2%	7.0%	6.0%	5.0%	26.2%	25.2%	24.2%	
1GB	St Andrews CE Primary	21.2%	5.0%	4.0%	3.0%	26.2%	25.2%	24.2%	
1GC	Colwhich CE Primary	21.1%	5.1%	4.1%	3.1%	26.2%	25.2%	24.2%	
1GD	St Peters CE Primary	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1GK	Cherry Trees	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1GL	Wightwick Hall School	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	1
1GM	Two Rivers High	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1
1GN	Two Rivers Primary	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	
1HB	St Anne's Catholic Primary	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	
1HC	St Austin's Catholic Primary	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
1HD	St Dominic's Catholic Primary	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1HE	St John's Catholic Primary	20.7%	4.8%	3.8%	2.8%	25.5%	24.5%	23.5%	
1HF	St Mary's Catholic Primary	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1HG	St Patrick's Catholic Primary	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1HH	Blessed Mother Teresa's Catholic Primary	20.8%	5.4%	4.4%	3.4%	26.2%	25.2%	24.2%	
1HI	Blessed William Howard Catholic High School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1JB	Westwood College	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1
1JC	Leek High School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	1
1JD	Churnet View Middle	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	1

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Academy schools (continued)									
1JE	All Saints CofE First School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1JF	Leek First School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1JG	Rushton CofE First School	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	
1JH	Westwood First	21.0%	5.2%	4.2%	3.2%	26.2%	25.2%	24.2%	
1JI	Beresford Memorial CofE First School	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
1JK	John of Rolleston Primary School	21.4%	4.8%	3.8%	2.8%	26.2%	25.2%	24.2%	
1JL	William Shrewsbury Primary School	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1JM	Outwoods Primary School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1JN	Grange Infants	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1JP	Redbrook Hayes Primary	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1KB	Barnfields Primary	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1KC	Leasowes Primary	21.0%	5.2%	4.2%	3.2%	26.2%	25.2%	24.2%	
1KK	Scotch Orchard Infants	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	1
1KL	William MacGregor Primary School	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
1KM	Nether Stowe School	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	
1KN	Two Gates Primary School	21.1%	5.1%	4.1%	3.1%	26.2%	25.2%	24.2%	
1KP	Coton Green Primary School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
1KQ	Greysbrooke Primary School	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1KR	St Chads CoE VC Primary	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	
1KS	St Michaels CE© Primary School	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1LB	Hempstalls Primary	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	1

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
1LC	Parkside Primary School	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1LD	Thursfield Primary	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	1
1LE	James Bateman Middle School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1LF	Manor Hill First	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1LG	Langdale Primary School	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
1LK	St Mary's CofE Primary	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	1
1MB	Walton High	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
1MK	Marshbrook First School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
1ML	Penkridge Middle School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1MM	Princefield First School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
1MN	St John Bishopwood School	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
1MO	Wolgarston High School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1MP	St Mary & St Chads First School Brewood	22.2%	4.0%	3.0%	2.0%	26.2%	25.2%	24.2%	
1NB	Sir Graham Balfour	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	1
1NK	Birds Bush Primary	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1NL	Forest Hills Primary School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1PB	New Ford Primary	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1PK	The New Guild Trust - Alexandra Infants	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
1PL	The New Guidl Trust - Alexandra Junior	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	
1PM	The New Guild Trust - Jackfield Infants	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1PN	The New Guild Trust - Moorpark Junior	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
1QB	Wilnecote High Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	1
1QC	Chadsmead Primary Academy	21.0%	5.2%	4.2%	3.2%	26.2%	25.2%	24.2%	1
1QD	Stoneydelph Primary	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1QE	Woodlands Primary	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	1
1QK	The Fountains High School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1QL	The Fountains Primary School	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1RB	Codsall Middle School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1RC	St Nicholas First School	20.8%	5.4%	4.4%	3.4%	26.2%	25.2%	24.2%	
1RD	Birches First School	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1RK	Holy Rosary Catholic Voluntary Academy	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1RL	Blessed Robert Sutton	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
1SB	Ellison Primary	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
1SC	Goldenhill Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1SD	Summerbank Primary	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
1SE	Gladstone Primary Academy	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1SF	Ash Green Primary	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1SG	Alsagers Bank Primary Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
1SK	Great Wyrley High School	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1SL	Cheslyn Hay Sport and Community High School	20.0%	3.9%	2.9%	1.9%	23.9%	22.9%	21.9%	
1TB	Greenways Primary	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
1TC	Milton Primary	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	

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Academy schools (continued)									
1TK	Brindley Heath Jr School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
1TL	Foley Infant School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1UB	St Benedict Biscop	21.4%	4.8%	3.8%	2.8%	26.2%	25.2%	24.2%	
1UC	All Saints Primary School - Trysull	21.1%	5.1%	4.1%	3.1%	26.2%	25.2%	24.2%	
1UK	Kingsfield First School	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
1UL	Knypersley First School	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
1UM	Oxhey First School	21.0%	5.2%	4.2%	3.2%	26.2%	25.2%	24.2%	
1UN	The Reginald Mitchell Primary	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
1UP	Castlechurch Primary School	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1VB	Chase Terrace	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
1VK	Abbey Hulton Primary School	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1VL	Forest Park Primary	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
1VM	Oakhill Primary	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	
1VN	Kemball Special School	19.3%	6.9%	5.9%	4.9%	26.2%	25.2%	24.2%	
1VP	Watermill Special School	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
1VQ	Etruscan Primary	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
1VR	St Marks Primary	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1WA	Uttoxeter Learning Trust	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	
1WK	The Friary School	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
1WL	Henry Chadwick Primary School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
1WM	Queenscroft High School	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
25G	The Hart School	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	1
26A	Woodhouse	19.7%	4.0%	3.0%	2.0%	23.7%	22.7%	21.7%	
26B	QUEMS	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
26C	Greenacres Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
27A	Scentia Academy	19.5%	-0.9%	-1.9%	-2.9%	18.6%	17.6%	16.6%	
27B	Springhill Academy	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
27C	Norton Canes Community Primary School	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
27D	Heath Hayes Primary School	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	
27E	Silkmore Academy	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
27F	Five Spires Academy	20.4%	3.6%	2.6%	1.6%	24.0%	23.0%	22.0%	
27G	Veritas Primary School	19.7%	-0.8%	-1.8%	-2.8%	18.9%	17.9%	16.9%	
27H	Henhurst Ridge Primary Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
28A	Sir Stanley Matthews Academy	19.4%	6.8%	5.8%	4.8%	26.2%	25.2%	24.2%	1
28B	Horizon Academy	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	1
28C	Packmoor Academy	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
28D	Meridian Academy	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
28E	The Oaks	19.3%	6.9%	5.9%	4.9%	26.2%	25.2%	24.2%	
29A	Kidsgrove Secondary	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	1
29B	Kidsgrove Primary	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
39A	St John Fisher Catholic College	19.9%	0.0%	0.0%	0.0%	19.9%	19.9%	19.9%	
39B	St Mary's Catholic Primary School	20.6%	0.0%	0.0%	0.0%	20.6%	20.6%	20.6%	

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Academy schools (continued)									
39C	St Teresa's Catholic Primary	20.4%	1.1%	1.1%	1.1%	21.5%	21.5%	21.5%	
39D	St Thomas Aquinas Catholic Primary School	20.4%	3.4%	3.4%	3.4%	23.8%	23.8%	23.8%	
39E	St Wulstan's Primary	20.3%	1.0%	1.0%	1.0%	21.3%	21.3%	21.3%	
39F	Our Lady and St Werburghs Primary	19.9%	-1.3%	-1.3%	-1.3%	18.6%	18.6%	18.6%	
42A	St Margaret Ward Academy	20.2%	2.2%	2.2%	2.2%	22.4%	22.4%	22.4%	
42B	St Peter's Primary School	19.8%	3.3%	3.3%	3.3%	23.1%	23.1%	23.1%	
42C	Our Lady and St Benedicts Catholic School	19.0%	0.0%	0.0%	0.0%	19.0%	19.0%	19.0%	
42D	St George and St Martin Catholic School	20.4%	0.0%	0.0%	0.0%	20.4%	20.4%	20.4%	
42E	St Joseph's Catholic Primary School	20.5%	0.0%	0.0%	0.0%	20.5%	20.5%	20.5%	
42F	St Mary's Catholic School	20.2%	1.3%	1.3%	1.3%	21.5%	21.5%	21.5%	
42G	St Wilfred's Catholic Primary	20.4%	1.6%	1.6%	1.6%	22.0%	22.0%	22.0%	
42H	St. John the Evangelist Catholic Primary School	20.6%	0.0%	0.0%	0.0%	20.6%	20.6%	20.6%	
42J	Our Lady of Grace (English Martyrs)	19.5%	0.0%	0.0%	0.0%	19.5%	19.5%	19.5%	
44A	St Thomas More Catholic College	19.9%	0.0%	0.0%	0.0%	19.9%	19.9%	19.9%	
44B	Our Lady's	20.6%	0.1%	0.1%	0.1%	20.7%	20.7%	20.7%	
44C	St Augustines Academy	19.9%	0.0%	0.0%	0.0%	19.9%	19.9%	19.9%	
44D	St Gregory's Catholic College Academy	20.3%	0.6%	0.6%	0.6%	20.9%	20.9%	20.9%	
44E	St Maria Goretti Academy	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
45A	Newstead Primary Academy	19.6%	6.0%	5.0%	4.0%	25.6%	24.6%	23.6%	
45B	Norton Le Moors Primary Academy	19.3%	2.3%	1.3%	0.3%	21.6%	20.6%	19.6%	
45C	Whitfield Valley Academy	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	

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Academy schools (continued)									
46A	St Mathews Primary Academy	21.0%	5.2%	4.2%	3.2%	26.2%	25.2%	24.2%	1
46B	Havergal Primary Academy	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
46C	St Peter's Church of England School	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
46D	Bishop Lonsdale CofE Primary	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
46E	St John's Primary	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
46F	St James Lonsdale	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
46G	Churchfield Academy	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
46H	Stoke Minster	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
46J	Christ Church Ce Primary Academy	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	
46K	St Mary's Wheaton Aston	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
46L	Brewood Middle	21.2%	5.0%	4.0%	3.0%	26.2%	25.2%	24.2%	
47A	Chesterton Community Sports College	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
47B	Churchfields Primary Academy	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
47C	Chesterton Primary	20.2%	7.0%	7.0%	7.0%	27.2%	27.2%	27.2%	
47D	Crackley Bank	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
48A	Larkhall Infants Academy	19.4%	6.8%	5.8%	4.8%	26.2%	25.2%	24.2%	
48B	Flaxhill Junior Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
48C	Lakeside Primary	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
49A	Silverdale Primary Academy	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	1
51	The Co-op Stoke Academy	19.3%	6.9%	5.9%	4.9%	26.2%	25.2%	24.2%	
51B	Friaswood Primary School	20.8%	5.4%	4.4%	3.4%	26.2%	25.2%	24.2%	

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Academy schools (continued)									
51C	Clarice Cliff Primary School	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
21	Mosley School Academy	21.0%	5.2%	4.2%	3.2%	26.2%	25.2%	24.2%	
53	John Taylor High School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
53A	Kingsmead Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1
53B	Thomas Russell	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	1
53C	Yoxall St Peters	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
53D	Rykneld Primary School	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
53E	Shobnall Primary School	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	1
53G	Winshill Village Primary and Nursery School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
53H	John Taylor Free School	19.8%	6.4%	5.4%	4.4%	26.2%	25.2%	24.2%	
53J	Needwood CofE VA Primary School	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
53K	All Saints Rangemore C of E Primary School	21.5%	4.7%	3.7%	2.7%	26.2%	25.2%	24.2%	
53L	Paulet High School	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
54	De Ferrers Academy	19.4%	6.8%	5.8%	4.8%	26.2%	25.2%	24.2%	1
54A	Lansdowne Academy	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
54B	Horninglow Academy	19.6%	6.6%	5.6%	4.6%	26.2%	25.2%	24.2%	
54C	Eton Park Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	1
54D	Richard Wakefield Primary School	21.3%	4.9%	3.9%	2.9%	26.2%	25.2%	24.2%	
55A	St Nathaniel Academy	19.9%	5.8%	4.8%	3.8%	25.7%	24.7%	23.7%	1
55B	Knutton St Mary's	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
55C	Park Hall	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
55D	Meir Heath	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
55E	St Saviours Primary	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
55	Belgrave St Bartholomew Academy	20.0%	3.9%	2.9%	1.9%	23.9%	22.9%	21.9%	1
55G	Kingsland CE Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
55H	Weston Junior Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
55J	Weston Infant Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
55K	Longford Primary Academy	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
55L	Hazel Slade Primary School	21.4%	4.8%	3.8%	2.8%	26.2%	25.2%	24.2%	
55M	Woodscroft First School	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
57	Violet Way Academy	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
57B	Glascote Heath Academy	19.7%	4.8%	3.8%	2.8%	24.5%	23.5%	22.5%	
57C	Ankermoor Primary	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
57D	Dosthill Primary School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
57E	Edge Hill Junior School	21.1%	5.1%	4.1%	3.1%	26.2%	25.2%	24.2%	
57F	Heathfields Infant School	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
57G	Wilnecote Junior School	19.9%	6.3%	5.3%	4.3%	26.2%	25.2%	24.2%	
57H	Anker Valley Primary Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	
58B	Highfields Primary School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
59	Christchurch Academy	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
59A	Oulton CofE (Vc) First School	21.6%	4.6%	3.6%	2.6%	26.2%	25.2%	24.2%	
59B	Christ Church CofE (VC) First School	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
63	Staffordshire University Academy	18.0%	8.2%	7.2%	6.2%	26.2%	25.2%	24.2%	1
63B	Moorgate Primary Academy	19.7%	6.5%	5.5%	4.5%	26.2%	25.2%	24.2%	1
63C	John Wheeldon Academy	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	1
63D	Perton Sandown First	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
63E	Boney Hay	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
63F	Littleton Green Community Primary	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
63G	St Edwards First School	19.7%	7.5%	7.5%	7.5%	27.2%	27.2%	27.2%	
63H	Tynsel First School	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	
63J	All Saints CofE First School	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	
63K	Charmwood Primary School	20.6%	5.6%	4.6%	3.6%	26.2%	25.2%	24.2%	1
63L	St Augustine's First School	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
63M	St Peter's CofE Academy Alton	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
63N	St Lukes Endon Primary School	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
63P	Horton St Michaels CofE First School	21.2%	5.0%	4.0%	3.0%	26.2%	25.2%	24.2%	1
63Q	Dove First VC School	21.7%	4.5%	3.5%	2.5%	26.2%	25.2%	24.2%	
63R	St Pauls First	20.9%	5.3%	4.3%	3.3%	26.2%	25.2%	24.2%	
63S	Church Easton - SUAT	21.3%	4.9%	3.9%	2.9%	26.2%	25.2%	24.2%	
63T	All Saints Primary School - Bednall	21.5%	4.7%	3.7%	2.7%	26.2%	25.2%	24.2%	
63U	St Leonards CofE First School	19.2%	7.0%	6.0%	5.0%	26.2%	25.2%	24.2%	
63V	Little Aston Primary	20.5%	5.7%	4.7%	3.7%	26.2%	25.2%	24.2%	
76A	Rowley Park Primary Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	1

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academy schools (continued)									
76B	Victoria Academy Trust	19.1%	7.1%	6.1%	5.1%	26.2%	25.2%	24.2%	
77A	Featherstone Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	
77B	Pye Green Academy	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	1
78A	Black Friars Academy	18.7%	7.5%	6.5%	5.5%	26.2%	25.2%	24.2%	1
78B	The Coppice Academy	19.5%	6.7%	5.7%	4.7%	26.2%	25.2%	24.2%	
78C	Walton Hall Academy	20.3%	5.9%	4.9%	3.9%	26.2%	25.2%	24.2%	
78D	Wolstanton High School	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
78E	Saxon Hill Academy	20.2%	6.0%	5.0%	4.0%	26.2%	25.2%	24.2%	
78F	Madeley Academy	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	1
78G	Seabridge Academy	20.4%	5.8%	4.8%	3.8%	26.2%	25.2%	24.2%	1
78H	The Meadows Primary Academy	20.1%	6.1%	5.1%	4.1%	26.2%	25.2%	24.2%	
78K	Streethay Primary School	19.4%	6.8%	5.8%	4.8%	26.2%	25.2%	24.2%	
78L	Meadows (Blurton) Primary	19.3%	6.9%	5.9%	4.9%	26.2%	25.2%	24.2%	
78M	Endon High School	20.7%	5.5%	4.5%	3.5%	26.2%	25.2%	24.2%	
78N	Waterside Primary	19.2%	7.0%	6.0%	5.0%	26.2%	25.2%	24.2%	
79A	Burton Fields School	20.0%	6.2%	5.2%	4.2%	26.2%	25.2%	24.2%	1

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Admitted bodies with individually assessed rates									
210	MPFT (Previously SSSFT ex 101)	57.7%	£465,000	£465,000	£465,000	57.7% plus £465,000	57.7% plus £465,000	57.7% plus £465,000	
353	Wigan Leisure and CultureTrust (Inspiring Healthy Lifestyles)	25.3%	-25.3%	-25.3%	-25.3%	0.0%	0.0%	0.0%	
3TB	Churchills Service Solutions - United Endeavour Trust	29.3%	-29.3%	-29.3%	-29.3%	0.0%	0.0%	0.0%	
3GL	Aspens Services Ltd - Blythe Bridge High School	26.2%	-26.2%	-26.2%	-26.2%	0.0%	0.0%	0.0%	
3NK	Biffa Municipal Limited	19.5%	-19.5%	-19.5%	-19.5%	0.0%	0.0%	0.0%	
3CB	Kier Facilities (Police)	23.4%	-23.4%	-23.4%	-23.4%	0.0%	0.0%	0.0%	
3BB	Silvertree Cleaning Support LTD - Watermill School	40.0%	-40.0%	-40.0%	-40.0%	0.0%	0.0%	0.0%	
3CA	Kier Facilities Services (Ex 198)	25.3%	-4.7%	-4.7%	-4.7%	20.6%	20.6%	20.6%	
98	Unitas Stoke-on-Trent Ltd	19.3%	-5.6%	-5.6%	-5.6%	13.7%	13.7%	13.7%	
3HR	Chartwells - Ormiston Sir Stanley Matthews Academy	25.3%	-25.3%	-25.3%	-25.3%	0.0%	0.0%	0.0%	
Pool	**Housing Plus Group**								
287	Homes Plus Ltd	24.7%	-5.2%	-5.2%	-5.2%	19.5%	19.5%	19.5%	3
295	Homes Plus Ltd (Formerly SARH)	24.7%	-5.2%	-5.2%	-5.2%	19.5%	19.5%	19.5%	3
297	Housing Plus Group Ltd	24.7%	-5.2%	-5.2%	-5.2%	19.5%	19.5%	19.5%	3

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Admitted bodies with fixed rate pass-through agreements in the Staffordshire County Council Pool									
214	Entrust	18.1%	0.0%	0.0%	0.0%	18.1%	18.1%	18.1%	
220	Midlands Partnership Foundation (NHS) Trust	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
221	Midlands Partnership NHS Foundation Trust - ACM	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
222	Midlands Partnership NHS Foundation Trust - Reablement	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
255	Tiny Toez Ltd	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
334	Amey Services Ltd	21.6%	0.0%	0.0%	0.0%	21.6%	21.6%	21.6%	
450	Choices Housing Association Ltd	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
1EA	Compass Contract Services	18.1%	0.0%	0.0%	0.0%	18.1%	18.1%	18.1%	
3AD	Mellors - Holy Trinity Primary	22.9%	0.0%	0.0%	0.0%	22.9%	22.9%	22.9%	
3AF	Mellors - Thomas Russell Jr School	22.9%	0.0%	0.0%	0.0%	22.9%	22.9%	22.9%	
3AM	Mellors - All Saints Primary (Alrewas)	25.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	
3EM	Servicemaster – St. Anne's	24.6%	0.0%	0.0%	0.0%	24.6%	24.6%	24.6%	
3FM	Miquill Catering Ltd - All Saints CofE (Trysull)	24.6%	0.0%	0.0%	0.0%	24.6%	24.6%	24.6%	
3GR	Aspens Services Ltd - St Mary's CE (VA) First School	24.6%	0.0%	0.0%	0.0%	24.6%	24.6%	24.6%	
3HB	Chartwells - Nether Stowe	22.9%	0.0%	0.0%	0.0%	22.9%	22.9%	22.9%	
3MK	Energy Kidz	26.6%	0.0%	0.0%	0.0%	26.6%	26.6%	26.6%	
3WA	Alliance In Partnership Ltd - Norton Canes	20.7%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	
3WB	Alliance In Partnership Ltd - Hugo Meynell Primary	20.7%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	
3WC	Alliance In Partnership Ltd - Langdale Primary	20.7%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other admitted bodies with fixed rate pass-through agreements									
3ZM	Alliance Environmental Services Limited (ANSA) – *(Staffordshire Moorlands DC)*	22.3%	0.0%	0.0%	0.0%	22.3%	22.3%	22.3%	
3ZL	Alliance Environmental Services Limited (ANSA) – *(Staffordshire Moorlands DC)*	22.3%	0.0%	0.0%	0.0%	22.3%	22.3%	22.3%	
3PL	Freedom Leisure *(Stafford BC)*	24.8%	0.0%	0.0%	0.0%	24.8%	24.8%	24.8%	
3UL	Veolla - SBC Waste *(Stafford BC)*	20.2%	0.0%	0.0%	0.0%	20.2%	20.2%	20.2%	
3XL	SLM LTD - Community Leisure Charitable Trust *(East Staffordshire BC)*	16.4%	0.0%	0.0%	0.0%	16.4%	16.4%	16.4%	
3XM	SLM LTD - Food & Beverage Limited *(East Staffordshire BC)*	16.4%	0.0%	0.0%	0.0%	16.4%	16.4%	16.4%	
3XN	SLM LTD - Fitness & Health *(East Staffordshire BC)*	16.4%	0.0%	0.0%	0.0%	16.4%	16.4%	16.4%	
318	Landscape Group Ltd *(East Staffordshire BC)*	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
3PM	Freedom Leisure *(Lichfield DC)*	26.5%	0.0%	0.0%	0.0%	26.5%	26.5%	26.5%	
3LA	Equans Regeneration (formerly Engie) - Tamworth Repairs and Maintenance *(Tamworth BC)*	19.0%	0.0%	0.0%	0.0%	19.0%	19.0%	19.0%	
3BN	Hutchinson Catering *(Academies Enterprise Trust)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3TC	Churchills Service Solutions *(Academies Enterprise Trust)*	26.2%	0.0%	0.0%	0.0%	26.2%	26.2%	26.2%	
3YE	RM Education Ltd *(Academies Enterprise Trust)*	24.2%	0.0%	0.0%	0.0%	24.2%	24.2%	24.2%	
3EE	Servicemaster *(Alpha Academies Trust)*	25.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	
3RC	Taylor Shaw *(Excel Academy)*	24.2%	0.0%	0.0%	0.0%	24.2%	24.2%	24.2%	
3GD	Aspens Services Ltd *(Cannock Chase Academy)*	22.9%	0.0%	0.0%	0.0%	22.9%	22.9%	22.9%	
3WH	Alliance In Partnership Ltd *(Thursfield Primary)*	26.2%	0.0%	0.0%	0.0%	26.2%	26.2%	26.2%	
3UR	Accuro FM Ltd *(De Ferrers MAT)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3YL	Caterlink *(De Ferrers MAT)*	22.4%	0.0%	0.0%	0.0%	22.4%	22.4%	22.4%	
3EH	Servicemaster *(Eaton Park Academy)*	26.2%	0.0%	0.0%	0.0%	26.2%	26.2%	26.2%	
3RB	Taylor Shaw *(Pye Green Academy)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other admitted bodies with fixed rate pass-through agreements (continued)									
3HL	Chartwells - JCB Cleaning *(JCB Academy)*	24.2%	0.0%	0.0%	0.0%	24.2%	24.2%	24.2%	
3AG	Mellors *(Thomas Russell Infants School)*	24.2%	0.0%	0.0%	0.0%	24.2%	24.2%	24.2%	
3AH	Mellors *(Shobnall Primary)*	20.7%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	
3HC	Chartwells *(Kingsmead Academy)*	22.5%	0.0%	0.0%	0.0%	22.5%	22.5%	22.5%	
3JK	Capita Managed IT Solutions Ltd *(OSSMA)*	23.2%	0.0%	0.0%	0.0%	23.2%	23.2%	23.2%	
3TL	T(n)S Catering Ltd Management *(Rowley Park)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3JA	Prime Facility Services *(Newfriars College)*	24.2%	0.0%	0.0%	0.0%	24.2%	24.2%	24.2%	
3YM	Caterlink *(Newfriars College)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3GP	Aspens Services Ltd *(Sir Graham Balfour)*	35.2%	0.0%	0.0%	0.0%	35.2%	35.2%	35.2%	
3EJ	Servicemaster *(St Nathaniel Academy)*	26.2%	0.0%	0.0%	0.0%	26.2%	26.2%	26.2%	
3EK	Servicemaster *(Belgrave St Bartholomew Academy)*	26.2%	0.0%	0.0%	0.0%	26.2%	26.2%	26.2%	
3HW	Chartwells *(Belgrave St Bartholomew Academy)*	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
3KA	MCS Cleaning & Maintenanace Ltd *(St Chads AT)*	23.2%	0.0%	0.0%	0.0%	23.2%	23.2%	23.2%	
3GJ	Aspens Services Ltd *(St Edwards Academy)*	22.9%	0.0%	0.0%	0.0%	22.9%	22.9%	22.9%	
3WE	Alliance In Partnership Ltd *(St Giles & St George's)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3YC	RM Education *(St Peters Academy)*	18.1%	0.0%	0.0%	0.0%	18.1%	18.1%	18.1%	
3CN	Fresh Start Catering *(John Wheeldon Academy)*	20.8%	0.0%	0.0%	0.0%	20.8%	20.8%	20.8%	
3CP	Fresh Start Catering Ltd *(Horton St Michael's FS)*	23.6%	0.0%	0.0%	0.0%	23.6%	23.6%	23.6%	
3LL	Hi-Spec *(Horton St Michael's First School)*	27.2%	0.0%	0.0%	0.0%	27.2%	27.2%	27.2%	
3LK	Hi-Spec Facilities Services Ltd *(Staffordshire UAT)*	27.7%	0.0%	0.0%	0.0%	27.7%	27.7%	27.7%	
3XB	Arden Services *(Charnwood School)*	20.7%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other admitted bodies with fixed rate pass-through agreements (continued)									
3AN	Mellors *(Talentum Learning Trust)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3HU	Chartwells *(Academy Transformation Trust)*	26.9%	0.0%	0.0%	0.0%	26.9%	26.9%	26.9%	
3GT	Aspens Services Ltd *(Three Peaks Primary)*	24.2%	0.0%	0.0%	0.0%	24.2%	24.2%	24.2%	
3SA	Busy Bee Cleaning Services *(Thistley Hough Primary)*	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
3HN	Chartwells *(Clayton Hall Academy)*	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
3XC	Arden Services *(Woodlands Primary School)*	20.7%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	

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Notes to the Rates and Adjustments Certificate

1. Employer is responsible for the funding risks of another employer in the Fund under a “pass-through” arrangement and has been treated as a pool for the purpose of contribution rate setting. A list of the employers set up under a “pass-through” arrangement are noted above.

2. This employer has elected to pre-pay elements of their contributions set out in this Rates and Adjustments Certificate. A discount has been applied to the pre-payment amount to reflect the early payment of contributions. The table below sets out more details relating to the pre-payment amount:

Employer	Staffordshire County Council (Excluding Schools)	Stoke-on-Trent City Council	Lichfield District Council	Stafford Borough Council	Cannock Chase District Council	East Staffordshire Borough Council	Staffordshire Moorlands District Council	Stoke and Staffordshire Fire Authority
Pre-payment amount	£30.524m	£24.095m	£2.150m	£3.975m	£6.846m	£4.297m	£2.648m	£0.556m
Date payment to be made by	14 April 2023	14 April 2023	14 April 2023	14 April 2023	14 April 2023	14 April 2023	14 April 2023	14 April 2023
Amount payable in respect of - 2023/24 - 2024/25 - 2025/26	 £9.204m £10.757m £12.216m	 £8.362m £8.592m £8.828m	 £0.746m £0.767m £0.788m	 £1.380m £1.417m £1.456m	 £2.376m £2.441m £2.580m	 £1.491m £1.532m £1.575m	 £0.919m £0.944m £0.970m	 £0.193m £0.198m £0.204m
Rate of discount	4.6% pa	4.6% pa	4.6% pa	4.6% pa	4.6% pa	4.6% pa	4.6% pa	4.6% pa
Revised contributions due* - 2023/24 - 2024/25 - 2025/26	 21.6% 21.6% 21.6%	 21.8% 21.8% 21.8%	 22.0% 22.0% 22.0%	 22.0% 22.0% 22.0%	 22.4% 22.4% 22.4%	 22.0% 22.0% 22.0%	 22.3% 22.3% 22.3%	 21.9% 21.9% 21.9%

**In addition to the pre-payment amount*

3. Employer contribution rate is contingent on admission agreements being signed in April 2023 which would enable the Pool to take responsibility for another employer. If these are not signed, a contribution rate review should take place.

Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.
- The monetary contributions set out in the certificate above can be prepaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.

Douglas Green FFA

Robert Bilton FFA

21 March 2023
For and on behalf of Hymans Robertson LLP

Section 13 Dashboard

Section 13 dashboard

Metric	Unit	2022 valuation
2022 funding position – local funding basis		
Funding level (assets/liabilities)	%	120%
Funding level (change since previous valuation)	%	21% increase
Asset value used at the valuation	£m	6,833
Value of liabilities (including McCloud liability)	£m	5,696
Surplus (deficit)	£m	1,137
Discount rate – past service	% pa	4.4%
Discount rate – future service	% pa	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% pa	2.7%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 72% likelihood that the Fund's assets will return at least 4.4% over the 20 following the 2022 valuation date. This is the same methodology used for the 2019 valuation but with a higher likelihood (70% at 2019).

Section 13 dashboard

Metric	Unit	2022 valuation
Assumed life expectancy at age 65		
Life expectancy for current pensioners – men age 65	years	21.4
Life expectancy for current pensioners – women age 65	years	24.3
Life expectancy for future pensioners – men age 45	years	22.2
Life expectancy for future pensioners – women age 45	years	25.7
Past service funding position – SAB basis (for comparison purposes only)		
Market value of assets	£m	6,833
Value of liabilities	£m	5,344
Funding level on SAB basis (assets/liabilities)	%	128%
Funding level on SAB basis (change since last valuation)	%	16% increase

Section 13 dashboard

Metric	Unit	2022 valuation	2019 valuation
Contribution rates payable			
Primary contribution rate	% of pay	21.5%	19.7%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)			
1st year of rates and adjustments certificate	£m	48.503	41.000
2nd year of rates and adjustments certificate	£m	51.454	47.000
3rd year of rates and adjustments certificate	£m	54.383	54.000
Giving total expected contributions			
1st year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	181.822	148.926
2nd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	189.070	157.870
3rd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	196.436	167.894
Assumed payroll (cash amounts in each year)			
1st year of rates and adjustments certificate	£m	618.955	547.849
2nd year of rates and adjustments certificate	£m	638.907	562.791
3rd year of rates and adjustments certificate	£m	659.503	578.142
3 year average total employer contribution rate	% of pay	29.6%	28.3%
Average employee contribution	% of pay	6.4%	6.3%
Employee contribution rate (£ figure based on assumed payroll of £619m)	£m pa	39.603	34.764

Section 13 dashboard

Metric	Unit	2022 valuation	2019 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2042	2039
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	86%	83%
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Additional information			
Percentage of total liabilities that are in respect of Tier 3 employers	%	14%	
Included climate change analysis/comments in the 2022 valuation report		Yes	
Value of McCloud liability in the 2022 valuation report (on local funding basis)	£m	9.4	

Staffordshire Pension Fund
Funding Strategy Statement (FSS)
31 March 2023

Contents

1 Welcome to the Staffordshire Pension Fund's Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for the Staffordshire Pension Fund (the Fund).

The Staffordshire Pension Fund is administered by Staffordshire County Council, known as the administering authority. Staffordshire County Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There is a regulatory requirement for the Fund to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, please contact the Fund directly at pensions.comms@staffordshire.gov.uk

1.1 What is the Staffordshire Pension Fund?

The Staffordshire Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the Fund on behalf of participating employers, their employees, and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS provides relevant information for employers participating in the Fund. It sets out how money will be collected from employers to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled Bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and other employers -such as academies and further education establishments. Scheduled Bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, e.g. another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can not refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a Scheduled Body.

Some existing employers may be referred to as **Community Admission Bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **Transferee Admission Bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets, and other income are then invested according to an investment strategy set by the Fund. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) which can be found on the Fund's website.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – these payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding strategy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that Funds take a 'prudent longer-term view' of funding liabilities (see Appendix A).

1.6 How is the funding strategy specific to the Staffordshire Pension Fund?

The funding strategy reflects the specific characteristics of the various Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution. These are typically contributions in respect of the funding risk associated with benefits built up to date.
- The primary rate also includes an allowance for the Fund's administration **expenses**.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The total contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	**Local authorities, police, fire**	**Colleges & universities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing	Low risk exit	Ongoing
Minimum likelihood of success	68%	75%	68%	68% for town and parish councils, else 72%	77%	Same as the letting employer
Maximum time horizon	20 years	15 years	20 years	15 years	15 years or average future working lifetime, if less	Same as the letting employer

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	Local authorities, police, fire	Colleges & universities	Academies	Open to new entrants	Closed to new entrants	(all)
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate (if payable)	Monetary amount	Monetary amount	% of payroll	Monetary amount	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	No	Varies by employer	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the Fund	Covered by stabilisation arrangement If not participating in stabilisation arrangement: preferred approach to keep contributions at primary rate.	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the Fund	Preferred approach: contributions kept at lower of primary rate or current contribution rate in payment. Reductions may be permitted by the Fund	
Phasing of contribution changes	Covered by stabilisation arrangement	By Fund agreement	Covered by stabilisation arrangement	By Fund agreement	By Fund agreement	None

** Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See* Appendix D *for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund actuary, the Fund believes a stabilised approach is a prudent longer-term strategy for the Fund's local authorities, police and fire authorities and some academy schools. For these bodies, the Fund has set a pre-determined range of +/-1% of pay per annum variations.

Stabilisation does not apply to those academies who have chosen to voluntarily opt out of the mechanism.

Stabilisation criteria and limits are reviewed during the valuation process. The Fund may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

Under the Regulations the Fund may amend contribution rates between valuations for "significant change" to the liabilities or covenant of an employer: this may result in a material increase or decrease in contributions, depending on the circumstances. The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of the Fund there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the scheme within the next two years and before completion of the next valuation;
- an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under Regulation 31(3) of the Regulations;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the Fund that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Fund that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- it appears to the Fund that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Fund.

The Fund will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Fund will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

The Rates & Adjustments Certificate will be updated as necessary, following such a review.

The Fund will also consider guidance in such matters from the Scheme Advisory Board as issued from time to time.

2.5 What is contribution rate pooling?

The Fund may operate contribution rate pools for some types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, contributions are set to target full funding for the pool as a whole, rather than individual employers. If one employer in a pool has significantly more assets and liabilities than others, the pooled rate will be closely linked to this employer's individual rate.

Whilst pooling helps reduce contribution rate volatility, it can mean that the contribution rate being paid is higher or lower than if an employer was funding their benefits on a standalone (non-pooled) basis. For employers in a pool, typically the Fund will still track each employer's underlying funding position.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the Fund.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

2.6 What are the current contribution rate pools?

- **Schools** – generally pooled with Staffordshire County Council or Stoke City Council, although there may be exceptions for specialist or independent schools.
- **Small council related contractors** – where deemed appropriate, generally pooled with the ceding council.
- **Minor employers pool** – all parish and town councils.
- **Multi-academy trusts (MATs)** – at the request of the MAT, all individual academies within the same MAT may be pooled for contribution rate setting purposes. The decision to allow pooling is at the discretion of the Fund.

2.7 Fund discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the Fund may adopt alternative funding approaches on a case-by-case basis.

Additionally, the Fund may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

2.8 Pre-payment of employer contributions

The Fund permits the prepayment of employer contributions in specific circumstances. Each request by a participating employer to pre-pay employer contributions will be considered by the Fund on its own merits.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement except on grounds of ill-health

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread as follows if the Fund agrees:

Local authorities, Police & Fire authorities	- up to 5 years
Academies	- up to 3 years
Colleges and Universities	- payable immediately
CABs and designating employers	- payable immediately
TABs	- payable immediately

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, this may result in a funding strain, which could be a large sum. Strains are currently met by a Fund-operated ill-health risk management solution whereby any ill-health early retirement strain costs are in effect spread among all employers. This avoids adversely high ill-health added costs falling on any one employer.

As and when ill-health retirements occur, the strain cost is not levied on that particular employer's asset share; instead, the cost is met by all other employers via a reduction to their respective asset share, weighted by their total active and deferred membership numbers. Typically, due to the weighting approach and the rate of occurrence of ill-health retirements, this will have a negligible impact on employer asset shares.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's HEAT system to track employer assets on a monthly basis. Each employer's assets from the previous month end are added to in-month cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the Fund actuary projects the expected benefit payments for all members into the future. These future benefit payments are then expressed as a single value in today's money (i.e. the liabilities) by discounting them back in line with expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of their asset share to their liabilities. If this is less than 100%, the employer has a shortfall i.e. the employer has a deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. This snapshot of the current funding position is a useful high-level health check metric. However it does not consider, amongst other factors, the cost of future benefits and the level of future funding volatility and risk. Therefore, it is not a direct driver of contribution rates which, for most employers, is the main consideration. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund?

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a resolution to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement – see Section 5.3 below).

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former Council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding Council.

New academies will be allocated an asset share based on the estimated funding level of the ceding Council's active members, having first allocated the Council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The Council's estimated funding level will be based on market conditions on the day before conversion. The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. Contribution rates will typically be certified in the Rates & Adjustments Certificate at individual academy level.

The new academy's contribution rate is based on the current funding strategy (set out in section 2), the transferring membership and whether they are part of a multi-academy trust which is paying a pooled contribution rate.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

The Fund's full policy on academy participation is detailed in Appendix E.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. One option which may be agreed between a letting employer and a new contractor is participation via a "pass through" arrangement. Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit nor receive an exit credit. In other words, the pensions risks "pass through" to the letting employer.

The Fund's policy is to require all new admission bodies with 10 members or fewer, and a contract period of 5 years or less, to be set up with a pass-through arrangement. Should a letting employer wish to outsource on an alternative basis (e.g. a "standalone" basis with no risk sharing), the Fund will permit this at its sole discretion.

The Fund's policy on pass through is detailed in Appendix F.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. The calculation of assets and liabilities on joining and an individual contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as for other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, the risks a new admission body poses to the Fund must be assessed if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. The assessment must be to the satisfaction of the Fund and the letting employer. In practice, typically the Fund actuary carries out the assessment.

After considering the assessment, the Fund may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity, or a bond.

This may cover some, or all, of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

As per the Academy Trust Handbook, academies must seek permission from the Education and Skills Funding Agency before providing a guarantee as a letting authority. The Fund will expect academies to evidence that they have sought and received permission to act as a guarantor before permitting an admission body to join the Fund.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund will not pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower;
- the Fund will not grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities; and
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The Fund's Bulk Transfer Policy is set out in Appendix G.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The Fund, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation will not be triggered if the employer takes on one or more active members during the agreed time;
- insolvency, winding up or liquidation of the admission body;
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction;
- failure to pay any sums due within the period required;
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor; or
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the Fund will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The Fund must protect the interests of the remaining Fund employers when an employer leaves the scheme. The Fund actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is set out below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the nature of the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer cannot pay the contributions due and the approach is within guarantee terms or the employer is participating under a pass through arrangement.

If the Fund is not able to recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses will be charged to the employer.

The Fund's Cessation Policy is set out in Appendix H.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the Fund can decide how much will be paid back to the employer based on:

- the surplus amount;
- the proportion of the surplus due to the employer's contributions;
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support; and
- any other relevant factors, including those set out the Fund's Exit Credit Policy.

The Fund's policy on the payment of exit credits is set out in the Exit Credits Policy and the Cessation Policy (Appendix H).

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or spread over an agreed period, if the employer enters into a deferred spreading arrangement (DSA).

If an exiting employer enters into a Deferred Debt Agreement, they remain a participating employer in the Fund and pay contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The Fund's policy regarding employer flexibility on exit is set out in the Cessation Policy (Appendix H).

7.5 What if an employer has no active members? (not applicable to Scheduled bodies)

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers may be required to contribute to the remaining benefits. The Fund actuary will portion the liabilities on a pro-rata basis at successive formal valuations.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS Funds in England and Wales after every three-year valuation, in what's usually called a Section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level; or
- there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the Fund may consider absolute and relative factors.

Relative factors include:

- comparing LGPS funds with each other
- the implied deficit recovery period
- the investment return required to achieve full funding after 20 years.

Absolute factors include:

- comparing funds with an objective benchmark
- the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
- how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
- the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
- how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a Funding Strategy Statement?

The Local Government Pension Scheme (LGPS) regulations require Funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the Fund uses to:

- *establish a **clear and transparent Fund-specific strategy** identifying how employers' pension liabilities are best met going forward;*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible;***
- *ensure the Fund meets its **solvency and long-term cost efficiency** objectives; and*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the Fund has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers"*.

The consultation process included a launch of the consultation at the Fund's Annual General Meeting, with the draft version of the FSS being made available to participating employers in the Latest News area of the Fund's website shortly afterwards. Any policy changes from the previous version of the FSS were highlighted to employers during this process.

A3 How is the FSS published?

The FSS is:

- published on the Fund's website;
- promoted in Employer Newsletters;
- published as part of Pensions Committee Agendas; and
- available freely on request.

The FSS is published at https://www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement.aspx

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the Actuarial Valuation. Amendments may be made before then if there are regulatory or operational changes. Any significant amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It is not exhaustive – the Fund publishes other statements like the Investment Strategy Statement, Governance Policy Statement and Communication Policy. The Fund's Annual Report and Accounts also includes up-to-date Fund information.

You can see all Fund documentation at https://www.staffspf.org.uk/Home.aspx

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a Fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money, like contributions and income, which isn't needed to pay immediate benefits, in line with regulation and the Fund's investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the Fund against employer default

9 works with the Fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares, and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the Fund's performance and funding, amending the strategy statements as necessary

14 enables the Local Pensions Board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the Fund promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the Fund

7 comply with the Fund's Pensions Administration Strategy

B3 The Fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within the FSS and LGPS regulations and appropriately targeting Fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on Fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the Fund to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the Fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 Internal and external investment advisers ensure the Investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement

2 Investment managers, LGPS Central (the Fund's asset pool), custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

3 Auditors comply with standards, ensure Fund compliance with requirements, monitor, and advise on fraud detection, and sign-off annual reports and financial statements

4 Governance advisers may be asked to advise the Fund on processes and working methods

5 Internal and external legal advisers ensure the Fund complies with all regulations and broader Local Government requirements, including the Fund's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The Staffordshire Pension Fund has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the Local Pension Board is set out in the Board's terms of reference available at:

https://moderngov.staffordshire.gov.uk/mgCommitteeDetails.aspx?ID=994

Details of the key Fund-specific risks and controls are set out in the Fund's Risk Register which is presented annually to the Pensions Committee for approval and reviewed quarterly by the Local Pensions Board and Fund Officers. The Fund's latest Risk Register can be accessed as part of the Pensions Committee agenda papers which are published on Staffordshire County Council's website.

C2 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Fire, Parish & Town councils	Tax-raising or government-backed, no individual assessment required	n/a
Colleges & Universities	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund will review employers periodically or when a significant event occurs
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund will review employers periodically or when a significant event occurs

C3 Climate risk and TCFD reporting

The Fund has considered climate-related risks as part of the 2022 triennial actuarial valuation when setting the funding strategy. To consider the resilience of the strategy the Fund has considered climate scenario stress testing as part of an asset-liability modelling exercise. The modelling results under the stress tests were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The modelling was carried out at Fund level. Given that the same underlying model is used for all employers when setting contribution rates, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has further detail on its approach to Responsible Investment and Engagement, including its Climate Change Strategy and latest TCFD report, on its website: https://www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement.aspx

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set employer contribution rates?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions, and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

Time period	Percentile	Asset class annualised total returns											Inflation/Yield	
		Cash	Index Linked Gilts	Fixed Interest Gilts	Private Equity	Property	Unlisted Infrastructure Equity	Multi Asset Credit	All World ex UK Equity	Direct Lending	Corporate Debt (A rated)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th	0.8%	-3.1%	-1.5%	-1.2%	-0.6%	0.7%	1.7%	-0.4%	2.7%	1.4%	1.6%	-1.7%	1.1%
	50th	1.8%	-0.7%	0.7%	9.4%	4.4%	5.9%	3.5%	5.8%	6.0%	2.4%	3.3%	-0.5%	2.5%
	84th	2.9%	2.0%	2.8%	20.1%	9.5%	11.2%	5.2%	11.9%	9.2%	3.4%	4.9%	0.7%	4.3%
20 years	16th	1.0%	-2.6%	-0.2%	2.4%	1.4%	2.6%	2.8%	1.8%	4.3%	2.0%	1.2%	-0.7%	1.3%
	50th	2.4%	-0.9%	0.9%	10.0%	5.0%	6.5%	4.4%	6.3%	6.8%	3.2%	2.7%	1.1%	3.2%
	84th	4.0%	0.8%	2.0%	17.6%	8.9%	10.6%	6.0%	11.1%	9.2%	4.6%	4.3%	2.7%	5.7%
40 years	16th	1.2%	-1.1%	1.2%	4.7%	2.6%	3.9%	3.6%	3.4%	5.5%	2.4%	0.9%	-0.6%	1.1%
	50th	2.9%	0.3%	1.9%	10.3%	5.5%	7.0%	5.3%	6.8%	7.7%	3.9%	2.2%	1.3%	3.3%
	84th	4.9%	1.9%	2.8%	16.1%	8.8%	10.3%	7.1%	10.4%	10.0%	5.8%	3.7%	3.2%	6.1%
Volatility (5 yr)		2%	9%	8%	30%	15%	15%	6%	18%	10%	3%	3%	-	-

ESS assumptions are calibrated at each month end. Contribution rate assessments carried out after 31 March 2022 will use the most up to date calibration of the ESS at the date the employer joins the Fund.

D3 What financial assumptions are used?

Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	1.6%
Low-risk exit basis	Community admission bodies closed to new entrants	0%
Contractor exit basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the Fund (as set out in the actuarial report on joining)

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.4% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 72% likelihood that the Fund's assets will achieve future investment returns of 4.4% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions are used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

For actuarial reference only, the smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	65% of maximum tax-free cash
50:50 option	0.5% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year (except promotional salary index)								
Age	Promotional salary index	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Incidence per 1000 active members per year (except promotional salary index)								
Age	Promotional salary index	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

Based on guidance issued by the Department of Levelling Up, Housing and Communities on 22 March 2022, the Fund has allowed for the cost associated with the McCloud remedy in the liability calculations at the 2022 valuation (and going forward).

Given the lack of information and/or their relatively small impact, there has been no other allowance for any potential future benefit structure changes that may occur due to ongoing legal cases (e.g. the Goodwin case) or the outcome of the 2020 cost cap valuation.

D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund?

Employers with no guarantor

Where there is no suitable guarantor or risk-sharing arrangement, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The likelihoods used to determine the forecasted future investment returns when assessing the liabilities under the corridor approach are:
   - Level of cessation debt: 85% likelihood
   - Level of cessation surplus: 95% likelihood
2. The CPI assumption is based on the weighted average of CPI for the following 20 years from Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those described in Section D4, with one adjustment - a higher long-term rate of mortality improvements of 1.75% pa is assumed.

Employers with a guarantor

Where there is a guarantor (e.g. in the case of contractors where the local authority guarantees the contractor's admission in the Fund), the funding basis used to calculate contribution rates will apply to derive financial and demographic assumptions (typically either contractor exit or the ongoing basis).

If the cessation event is trigged by the admission agreement being terminated early by the contractor, then the low-risk exit basis will typically apply.

Appendix E – Policy on Academy Funding

Staffordshire Pension Fund

Policy on Academy funding

Effective date of policy	1 April 2023
Date approved	31 March 2023
Next review	31 March 2025

Introduction

The purpose of this policy is to set out the Fund's funding principles relating to academies and Multi-Academy Trusts (MATs).

E1 Aims and Objectives

The Fund's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT;
- to state the approach for setting contribution rates for MATs;
- to outline the responsibilities of academies seeking to consolidate; and
- to outline the responsibilities of academies when outsourcing.

E2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the Fund on conversion from a local authority school or on creation (e.g. newly established academies, Free Schools, etc). Upon joining the Fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the Fund's discretion, however guidance on how the Fund will apply this discretion is set out within this policy.

E3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the Fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities[1], which was reviewed[2] in 2022.

Academy guidance from the Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC) may also be relevant.

[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1106083/DfE_parliamentary_minute_21_July_2022_LGPS_liabilities_for_academy_trusts.pdf
[2]https://questions-statements.parliament.uk/written-statements/detail/2022-07-21/hcws261

E4 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- Where the academy is part of a MAT that already participates in the Fund, the academy's assets and liabilities will be calculated individually but may, for the purposes of setting contribution rates, be combined with those of the other academies in the MAT.
- Academies must consult with the Fund prior to carrying out any outsourcing activity. The Fund also expects academies to obtain permission (and evidence it) from the Education & Skills Funding Agency (ESFA) before agreeing to act as guarantor for any outsourcing.
- the Fund will generally not consider receiving additional academies into the Fund as part of a consolidation exercise.

E5 Policies

E5.1 Admission to the Fund

As set out in Section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding Council's active members, having first allocated the Council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in Section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund, then it may pay the MAT contribution rate (which may or may not be updated as a result - see below).

E5.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate.

Contribution rate

Typically, the Fund certifies contribution rates at individual academy level and does not pool at MAT level for contribution rate purposes. However, if the MAT requests and the Fund agrees, a pooled contribution rate may be calculated for the MAT (which is effectively an average rate of all the underlying individual academies in the MAT). This pooled rate would then be paid by all academies within the MAT. If an academy is joining an existing MAT (within the fund) which is paying a pooled contribution rate, in general, the transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the Fund, a new contribution rate for the MAT may be calculated by the Fund actuary to allow for the impact of the transferring academy joining the MAT.

Academies leaving a MAT

As set out in Section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

E5.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, and neither is paying a pooled contribution rate, there will typically be no impact on contribution rates as they are set at individual academy level. If one or both of the MATs are paying a pooled contribution rate, the merged MAT may request (subject to the Fund's agreement) to pay a new pooled contribution rate. The pooled rate will typically be calculated as an average rate of all the underlying individual academies in the MAT.

E5.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the Fund actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in E5.2 above.
- In all other circumstances a cessation valuation will occur as set out in Section 7 of the FSS and, following payment of any cessation debt or settlement of any exit credit, Section 7.5 of the FSS would then apply going forward.

E5.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the Fund, they would need to seek approval from the Secretary of State to consolidate their liabilities (and assets) into one LGPS Fund. It is the Fund preference that academies do not seek to consolidate and the Fund would generally not be supportive of any application to join the Fund, due to the level of additional administrative work.

If an academy (or MAT) did seek to consolidate into another LGPS fund the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

E5.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract if it is acting as a guarantor to the admission.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's pass-through policy (see Appendix F to the FSS).

In all cases, it is necessary to seek approval from ESFA before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

Where a Local Authority school outsources to another organisation and subsequently converts to an academy (or joins a MAT), any outsourced contracts at the point of conversion will be treated by the Fund as having been let by the academy. The obligation to pay for transferring members benefits will revert to the academy (or MAT) at the end of the contract.

E5.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (e.g. for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (e.g. academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

E6 Related Policies

The Fund’s approach to admitting new academies into the Fund is set out in the Funding Strategy Statement, specifically “Section 5 – What happens when an employer joins the Fund?”. Other policies that apply are:

- Bulk transfer policy

- Cessation and Exit Credits policy

Appendix F – Policy on pass-through

Staffordshire Pension Fund

Policy on pass-through

Effective date of policy	1 April 2023
Date approved	31 March 2023
Next review	31 March 2025

Introduction

The purpose of this policy is to set out the Fund's approach to admitting new contractors into the Fund on a pass-through basis.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

F1 Aims and objectives

The Fund's aims and objectives related to this policy are as follows:

- to set out the Fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under a pass-through arrangement; and
- to outline the process for admitting new contractors into the Fund.

F2 Background

Employees outsourced from Local Authorities, Police and Fire Authorities or from academies (regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007 and Fair Deal guidance). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (the Local Authority, Police Authority, Fire Authority or the academy) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

F3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013[3] (as amended) set out the way in which LGPS Funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.

[3] https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php

- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the Fund.

F4 Statement of principles

This statement of principles covers the admission of new contractors to the Fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Where a new contractor has 10 members or fewer, and a contract period of 5 years or less, the Fund's default approach is for the employer to participate in the Fund on a pass-through basis. For the avoidance of doubt, this would apply to contracts established by councils, police & fire authorities, and academies ("the letting authority").
- The contractor's pension contribution rate will be set in line with Section F5.2 (see below).
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and other demographic experience under its pass-through arrangement.
- Pass-through will only be applicable for outsourcings from academies where they can evidence that approval to act as guarantor has been sought from and approved by the Education and Skills Funding Agency.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements (including those as a result of redundancy), augmentations and above average pay awards.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass though agreement will be documented by way of the admission agreement between the Fund, the letting authority, and the contractor.
- Should a letting authority outsourcing a contract with 10 members or fewer, and a contract period of 5 years or less, wish to operate a different approach (e.g. a "stand-alone" basis with no risk sharing) the Fund will permit this at its sole discretion.
- Should a letting authority outsourcing a contract with 11 members or greater, and/or a contract period greater than 5 years, wish to operate a pass-through approach, the Fund will permit this – and incorporate the pass-through terms in the admission agreement – at its sole discretion. Alternatively, letting authorities and contractors may operate a pass-through agreement by entering into a separate side agreement. However, the Fund will not be party to this agreement and will not treat the admission agreement as though it incorporates the side agreement terms unless this is agreed by all parties and is appropriate.
- All existing admission agreements are unaffected by this policy.

The Fund is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

F5 Policy and process

F5.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The Fund and the Fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

F5.2 Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the total contribution rate payable by the letting authority (at the time of the contract award) and will not change for the duration of the new employer's contract. Where the letting authority's contribution rate is expressed as a percentage of payroll plus a monetary amount, the monetary amount will be converted to a percentage of payroll to determine the total contribution rate. The Fund can advise letting authorities and contractors the relevant contribution rate at the time of the contract award.

F5.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the Fund.

A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains, augmentations and/or above average pay awards at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is agreed between the letting authority and the contractor and typically is as follows:

Risks	Letting authority	Contractor
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual	✓	
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual	✓	
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual	✓	
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals than expected	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package	✓	
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

F5.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the Fund's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed contribution rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the Pension Fund risk relating to contractors, it is the Fund's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The Fund expects employers to seek approval to the treatment of pension costs from their auditor.

F5.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Fund.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy. Such agreements would typically be based on the funding strategy statement in place at the time.

F5.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification -** The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in section F5.2.
- **Initial notification to Pension Fund Officers** – The letting authority must contact the Fund when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The Fund must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the Fund of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the Fund that it wishes to become an admitted body within the Fund.
- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Fund, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the Fund and possibly its legal advisors.
- **Signed admission agreement -** Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the Fund. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

F5.7 Costs

Contractors being admitted to the Fund under a pass-through agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the Fund.

F6 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

The treatment of new employers joining the Fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

The treatment of employers exiting the Fund is set out in the in the Funding Strategy Statement, specifically "Section 6 – What happens when an employer leaves the Fund?" and its Policy on Cessations (Appendix H to the FSS)

Appendix G – Policy on bulk transfers

Staffordshire Pension Fund

Policy on bulk transfers

Effective date of policy	1 April 2023
Date approved	31 March 2023
Next review	31 March 2025

Introduction

The purpose of this policy is to set out the Staffordshire Pension Fund's approach to dealing with the bulk transfer of scheme member pension rights in to and out of the Fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

G1 Aims and Objectives

Bulk transfer requests will be considered on a case by case basis, ensuring that:

- transfers out of the Fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- bulk transfers received must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

When considering any circumstances where bulk transfer provisions might apply, however, the Fund will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations and/or any supplementary or statutory guidance (e.g. the Best Value Staff Transfers (Pensions) Direction 2007).

G2 Background

Bulk transfers into and out of the Fund can occur for a variety of reasons, namely:

- where an outsourcing arrangement is entered into and active scheme members leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the LGPS from a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- Where there is a reorganisation or consolidation of local operations (bought about by, for example, local government shared services, college mergers or multi academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

G3 Guidance and regulatory framework

G3.1 Local Government Pension Scheme Regulations 2013

When considering any circumstances involving bulk transfer provisions, the Fund will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement;
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value;
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a club scheme, who request to do so within 12 months of joining their new LGPS employment must be granted their request. For members with non-club accrued rights the LGPS Fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the Fund.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

G3.2 Best Value Authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all "Best Value Authorities" in England (which therefore applies to all local authorities in England). The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

G3.3 Academies and Multi-Academy Trusts

New Fair Deal, introduced in October 2013, applies to academies and multi academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result, it would not be expected the Fund would have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi academy trusts.

G3.4 Other employers

For all other scheme employers – who are not subject to the requirements of Best Value Direction or New Fair Deal - there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services, although any successful contractor is free to seek admission body status in the Fund, subject to complying with the Fund's requirements (e.g. having a bond or guarantor in place).

It is our understanding that there is no specific provision giving protection to past pension accrual in either the Best Value Direction or new Fair Deal (albeit if the individual remains in their original scheme, then their past service rights are automatically protected). In the absence of a bulk transfer agreement, therefore, the Fund would not expect to pay out more than individual cash equivalent transfer amounts, in accordance with appropriate GAD guidance.

G4 Statement of Principles

The Fund's policy is drafted on the basis of the following key principles:

- where a group of active scheme members joins (or leaves) the Fund, the Fund's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits;
- the Fund's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated based on the appropriate cash equivalent transfer values. However, the scheme employer whose funding position will be affected by the transfer will always be consulted on the transfer terms before the Fund agrees to any arrangement;
- a bulk transfer in may result in a shortfall when assessed using the Fund's ongoing funding basis. This may require the receiving employer's Fund contributions to increase between valuations;
- a bulk transfer out which is greater than the value of the past service liabilities of the transferring members assessed on the Fund's ongoing funding basis, may require the transferring employer's Fund contributions to increase between valuations; and
- service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.

G5 Policy

The following table sets out a summary of the various scenarios for the transfer into and out of the Fund, together with the Fund's policies relating to bulk transfers. In the remainder of this section, we set out the Fund's policies in relation to a number of subsidiary areas associated with bulk transfers.

Scenario		Bulk transfer mechanism	Policy	Methodology
Machinery of Government from a Club Scheme	In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits	The pension credit awarded to members transferring in will be calculated in line with the **Club transfer-in formulae**.
	Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated in line with the **Club transfer-out formulae**.
Broadly Comparable scheme or Machinery of Government where scheme is treated as a non-Club scheme	In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the **non-Club transfer-in formulae**.
	Out	< 2 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the **CETV transfer-out formulae**.
		2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to offer the receiving scheme transfers out calculated in line with the **CETV transfer-out formulae**.

Scenario		Bulk transfer mechanism	Policy	Methodology
Inter-fund transfer (transfer between the Fund and another LGPS Fund)	In	< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance	On receipt of a transfer value (calculated in line with the **CETV transfer-out formulae**), the Fund will award the member a pension credit on a day-for-day basis.
	In	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the transferring Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual cash equivalent transfer values calculated using the **Club transfer-out formulae**. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Pension credits will be awarded to the transferring members on a day-for-day basis.
	Out	< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance	The transfer value paid to the receiving fund will be calculated in line with the **CETV transfer-out formulae**.
	Out	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to offer a transfer value that is equal to the total of the individual cash equivalent transfer values calculated using the **Club transfer-out formulae**. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.

Notes:

- There may be situations where a transfer amount accepted in respect of a transfer in is less than is required to fully fund the transferred in benefits on the Fund's ongoing basis. In such cases the Fund reserves the right to require the receiving employer to fund this deficit (either by lump sum or increase in ongoing employer contributions) ahead of the next formal valuation.

- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- For transfers out, in exceptional circumstances the Fund's policy may be altered to reflect specific issues of the transferring employer (e.g. the cessation of the transferring scheme employer).

G6 Practicalities and process

G6.1 Adjustment to transfer payment or payment date

In the normal course of events payment of a bulk transfer value will occur well after the actual transfer of employment.

Regulation 92(1) specifically refers to the actuary to the paying scheme being able to adjust the transfer amount for the period between the transfer date and payment date.

Bearing in mind the overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities, the most appropriate adjustment would be to use the actual returns achieved on the Fund's assets over the appropriate period.

G6.2 Format of transfer payment

Ordinarily payment will be in cash, with discretion delegated to the Assistant Director for Treasury & Pensions to agree alternatives.

A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

G6.3 Impact on transferring employer

Any transfer of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring authority how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover this relative change in deficit, for example where the deficit is a large proportion of the total remaining notional assets and liabilities where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

G6.4 Consent

Where required within the Regulations, for any bulk transfer the Fund will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

G6.5 Approval process

Under the principles of good governance, it is important that a clear and robust approval process is in place when determining whether to pay or receive a bulk transfer.

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. All bulk transfers that represent a departure from this policy will be put to the Pensions Committee for agreement, detailing any proposals to depart from this policy.

G6.6 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

G6.7 Costs

Actuarial and other professional costs will be recharged in full to the employer.

G7 Related Policies

The Fund's general approach to bulk transfers is set out in the Funding Strategy Statement, specifically "Section 6 –What happens if an employer has a bulk transfer of staff?"

Appendix H – Policy on cessations

Staffordshire Pension Fund

Policy on cessations

Effective date of policy	1 April 2023
Date approved	31 March 2023
Next review	31 March 2025

Introduction

The purpose of this policy is to set out the Fund's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described in Section H5).

H1 Aims and Objectives

The Fund's aims and objectives related to this policy are as follows:

- to confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund;
- to provide information about how the Fund may apply its discretionary powers when managing employer cessations; and
- to outline the responsibilities of (and flexibilities for) exiting employers, the Fund, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

H2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the Fund will instruct the Fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

H3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64[4]) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the Fund is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer.

- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the Fund is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it

[4] https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r64

requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the Fund.

- Regulation 64 (2ZAB) – the Fund must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
  a) Notify its intention to make a determination to-
     (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer.
     (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the Fund and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the Fund must have regard to the following factors-
  a) The extent to which there is an excess of assets in the Fund relating to that employer in paragraph (2)(a)
  b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  c) Any representations to the Fund made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  d) Any other relevant factors.

- Regulation 64 (2A) & (2B) – the Fund, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining Fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the Fund may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the Fund from the exiting employer.

- Regulation 64 (7A-7G) – the Fund may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the Fund may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A[5] of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under

[5] https://www.lgpsregs.org/schemeregs/tpregs2014/timeline.php#r25A

the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects statutory guidance[6] from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide[7] that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

H4 Statement of Principles

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund;
- the Fund's preferred approach is to request the full payment of any cessation debt (an exit payment by the employer), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section H5.1 below). This would extinguish any liability to the Fund by the exiting employer; and
- the Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

H5 Policies

On cessation, the Fund will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 30 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see section H5.2 below).

In circumstances where there is a surplus, the Fund will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see section H5.3 below).

If there is any doubt about the applicable LGPS benefit structure at the date of exit, the Fund's actuary may include an estimate of the possible impact of any resulting benefit changes when calculating an employer's pension liabilities to determine the level of any exit payment or credit.

[6] https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-local-valuation-cycle-and-management-of-employer-risk/outcome/guidance-on-preparing-and-maintaining-policies-on-review-of-employer-contributions-employer-exit-payments-and-deferred-debt-agreements

[7] https://lgpsboard.org/index.php/empflexm

H5.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low-risk basis[1]	Shared between other Fund employers
Colleges & Universities	Low-risk basis	Shared between other Fund employers
Academies[2]	Low-risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis / contractor exit basis[3]	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low-risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low-risk basis	Shared between other Fund employers (if no guarantor exists)

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2] Further details about academy cessations are set out in the Fund's policy on academies (see Appendix E).

[3] Where a TAB has taken, in the view of the Fund, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Risk-based cessation approach

The Fund uses a risk-based approach to set employer funding strategy, including within cessation calculations. In particular, the likelihood of the Fund's assets achieving forecast future investment returns is analysed.

Where appropriate, the Fund will use this approach to set an upper and lower amount (or "corridor") in order to consider the amount of assets a ceasing employer must leave behind to pay for its members' future benefits.

Under this approach, an employer is be deemed to have a deficit if its assets are below the lower amount and a surplus if its assets are above the higher amount (i.e. there will be no deficit or surplus if a ceasing employers assets fall within the "corridor").

The likelihoods used to determine the forecasted future investment returns when assessing the liabilities under the corridor approach are:

- Lower: 85% likelihood

- Upper: 95% likelihood

H5.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, unless security is provided, but the Fund could use its discretion to extend this period in extreme circumstances.
- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the Fund with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within 28 days of the employer receiving confirmation of the amount of exit payment due. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund will take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund reserves the right to require that the exiting employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Assistant Director for Treasury & Pensions, in consultation with the Chair, if an urgent decision is required between Committee meetings.
- All costs of the arrangement are to be met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

Deferred debt agreement (DDA)

When an exiting employer is unable to pay the required cessation payment as a single lump-sum, the Fund's preferred policy is to spread the payment via a deferred spreading arrangement (DSA). However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the Fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A))[8].

Where a DDA is in place, the employer must continue to meet all regulatory and Fund-specific requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Fund may consider a DDA where all the following circumstances apply:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the Fund.

The Fund will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing (including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active Fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The Fund serves a notice on the employer that the Fund is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. the employer is now largely fully funded on a low-risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.

[8] https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r64

- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

H5.3 Exit credit policy

The Fund's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme (Amendment) Regulations 2020][9].

In making a determination as to the value of any exit credit payable, which may be zero, the Fund will consider:

- the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.
- the proportion of surplus arising as a result of the exiting employer's employer contributions.
- in the case of an Admission Body that is an exiting employer, any representations made by the Admission Body (and any other parties notified, as set out above) which may include information as to any risk sharing agreements in place, any guarantor arrangements, any specific agreement between scheme employers, and any such other representations relevant in the specific case.
- any other relevant factors.

Admitted bodies

1. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations, and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund.

2. No exit credit will normally be payable to any admission body who participates in the Fund via a pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph 3 below.

3. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Fund) of the admission body ceasing participation in the Fund.

[9] https://www.legislation.gov.uk/uksi/2020/179/made

4 In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in paragraph 3, the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Fund.

5 Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

6 If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

7 If an admitted body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

8 The decision of the Fund is final in interpreting how any arrangement described under paragraphs 3, 5, 6 and 7 applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

1. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

2. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

3. The decision of the Fund is final in interpreting how any arrangement described under 1 and 2 applies to the value of an exit credit payment.

4. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

5. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

1. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

2. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position, the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

3. If the employer enters into an arrangement or a 'deferred debt agreement' with the Fund, over such period of time as the Fund considers reasonable, to pay the exit payment, no exit credit will be payable at any future date in relation to that specific agreement, unless the agreement explicitly requires it.

4. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

5. The final decision will be made by the Assistant Director for Treasury and Pensions, in conjunction with advice from the Fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

6. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

7. The guidelines above at point 5 in the 'Admitted bodies' section, and at points 1 and 2 in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions, then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

8. None of the above should be considered as fettering the Fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However, it is important to bear in mind that each and every potential exit credit case will be considered by the Fund on its own merits, and the Fund will make its discretionary decision on that basis.

Disputes

If a party involved in the exit credit process set out in this policy wishes to dispute the Fund's determination, this must be routed through the Fund's internal dispute resolution procedure[10] (IDRP).

If the relevant party is still unhappy with the exit credit determination, having gone through all the stages of the IDRP, they may be able to take a complaint to the Pensions Ombudsman.

H6 Practicalities and process

H6.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically as much notice as possible is required with 3 months being a minimum) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).

[10] https://www.staffspf.org.uk/Employers/Internal-dispute-resolution-procedure/Internal-dispute-resolution-procedure.aspx

- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Fund which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

H6.2 Responsibilities of Fund

The Fund will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

H6.3 Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the Fund will act in accordance with the exit credit policy above. If payment is required, the Fund will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six-month timeframe, the Fund requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The Fund is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

H6.4 Responsibilities of the Fund Actuary

Following commission of a cessation valuation by the Fund, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the Fund on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

H7 Related Policies

The Fund's approach to setting of employer contribution rates is set out in the FSS, specifically "Section 2 - How does the Fund calculate employer contributions?"

The Fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the Fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

Appendix I - Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The assumption used to calculate future benefit payments in today's money. The rate is an estimate of the future expected investment returns earned by the Fund's assets.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

	be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Investment Strategy Statement

April 2023

Investment Strategy Statement

1. Introduction and Background

1.1 This is the Investment Strategy Statement ('ISS') produced by Staffordshire County Council as the administering authority of the Staffordshire Pension Fund ('the Fund'), to comply with the regulatory requirements specified in Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ('the investment regulations'). The ISS is subject to annual review and within six months of any material change in investment policy or other matters as required by law.

1.2 The ISS was approved by the Pensions Committee in March 2023, following consultation with the Fund's Investment Adviser, Hymans Robertson. The Pensions Committee is the main decision-making body and comprises both elected Councillors and non-voting representatives from Trade Unions and from other employing bodies in the Fund. A full explanation of the governance arrangements setting out the respective roles of the Pensions Committee, Pensions Panel, and the Local Pensions Board can be found in the separate document entitled 'Governance Policy Statement' published on the Pension Fund website at the following link.

https://www.staffspf.org.uk/Governance/Policies/Governance-policy-statement/Governance-policy-statement

1.3 In preparing the ISS, the Pensions Committee has consulted with its Investment Advisers and the Fund Actuary, as there are close links between this Statement and the separate Funding Strategy Statement ('FSS') which can also be found on the Pension Fund website at the following link.

www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement

2. The Fund's Objectives

2.1 The Fund has several funding strategy objectives which are set out in the FSS. These are to;

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
- where appropriate, ensure stable employer contribution rates.
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.

- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

2.2 The FSS sets out the main aims of the Fund and sets employers' contribution rates to achieve those aims based on a Strategic Asset Allocation ('SAA') that is predominantly invested in return-seeking assets. The FSS models the risks of this investment strategy and the link between assets and liabilities. It also sets out the likelihood of achieving the funding objective in the long term. The FSS has an explicit stabilisation mechanism to limit the annual increase in contribution rates for local authorities and other employing bodies with strong covenants.

2.3 The investment objective of the Fund is:

- To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding strategy objectives on an ongoing basis.

3. Investment Strategy and Beliefs

3.1 The Fund has built up assets over many years and continues to receive contribution and investment income. Any money which is not needed immediately to make payments from the Fund must be invested in a suitable manner; the way in which this is done is referred to as the investment strategy. The Fund ensures it has parameters around its investment strategy by setting a SAA, which at a primary level indicates how much the Fund will allocate to each asset class (i.e., equities, fixed income, property, infrastructure, and cash). This primary level is often then sub-divided further by type of investment and manager allocations.

3.2 The Fund shares a set of common investment beliefs which it thinks about when setting its investment strategy. These were updated in 2019 to incorporate the Fund's beliefs about Responsible Investment (RI) and are listed below:

- A long-term approach to investment will deliver better returns and the long-term nature of LGPS liabilities allows for a long-term investment horizon.

- Liabilities influence the asset structure. Funding levels, contribution and investment strategies are linked, and all should be considered together when making investment decisions.

- Asset allocation is one of the most important factors in driving long term investment returns, but strategy implementation is becoming increasingly more important.

- Diversification of investments across and within asset classes can improve the risk / return profile, but must be resilient through market crises, and the benefits are subject to diminishing returns.

- Inefficient markets mean there is a place for active management, providing there is a realistic expectation of out-performance and has the potential to contribute to non-financial goals.

- Risk premiums exist for certain investments, which together with secure and growing income streams can help to recover funding deficits and underpin the ability to meet the Fund's future pension liabilities.

- The fees of investment managers should be aligned with the Fund's long-term interests. Value for money is more important than the minimisation of cost.

- Responsible investment, which covers a wide range of environmental, social and governance issues, can enhance long-term investment performance across all asset classes and should be integrated into all investment processes.

- A strategy of engagement, rather than exclusion, is more effective and supportive of responsible investment. The opportunity to influence through stewardship is waived with a divestment approach.

- Financial markets could be materially affected by climate change. Responsible investors should proactively manage this risk through stewardship activities in partnership with like-minded investors where feasible.

- Asset managers and investee companies with robust governance structures will be better positioned to handle future events. Decision making and performance are improved when there are diverse individuals involved.

3.3 The Pension Fund's SAA is formulated in consultation with the Fund's Investment Advisers, Hymans Robertson, with all the Fund's objectives in mind. A full SAA review was carried out alongside the work for the Actuarial Valuation as at 31 March 2022. It was determined with reference to:

- The likelihood that it will deliver a return that, in conjunction with the contribution strategy, will achieve the Fund's long-term funding target; and

- The likelihood that any shortfall from the funding target, in the event of adverse investment outcomes, will be within acceptable levels.

3.4 In order to do this, Hymans Robertson use Asset Liability Modelling (ALM) to assess a range of possible outcomes on numerous potential investment strategies. ALM uses 5,000 economic scenarios with various combinations of relevant data (e.g., asset class returns, inflation rates, interest rates, salary increases etc) to project forward the funding level for each investment strategy. From the distribution of outcomes, the probability of being fully funded at a particular point in time (20 years has been used for the Fund) and worst-case positions under adverse scenarios can be estimated.

3.5 ALM looks for a combination of investment and contribution rate strategies that gives the likelihood of achieving the desired funding level (i.e., 100%) with acceptable down-side risk. For the most recent SAA review, a total of 16 investment strategies were modelled prior to the most suitable being approved by the Pensions Committee.

3.6 The most recent Actuarial Valuation of the Fund at 31 March 2022, indicated a funding level of 120% (an increase from 99% at 31 March 2019). This means that at 31 March 2022, the Fund was more than fully funded. However, it should be acknowledged that this is a single point in time and that the long-term aim is for the Fund to remain fully funded for the next 20 years and beyond. In order to achieve this, the Fund still needs to ensure that the value of its assets, relative to its liabilities, continues to grow. The most recent SAA review aims to achieve this and reflected the current funding position by recommending a switch from return-seeking assets such as equities to more income producing assets, such as property, private debt, infrastructure, and multi-asset credit.

3.7 This switch to more income producing assets will help the Fund as it matures, and more is paid out in pensions than is received in contributions from active members. The SAA review also looked at the Fund's liquidity and concluded that the income generated by the Fund's assets (e.g., interest and rental income) should be more than enough to cover any shortfall in contributions for the foreseeable future.

3.8 The SAA is reviewed and approved by the Pensions Committee every three years, as part the actuarial valuation process and to take account of developments in the investment environment. It is monitored more frequently at quarterly meetings of the Pensions Panel.

3.9 The arrangements for the Fund's investments changed with the advent of LGPS asset pooling and LGPS Central Limited on 1 April 2018. Staffordshire is one of 8 Partner Funds (owners and clients) of LGPS Central Ltd and over recent years and going forwards, an increasing amount of the Fund's investments will be invested through LGPS Central Limited. However, the decision making around the Fund's SAA, which is recognised to be the primary driver of investment returns, still lies with the Pensions Committee.

4. The requirement to invest money across a wide range of investments and an assessment of the suitability of particular investments and investment types.

4.1 The Pensions Committee receives advice on investments from its appointed Investment Advisers. The issues that the Pensions Committee takes into account when considering different investments (or asset classes) include;

- Legality – is it excluded by any regulation?
- The nature and type of return (e.g., is the asset 'real'?)
- The expected level of return
- The expected variability of return (volatility)
- The relationship of returns between asset classes

- The long-term track record of the asset class
- Liquidity
- Credit Risk (i.e., risk of loss)
- Leverage
- Currency risk
- Complexity
- Use of active management where it can add value
- Responsible Investment.

4.2 Following the SAA review of the Fund, which took place alongside the Actuarial Valuation at 31 March 2022, the Pensions Committee agreed that the following asset classes were appropriate for the Fund to invest in.

Return-seeking assets	
Equity	Global Equity
	Private Equity
	*LGPS Central Limited
Property	
Infrastructure	
Fixed Income	Private Debt
	Multi-Asset Credit
Defensive assets	
Fixed Income	Fixed-Interest Gilts
	Index-Linked Gilts
	Investment-Grade Corporate Bonds
	*LGPS Central Limited
Cash	

*The Fund invests in this asset class via investing in the regulatory capital of LGPS Central Limited.

4.3 The Fund's SAA is set to ensure that the Fund invests in a wide range of asset classes. This diversification of assets reduces risk and aims to help meet the Fund's funding objectives. Whilst the SAA sets the framework for the Fund's portfolio of assets over the long-term, many more detailed decisions have to be taken to build the portfolio of assets; these include considerations such as the type of investment management (e.g., passive vs active management,), the choice of investment vehicle (e.g. LGPS Central Limited or an alternative where no investment vehicle is provided or suitable) and the geographic spread (e.g., UK vs global investment).

4.4 These 'structural' aspects are the subject of ongoing monitoring by Officers and Advisers and a 'Strategic Asset Allocation Review' report is presented quarterly to the Pensions Panel for its consideration. From time to time, when markets dislocate, 'tactical' moves between asset classes may be deemed appropriate. However, the Pensions Panel will only agree to make any such switches, following clear advice and recommendations from their Advisers.

4.5 Furthermore, to ensure that 'tactical' switches are not made unnecessarily, the Pensions Panel monitors the actual SAA of the Fund, subject to tolerances, versus the target SAA of the Fund. The current and long-term target SAA target, with permitted tolerance ranges, are provided in Appendix A.

4.6 The Fund categorises assets between return-seeking assets and defensive assets, with the defensive assets being those which aim to remove some of the volatility and risk in the investment strategy (e.g., if equity markets fall in value, other asset classes may rise in value). The balance between return-seeking assets and defensive assets must be such that volatility can be managed, but that the investment strategy is still capable of returning the level of growth required in the long term, in line with the assumptions made by the Actuary in the actuarial valuation.

Expected Return on Investments

4.7 In carrying out the 2022 Actuarial Valuation of the Fund, the Fund's Actuary agreed several financial assumptions with the Pensions Committee. One of these related to the likely level of investment returns the Fund could expect to achieve over the long term.

4.8 Considering the output from the ALM exercise and the Fund's current SAA, the Actuary determined that the likely total (net) investment return for the Fund over the next 20 years was estimated to be 4.4%. This rate was then used for the purposes of calculating a funding level as part of the 2022 Actuarial Valuation (the discount rate).

4.9 The discount rate of 4.4% is a calculation at a single point in time and a number that that the Actuary estimates, best represents the likelihood of the Fund achieving a 100% funding level in 20 years' time. The following table details the assumptions made about the expected long-term returns (net of fees) for each of the main asset classes, which were used in the ALM exercise and the 2022 Actuarial Valuation. The table also provides the annual expected volatility of those returns as at 31 March 2022.

		Expected net Rate of Return (p.a.) (20 years)	**Volatility of Return in Year 1 (p.a.)**
Return-seeking assets		**31 March 2022**	**31 March 2022**
Equity	Global	6.1%	20.0%
	Private Equity	10.0%	31.0%
Property		5.0%	15.0%
Infrastructure		6.5%	15.0%
Fixed-Income	Private Debt	4.3%	9.0%
	Multi-Asset Credit	4.4%	7.0%
Defensive assets			
Fixed-Income	Fixed-Interest Gilts	1.5%	7.0%
	Index-linked Gilts	0.1%	7.0%
	Investment-Grade Corporate Bonds	2.1%	8.0%
Cash		2.4%	0%

4.10 For investment return assumptions for time periods after the end of the funding horizon (i.e., more than 20 years); the rate set by the actuary is set at a margin above the risk-free rate (i.e., a UK Government Fixed-Interest Gilt). This outperformance assumption represents the excess return the Fund might get for investing in riskier assets (i.e., equities) over the long-term. The level of the margin set depends on the funding objective, but when looking at employers who are expected to be members of the Fund on an ongoing basis, the margin is +1.6%. More details on the assumptions used in the 2022 Actuarial Valuation can be found in the Fund's Funding Strategy Statement available at the following link.

www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement

4.11 Any asset class / investment is assessed on its individual merits and on the potential, it offers to improve the overall balance of risk and return for the Fund as a whole. The numbers provided in the previous table are indicative of the characteristics sought. The expected return from defensive assets (e.g., fixed-interest gilts) is not required to match those of return seeking assets (e.g., equities), if they offer a more stable pattern of returns and a degree of diversification.

4.12 The portfolios making up the Fund's assets are managed on both an active and a passive basis with the active portfolios expected to outperform their respective benchmarks over the long term. As a result, the investment return achieved by the Fund is expected to exceed the expected return on UK Government Fixed–Interest Gilts (a proxy for the expected growth in liabilities). Details of the investment managers/vehicles, their respective benchmarks and performance targets are included in Appendix B for information.

4.13 The Fund's SAA is monitored quarterly by the Pensions Panel, who receive a report on performance. The performance report covers the total Fund performance, in terms of returns received compared to the benchmark, the performance of individual asset classes and the performance of individual investment managers and LGPS Central Limited pooled products, versus their benchmarks. The Pensions Panel use this information to help assess the ongoing suitability of the Fund's investment strategy and SAA.

Realisation of investments

4.14 The Fund may need to realise cash at short notice to pay pensions benefits or to fund investments that have been committed to. The majority of the Fund's assets held by Investment Managers or in pooled vehicles (e.g., equities and fixed-income assets), are quoted on major markets and may be realised quickly if required. Property, Private Equity, Private Debt and Infrastructure investments, which are relatively illiquid, make up a smaller proportion of the Fund's assets.

Stock Lending

4.15 Since May 1999, the Pension Fund has been part of its Custodian's stock lending arrangement, whereby securities held by the Pension Fund are loaned to a third party in return for a fee.

4.16 There are risks in stock lending, but the Pensions Panel considers that these are well managed by the custodian through its lending program with appropriate collateral arrangements in place, reflecting current market practice. Overall, the Pensions Panel considers that the income from stock lending is beneficial to the Fund and that the risks are understood and well managed.

4.17 The manager(s) of pooled funds (including LGPS Central Limited) may undertake stock lending on behalf of unit holders. Where a pooled fund engages in stock lending, the extent to which it does so should be disclosed by the manager. Although the Pensions Panel has no direct control over stock lending in pooled funds, it is comfortable with the nature of the activity and that the return is appropriate to the risk being taken.

Pension Fund Cash

4.18 Cash management in the Pension Fund comprises two elements;

- cash held centrally in Pension Fund cash accounts (i.e., bank accounts and money market funds); and
- cash held in the Custodian's bank account.

4.19 The Pension Fund has a 1.0% strategic allocation to cash which is primarily used for fulfilling the daily liquidity needs of the Fund. The cash is managed by Staffordshire County Council's Treasury and Pension Fund Team in accordance with the Pension Fund's Annual Investment Strategy for cash, approved by the Pensions Panel before 31 March each year.

4.20 Each investment manager in the Fund with a segregated mandate will have a cash account with the Pension Fund's custodian for GBP Sterling and foreign currency. The cash in these accounts is held primarily for the managers day to day liquidity needs but can fluctuate (e.g., timing issues of trade settlement, dividend income etc) and a maximum cash limit is agreed with each manager as part of their Investment Management Agreement.

4.21 All cash balances held with the custodian are swept on an overnight basis into highly credit rated (AAA) money market funds, attracting an appropriate rate of interest.

5. The Fund's attitude to risk, including the measurement and management of risk.

5.1 The main risk to the Fund is not meeting the strategic objectives set out in section 2. This risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring through ALM (see paragraph 3.4). The primary reason for the high variability (risk) in outcomes from ALM is due to the long-term nature of the Fund's investment horizon (e.g., 20 years) and the high proportion of the Fund invested in return seeking assets (e.g., equities). The Fund relies upon the strong covenant of the major employing bodies for it to take a long-term investment perspective, and the expected returns on the Fund's return-seeking assets are considered to be commensurate with the risk being taken, which helps keep employer contributions lower than they otherwise would be.

5.2 Risks are inherently reported to the Pensions Committee and Pensions Panel as part of routine reporting. Also, there is a separate Risk Register, which has been developed to categorise risk across 4 main areas of focus: **Funding, Administration, Governance and Investment**. The Fund's Risk Register has a set of high-level objectives, which cover all key aspects of the Fund under each area. The greatest risks 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 the high-level objectives. This ensures a comprehensive coverage of all areas of the Fund. Some key risks from each of the areas, and the way in which they are mitigated, are highlighted in the following paragraphs.

Funding

5.3 **Inflation** - future payments the Fund must make to pensioners are linked to inflation. Therefore, increases in the rate of inflation will increase the value of payments to pensioners. The Fund invests in assets, such as Index-Linked Gilts, which are linked to inflation. This reduces risk as it matches the return on these assets to actual increases in inflation.

5.4 **Longevity** - future life expectancy is an area which is difficult to forecast accurately but, as people are living longer, the cost to the Fund increases. The Fund has made assumptions on longevity with allowances for future increases. The Fund Actuary also has access to information on the experiences of other local authority pension funds. A substantial portion of this risk has been transferred to employees under the LGPS 2014 scheme regulations, which links the scheme retirement age to the state pension age.

5.5 **Changes in the maturity profile of the Fund** - the Fund will mature as the ratio of pensioners and deferred pensioners to active employees increases. This issue has grown over recent years because of structural changes affecting employers in the Fund and to manage this risk, the Fund has looked to invest more in income producing investments to help pay for the increasing number of pensioners.

Administration

5.6 **Maintaining an appropriate level of staffing and resources** – risks are mitigated through monitoring workloads, or backlogs and benchmarking staff numbers. Management also has regular conversations with staff about workloads and how processes can be made more efficient, as well as monitoring customer feedback results and complaints.

5.7 **Maintaining complete and accurate records** – risks are mitigated by using internal contribution control and financial systems. Other controls include actuarial data checks, scheme of delegation, record keeping checks and actuarial calculations. The increased use of technology and direct access portals for members and employers is also helping to reduce this risk.

Governance

5.8 **Structure** - the Fund must demonstrate the key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure. To manage this, the Fund's objectives are defined, reviewed annually, and approved by the Pensions Committee as part of a comprehensive performance management framework. This includes key performance indicators (KPI's) and a frequent review of the Risk Register. Reports on governance arrangements are presented at the Pensions Committee and the Local Pensions Board regularly.

5.9 **Training** - elected Members and Officers need to have the required skills and qualifications to perform their function effectively and be supported by an ongoing programme of training. This is promoted by the adoption of the CIPFA Knowledge and Skills Framework and the use of a Training Policy and

Training Log. Assurance is given by reviewing the Training Log, the Local Pensions Board, the qualifications and the experience of senior officers, and performance meetings with staff.

5.10 **Advisers** – the Fund needs to have proper arrangements to receive appropriate financial, investment and actuarial advice to make the best possible decisions. This risk is managed by procuring the services of several advisers who attend and report to the Pensions Committee, Pensions Panel and Local Pensions Board, advising them on key decisions.

Investments

5.11 **Investment in equities** – a significant proportion of the Fund is invested in equities, although this is reducing as an outcome of the latest SAA review. Equities are expected to provide better returns than fixed interest over the long term. The risk with this strategy is that equity values fall significantly in the short-term and they fail to outperform fixed-interest assets in the long term. This risk is managed through reliance on the funding strategy which monitors the positive cash flows of the Fund and the long-term covenant of the main employing bodies. This then allows the Fund to take a long-term investment perspective and maintain a relatively high exposure to equities which, over time are expected to deliver better financial returns.

5.12 **Interest rates** - Changes in interest rates will affect the level of the Fund’s liabilities and the value of the Fund’s investment in fixed income. Little can be done in relation to the change in liabilities; this is a fundamental part of the Fund. To mitigate the risk of capital loss on fixed income assets from interest rate changes, the Fund’s SAA allows scope to adjust the exposure to fixed income, should it be necessary.

5.13 **Pension Fund investment managers underperform their target benchmarks** – The majority of the Fund is invested through external investment managers; this risk is partially managed by keeping a substantial share of the Fund invested passively and by ensuring that the active managers have complementary styles. Each manager has an investment management agreement in place which sets out the relevant investment benchmark, investment performance target, asset allocation ranges and any investment restrictions. This constrains the investment managers from deviating significantly from the intended approach, while permitting sufficient flexibility to allow the manager to reach their investment performance target. All this is allied to regular monitoring. Where investments are made through LGPS Central Limited they are also held with external managers. These managers are not directly employed by the Fund therefore the Fund does not have the same control over monitoring their performance. However, the Fund works closely with LGPS Central Limited in monitoring investment manager performance.

5.14 In terms of investment risks, the Pensions Committee receives an annual report from the Fund’s independent performance measurer to show both performance and risk, where risk is measured as the variability of returns, both against liabilities and against SAA benchmarks. The Pensions Panel receives reports which monitor such risks quarterly.

5.15 Most of the Fund is invested in liquid investments. Risks are also managed through diversification. For example;

- across asset classes e.g., equities, fixed-income, property, infrastructure and cash;
- across managers, investment styles and geographical areas e.g., investing globally; and
- through ensuring managers maintain a diversified portfolio of investments within their mandate.

5.16 Foreign currency risk is predominantly not hedged by the Fund. The long-term open nature of the Fund means that it can accept volatility from foreign currency movements, and the impact this has on market valuations in the short term. Foreign currency hedging can also be expensive and complex to manage. The Fund has documented its views on currency hedging, asset class by asset class, in a separate Currency Hedging Policy, alongside the ISS at the following link.

www.staffspf.org.uk/Finance-and-Investments/Statement-of-Investment-Principles/Investment-Strategy-Statement

5.17 The risks associated with asset pooling and the creation of LGPS Central Limited, are addressed in the Fund's Risk Register. As a company regulated by the Financial Conduct Authority (FCA), LGPS Central Limited is required to have a professional risk and compliance function which reports directly to the Company's Audit, Risk and Compliance Committee. LGPS Central Limited also provides its Partner Funds with an AAF Internal Controls Report annually.

6. The authority's approach to investment pooling

6.1 Staffordshire County Council, as the administering authority of the Staffordshire Pension Fund, is one of 8 shareholders in LGPS Central Limited (the Company); the other 7 shareholders being the Local Authority Pension Schemes managed by Cheshire West and Chester Council, Derbyshire County Council, Leicestershire County Council, Nottinghamshire County Council, Shropshire Council, Wolverhampton City Council and Worcestershire County Council.

6.2 The 8 Partner Funds have a regional identity but welcome wider collaboration with other LGPS pools. Whilst, one fund, one vote, is an overriding principle of the pooling arrangement, LGPS Central Limited recognises that each fund have different funding levels and deficit recovery profiles and will aim to meet each Fund's needs.

6.3 The 8 Partner Funds of LGPS Central Limited outlined their key characteristics in forming the company, whereby:

- Assets will be managed by both internal and external investment managers with the split between internal and external management varying over time, as the internal investment resource and resilience is developed;

- Knowledge and expertise will be shared and Partner Funds will be open to challenge and change;
- Partner Funds will listen and be constructive;
- Strong governance, based on openness and transparency, between the Partner Funds and the company will be paramount;
- Costs will be actively managed, be transparent and will be shared fairly between Partner Funds;
- Responsible investment will be an integral part of the investment process.

6.4 LGPS Central Limited was approved by the FCA as an Alternative Investment Fund Manager (AIFM) in December 2017. There is a robust governance structure in place which will provide the 8 Partner Funds and their stakeholders with assurance around the management of their investments and the investment process.

6.5 A Shareholders Forum, comprising one elected Member from each of the 8 Partner Funds acts as the supervisory body of LGPS Central Limited and fulfils the shareholders' role in ensuring that the company is managed efficiently and effectively. A Joint Committee, set up in accordance with the provisions of the Local Government Act 1972, is the forum for dealing with common investor issues and the collective monitoring of the performance of LGPS Central Limited against its objectives. To support the Joint Committee and the Shareholders' Forum, there is also a Practitioners Advisory Forum, consisting of Officers from each of the 8 Partner Funds. This Forum (and its sub-groups) provides day to day oversight of the company and monitors its investment performance and investment costs. The Forum also acts as the customer, monitoring levels of customer service and the delivery of wider investor services such as responsible investment and voting.

6.6 With the exception of a working cash balance, to ensure liabilities can be paid as they fall due, a significant and increasing proportion of the Fund's assets, will be invested through LGPS Central Limited. The movement of assets into LGPS Central Limited will continue to take several years to achieve but the Fund has made progress, with several key asset transitions taking place into the LGPS Central Authorised Contractual Scheme (ACS) since the first transition in February 2019. More recently, LGPS Central Limited along with the Fund and other Partner Funds have been working on private market vehicles (i.e., private debt, infrastructure), which have been successful in gaining significant commitments from Partner Funds.

7. The Fund's policy on social, environmental and corporate governance considerations.

7.1 Responsible Investment (RI) is the belief that, over the long term, financial performance can be enhanced through the integration of environmental, social and corporate governance (ESG) considerations into the investment management process and active ownership practices.

7.2 The Pensions Committee and Pensions Panel seeks to ensure that, as far as possible, RI is incorporated, together with financial factors, into the investment process across all relevant asset classes. Non-financial factors are considered as part of investments to the extent that they are not detrimental to the investment returns. Social impact may be considered, but financial return is the primary concern.

7.3 As outlined in section 3, the Fund updated its investment beliefs in 2019 to specifically incorporate RI beliefs, underlining the importance of RI to the Fund.

7.4 As shown in paragraph 3.2, the Fund states that it believes RI can enhance long-term investment performance and supports a strategy of engagement rather than exclusion with companies it is invested in.

7.5 The Fund endorses the United Nations Principles of Responsible Investing (UNPRI) and seeks to encourage its investment managers (where applicable), to sign up to them in order to fully incorporate RI issues into their investment process.

The 6 principles are;

- we will incorporate Environmental Social and Governance issues into investment analysis and decision-making processes;
- we will be active owners and incorporate Environmental Social and Governance issues into our ownership policies and practices;
- we will seek appropriate disclosure on Environmental Social and Governance issues by the entities in which we invest;
- we will promote acceptance and implementation of the Principles within the investment industry;
- we will work together to enhance our effectiveness in implementing the Principles; and
- we will each report on our activities and progress towards implementing the Principles.

As at March 2023, all the Fund's active equity managers (including those appointed by LGPS Central Limited) were signed up to the UNPRI.

7.6 The Fund has been a member of the Local Authority Pension Fund Forum (LAPFF) since 1 April 2013. LAPFF is a voluntary association representing the majority of LGPS Funds and LGPS Pools, who collectively have over £350bn of assets under management. Formed in 1990 LAPFF exists to promote the investment interests of LGPS investors, and to maximise their influence as shareholders while promoting the highest standards of corporate governance and corporate responsibility at the companies in which they invest. LGPS Central Limited is also a member of LAPFF, alongside all its 8 Partner Funds.

7.7 The Fund has delegated voting and day to day engagement with investee companies to its investment managers. With LGPS asset pooling, the responsibility for the selection of investment managers has been transferred to LGPS Central Limited, and agreements between LGPS Central Limited and investment managers set out how RI factors are taken into account. LGPS Central Limited has its own Responsible Investment & Engagement Framework, which all 8 Partner Funds were involved in creating and is available on their website at www.lgpscentral.co.uk/responsible-investment/.

7.8 More details of the Fund's individual investment managers' responsible investment policies, as well as the UK Stewardship Code and UNPRI are available at the Staffordshire Pension Fund website at the following link.

www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement

Climate Change

7.9 In February 2022, the Pensions Committee approved the Fund's first Climate Change Strategy which sets out the Fund's approach to managing the risks and opportunities presented by climate change. The Climate Change Strategy expands on the Fund's RI beliefs, (as detailed in section 3) by including specific climate change beliefs.

7.10 The overarching aim of the Fund's Climate Change Strategy is to achieve a portfolio of assets with net zero carbon emissions by 2050. To guide and monitor the Fund's decarbonisation roadmap, a series of 2030 targets have been included in the Climate Change Strategy against a March 2020 baseline, with progress reported annually.

7.11 To align with best practice on the communication of how climate-related risks are managed, the Fund also publishes an annual Taskforce on Climate-Related Financial Disclosures (TCFD) report. The TCFD recommendations are based on the financial materiality of climate change across four areas of disclosures (Governance, Strategy, Risk Management and Metrics and Targets). The Fund's TCFD report and Climate Change Strategy are available on the Fund's website at the following link.

www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement

7.12 Based on the output of annual climate risk work undertaken by LGPS Central, and in line with the Fund's Climate Change Strategy objectives, the Fund also produces an annual Climate Stewardship Plan. The Climate Stewardship Plan aims to focus the Fund's engagement on the investments in companies which have the most impact on the Fund's climate risk.

7.13 The Fund's Climate Stewardship Plan is a live working document which is updated as engagement with companies and investment managers occurs. The Climate Stewardship Plan is presented to the Pensions Committee annually and updates are provided quarterly to the Pensions Panel, as part of a Responsible Investment and Engagement Report.

8. The Fund's policy with regard to stewardship of assets, including the exercise of voting rights.

8.1 The Fund believes that voting is an integral part of Responsible Investment and delegates much of the stewardship of assets and the exercise of voting rights to its investment managers and LGPS Central Limited. Details of resolutions investment managers have voted on and any engagement they have had with companies, is noted in the quarterly reports the investment managers and LGPS Central produce for the Fund.

8.2 The Pensions Panel receives regular updates from investment managers on details of votes cast on corporate resolutions as part of a quarterly RI report, where any points of interest are also highlighted. The Fund also publishes a report on the voting activities carried out by Managers on its behalf, as part of its annual report. This can be found on the Pension Fund website at the following link.

www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/Reports-and-Accounts.aspx

8.3 Where assets are managed by LGPS Central Limited, the exercising of voting rights is undertaken in accordance with their Voting Principles Strategy. Voting is a core component of LGPS Central Limited's approach to investment stewardship, which is within their wider Responsible Investment and Engagement Framework. Voting decisions are executed by third party provider(s), who also offer analysis and advice. All LGPS Central Limited's RI documents can be found on their website at www.lgpscentral.co.uk/responsible-investment/.

8.4 Where LGPS Central Limited invests in externally managed pooled funds, the suitability of the manager's voting policy is assessed during due diligence, and ongoing disclosure is required. The Company may also seek to co-file shareholder resolutions which it believes are beneficial to clients' long-term interests and they have a procedure to recall lent stock, in order to vote on significant issues.

8.5 In 2020, the Financial Reporting Council launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aims to improve stewardship practices by setting a substantially higher standard than previously. Under the 2016 Regulations, the Fund was accepted as a Tier 1 signatory and in 2023, the Fund is planning to submit a statement that meets the FRC's new reporting expectations, to become a signatory to the most recent UK Stewardship Code

8.6 LGPS Central Limited is a current Tier 1 signatory of the Financial Reporting Council's UK Stewardship Code.

If you have any comments on this Investment Strategy Statement or require any more information on the subjects contained within it, please contact:

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Appendix A – Strategic Asset Allocation – 1 April 2023

		Current Benchmark Target %	Long-Term Benchmark Target %	Permitted Tolerance
Return-seeking assets	Global Equities	61.0	44.0	
	Private Equity	5.0	5.0	
	Total Equity	66.0	49.0	+/- 3%
	Property	10.0	12.5	+/- 3%
	Infrastructure	5.0	10.0	+/- 3%
	Private Debt	5.0	7.5	
	Multi-Asset Credit	0.0	5.0	
Defensive assets	Fixed-Interest Gilts	0.0	5.0	
	Index-linked Gilts	6.5	5.0	
	Investment-Grade Corporate Bonds	6.5	5.0	
	Total Fixed Income	18.0	27.5	+/- 3%
	Cash	1.0	1.0	3% maximum
	Total	**100.0**	**100.0**	

Notes:

The return seeking portfolio consists of total equity, property, infrastructure, private debt and multi-asset credit. This equates to 86.0% under the current benchmark and 84.0% under the long-term benchmark.

The defensive portfolio consists of total fixed-income (excluding private debt and multi-asset credit) and cash. This equates to 14% under the current benchmark and 16.0% under the long-term benchmark.

Appendix B - Investment Managers Benchmark Indices and Investment Targets

Active Portfolios

Investment manager/fund	Asset class	Benchmark	Outperformance target
JP Morgan Asset Management	Global Equities	MSCI All Countries World Index Net	2.0% above benchmark p.a. over rolling 3-year periods
Longview Partners	Global Equities	MSCI All Countries World Index Net	2.0% above benchmark p.a. over rolling 3-year periods
LGPS Central Limited (Global Equity Active Multi Manager Fund)	Global Equities	FTSE All World Index (Sterling)	1.5% above benchmark (net of costs) over rolling 5-year periods
Impax Asset Management Limited	Global Sustainable Equities	MSCI All Countries World Index	1.5% above benchmark (net of fees) over rolling 3-year periods
LGPS Central Limited (Global Sustainable Equity Active Targeted Fund)	Global Sustainable Equities	FTSE All World Total Return Index (Sterling)	2%-3% p.a. above benchmark (net of fees) over a rolling three-year period
LGPS Central Limited (Global Multi Factor Fund)	Global Equities – Factor Based	SciBeta Global High Factor Intensity Diversified Multi Beta Strategy Index (6 Factor, 4 Strategy, Equally Weighted	Match benchmark
LGPS Central Limited (Global Active Investment Grade Corporate Bond Multi Manager Fund)	UK/Global Corporate Bonds	50% ICE BofAML Sterling Non-Gilt Index (ex EM)/50% ICE BofAML Global Corporate Index (ex GBP and EM), hedged to GBP	Outperform the benchmark (total return, in sterling) by 0.8% per annum (net of costs) over rolling 3-year periods

Colliers CRE	Property	MSCI UK Monthly Property Index	To outperform the benchmark
Various	Infrastructure	CPI+ 4.5%	Match benchmark
Various	Private Debt	SONIA 3 Month	5.0% above benchmark
Various	Private Equity	MSCI World Index + 2.0% (lagged by one quarter)	Match benchmark
Various	Cash	SONIA	Match benchmark

Indexed (Passive) Portfolios

Legal & General Investment Management	Global Equities	Solactive L&G Low Carbon Transition Global Index	Match benchmark
Legal & General Investment Management	Global Equities	FTSE All World Index	Match benchmark
Legal & General Investment Management	Index-linked Bonds	FTSE-A Over 5 years Index-Linked Gilts Index	Match benchmark

Item no 9 on Agenda

PENSIONS COMMITTEE – 31 MARCH 2023

Report of the Director of Finance

TRAINING NEEDS ANALYSIS & TRAINING POLICY 2023/24

Recommendation of the Chair

1. That the Pensions Committee:

   (a) notes the results of the 2023/24 Training Needs Analysis (TNA) at Appendix 1 in relation to the requirements of the CIPFA Knowledge and Skills Framework (CIPFA KSF);

   (b) approves the resultant 2023/24 Training Plan; and

   (c) notes the Staffordshire Pension Fund's Training Policy, attached at Appendix 2.

Background

2. Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits.

3. In May 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated Knowledge and Skills Framework (KSF) for LGPS Committee Members and LGPS Officers, together with a separate Code of Practice (an electronic copy can be provided to Members on request). Whilst this was a recommendation from the Good Governance Project, the CIPFA KSF is something that the Staffordshire Pensions Committee has adopted for several years now, to demonstrate its own good governance and commitment to training.

4. The CIPFA KSF is designed to be used by LGPS Officers and the scheme's decision-making bodies (i.e. Pensions Committee) as a framework in the assessment of knowledge and skills, the delivery and recording of training, and ultimately the development of knowledge and understanding of all those with a responsibility to manage and administer an LGPS Fund.

5. The CIPFA KSF identifies eight core technical areas where Pensions Committee Members are expected to have a general awareness and understanding of the key elements in each area. Fund Officers are expected to have a greater depth of knowledge of the areas relevant to their role. The eight core areas are:

   • Pensions Legislation and Guidance
   • Pensions Governance
   • Funding Strategy and Actuarial Methods

- Pensions Administration and Communications
- Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards
- Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
- Financial Markets and Products
- Pension Services Procurement, Contract Management and Relationship Management.

6. Local Pensions Board Members still have a separate and mandatory CIPFA KSF, however, as the revised Pensions Committee and Senior Fund Officer CIPFA KSF is more detailed and granular, it makes sense for Board members to complete the same TNA and training.

2022/23 Training

7. Throughout 2022/23, training formed part of Pensions Committee meetings, as the Actuary took Members through the actuarial processes and assumption setting for the 2022 Actuarial Valuation of the Fund. Two focussed joint training days also took place, which covered Pensions Legislation and Guidance and Pensions Governance, Investing in Private Equity, the Nolan and Myners' Principles and the importance of Cyber Security.

8. 13 attendees across the Pensions Committee, Local Pensions Board and Officers attended the Local Government Association's Pensions Fundamentals Training in October through December 2022, which acted as a useful introduction to some and a refresher to others. On-line access also continued to be provided to the Hymans Robertson Aspire Training Platform and the Pension Regulators Toolkit.

2023/24 Training Needs Analysis (TNA)

9. All Pensions Committee Members, Local Pensions Board Members and Senior Fund Officers were asked to complete a TNA during February 2023. It is to be expected that there are differences in individual Members' levels of knowledge and experience, however, as stated in the CIPFA KSF, it is the collective knowledge of the Pensions Committee and Local Pensions Board that should be relied upon.

10. The TNA response rate for the Pensions Committee was 67% (8 out of a possible 12), for the Pensions Board it was 67% (2 out of a possible 3) and for Senior Fund Officers it was 75% (3 out of a possible 4). The summary of the collective TNA results for the Pensions Committee, the Local Pensions Board and Senior Fund Officers are provided below and in Appendix 1.

11. Despite the relatively low overall response rate, it is reassuring that there is a good level of collective knowledge across all 8 areas, with Senior Fund Officers reporting significant levels of knowledge across all areas of activity. It is pleasing to see an increase in scores for those areas where training was provided in 2022/23, such as Funding Strategy and Actuarial Methods and Investment strategy, asset allocation, pooling, performance and risk management.

12. The results of the TNA will be used to inform the delivery of general and specific, more targeted, training going forwards and will be reviewed again in late 2023. The specific areas with the lowest combined scores are shown in Appendix 1, and it is intended to incorporate these areas in training sessions during 2023/24.

2023/24 Training Plan

13. As with all training plans, some flexibility in terms of times and methods of delivery will be required. Where appropriate, training will be incorporated into scheduled Committee and Board meetings in June, September, December and March and two dedicated training sessions for both Committee and Board members will be held in July and November. Joint training opportunities within the LGPS Central pool, and outside of scheduled training, may also be offered from time to time.

14. Having considered the detailed results from the 2023/24 TNA, training proposed for 2023/24 is likely to include the following:

- June / September 2023 - Portfolio Evaluation Limited and CEM Benchmarking –refresher training at Committee on **Performance Measurement, Cost Benchmarking and Risk Management;**

- July / September / November 2023 –**Procurement, Contract Management and Relationship Management Administration** – Overview of public sector procurement and its impact and application to the LGPS. Outline of the range of contracts and relationships and the way these are managed across the Pension Fund.

- September / November / December 2023 and March 2024 – **Strategic Asset Allocation, including Investment Structure implementation, Pooling, and Financial Markets and Products** – the review of the Fund's Strategic Asset Allocation will result in several changes to the current Investment Strategy and there will be a programme of implementation across individual asset classes and investment products within financial markets; and

- October – December 2023 – Local Government Association offer 3-day **Pensions Fundamentals** training, which is routinely offered to all new Pensions Committee and Local Pensions Board members.

Aspire Online Learning Academy

15. As well as the free access to the Pensions Regulators Trustee Toolkit:

https://trusteetoolkit.thepensionsregulator.gov.uk/

Pensions Committee and Local Pensions Board Members, have been provided with access to Hymans Robertson's online LGPS Learning Academy, called ASPIRE, which covers all the key areas of the CIPFA KSF. This can be accessed by following the link below:

https://aspire.hymanslearning.co.uk/learn

16. Whilst it has been pleasing to see many Pensions Committee and Local Pensions Board Members periodically accessing the modules on Aspire, it is fair to say that take up and routine use could be improved. Members who have not yet found the time to work through any of the ASPIRE modules are encouraged to do so, given it is a valuable and tailored LGPS training resource that can assist Members in keeping up to date with topical issues whilst also enhancing their wider LGPS knowledge and understanding; in accordance with the Fund's Training Policy.

17. Hymans have recently refreshed ASPIRE so that it offers more but shorter learning modules, which align with the CIPFA KSF. They have also updated many of the videos, jargon busters and knowledge checks. Badges are also awarded to users depending on the number of questions correctly answered.

Training Policy

18. As with all areas of Pensions, it is best practice and further demonstrates good governance to set out the Pension Fund's approach to the Training of all individuals charged with the oversight of the Fund, by having a policy on such. The Staffordshire Pension Fund's Training Policy is attached at Appendix 2 for approval.

19. The policy incorporates the requirements of the latest CIPFA KSF and includes a set of seven statements which the Pensions Committee formally adopted at their meeting on 25 March 2022. These can be found on pages 2 and 3 of the Training Policy.

LGPS National Knowledge Assessment

20. Hymans conducted their second LGPS National Knowledge Assessment in 2022. The high-level results of which are shown in the diagram below.

21. Although only 16 LGPS Funds participated, this National Knowledge Assessment showed an increase in knowledge throughout the various key pension areas, which was in common with Staffordshire's own findings. The main difference in the Staffordshire versus the National results was that nationally Board members tended to score higher. However, given that Staffordshire has Board member vacancies and some relatively new board members, this is not surprising. Nationally Governance was the highest scoring area, compared to Staffordshire where it was Pensions financial strategy, management, accounting, reporting and audit standards. Again, this is not surprising given it is an area on which training in the previous year had focused.

22. Overall, Staffordshire Members appear to have a higher level of knowledge compared to their peers nationally, which is pleasing to see. However, the Staffordshire TNA is based on self-assessment, and not the more rigorous multiple-choice assessment of participants' knowledge and understanding of key pension areas, used by the National Knowledge Assessment.

Rob Salmon
Director of Finance

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

Background Documents:
CIPFA Knowledge and Skills Framework
CIPFA Code of Practice on Knowledge and Skills
Scheme Advisory Board Good Governance Report
Hymans Robertson Online Learning Academy
The Pensions Regulators Trustee Toolkit

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

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

Resources and Value for Money Implications: All Training Costs will be paid for by the Staffordshire Pension Fund

Risk Implications: There is a risk of inappropriate decisions being made if Pensions Committee members do not have an appropriate level of knowledge and understanding.

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

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

Appendix 1

Staffordshire Pensions Committee and Staffordshire Local Pensions Board Results of 2023/24 Training Needs Analysis

On a scale from1 to 5 where:
1 = No knowledge
2 = Limited knowledge and understanding
3 = Basic understanding
4 = Broad ability to comprehend and apply knowledge
5 = Sound understanding and ability to ask challenging questions

Area of Knowledge **Average score out of 5**

Averages	Committee & Co-optees	Board	**Combined**	Officers
1. Pensions legislation and guidance	3.44	3.50	3.47	4.67
2. Pension Governance	3.56	3.50	3.53	5.00
3. Funding strategy and actuarial methods	3.78	3.50	3.64	4.67
4. Pensions administration and communications	3.56	3.50	3.53	4.67
5. Pensions financial strategy, management, accounting, reporting and audit standards	4.22	4.00	4.11	5.00
6. Investment strategy, asset allocation, pooling, performance and risk management	4.00	4.00	4.00	4.67
7. Financial markets and products	4.11	3.00	3.56	4.67
8. Pension services procurement, contract management and relationship management	3.78	2.00	2.89	4.33
% responses	0.67	0.67	0.67	0.75

The specific areas with the lowest cumulative scores for Committee and Board Members.

1. Pensions Legislation and Guidance
A General understanding of Pensions Framework other legislation that is relevant in managing an LGPS fund, relating to benefits, administration, funding, governance, communications and investment. An awareness of LGPS discretions.
2. Pensions Governance
An awareness of the LGPS general constitutional framework, fund-specific governance and service delivery arrangements, including the roles of the Pensions Committee, Pensions Panel, Pensions Board and Director of Finance.
4. Pensions administration and communications
An awareness of the LGPS regulations' main features and requirements relating to: • administration and communications strategies • entitlement to and calculation of pension benefits • transfers in and out of the scheme • employee contributions • the delivery of administration and communications including cost and performance measurement.

8. Pension Services Procurement, Contract Management and Relationship Management
An awareness of the main public procurement requirements of UK and EU legislation. A general understanding of the fund's main suppliers and the risks associated with them. An awareness of the nature of the relationship with the investment pool parties.

Appendix 2

Staffordshire Pension Fund

Training Policy

1 April 2023

A. Introduction

This policy provides details of the training strategy for the Staffordshire Pension Fund (the Fund).

It confirms the Training commitment of the Fund and sets out the arrangements for the training and development of:

- Members of the Staffordshire Pensions Committee (including co-opted members);
- Members of the Staffordshire Pensions Panel;
- The Local Pensions Board; and
- Senior Officers involved in the day to day management of the Staffordshire Pension Fund ('the Fund")

This policy will be published and be made available to all stakeholders on the Fund's website.

https://www.staffspf.org.uk/Governance/Policies/Training-policy/Training-policy.aspx

B. Legislation

Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, requires that trustees of occupational pension Schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment and the management and administration of pension scheme benefits.

Whilst there is a legal requirement for a prescribed level of knowledge and understanding for members of a Local Pension Board, this legal requirement does not apply to members of a Pensions Committee and Pensions Panel; albeit there is a clear need for them to have knowledge and understanding to enable them to make informed and consistent decisions.

Accordingly, the Pensions Committee have agreed to adopt the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on LGPS Knowledge and Skills (the Code) and the Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers. (CIPFA KSF).

The CIPFA KSF therefore applies to all Members of the Pensions Committee, Pensions Panel and the Local Pensions Board. It also applies to Senior Officers of the Fund. Advisors are also expected to meet the objectives of the Fund's policy.

C. Code of Practice on LGPS Knowledge and Skills 2021

The Code of Practice and the CIPFA KSF were updated in May 2021 '…to embed the requirements for the adequacy, acquisition, retention and maintenance of the appropriate knowledge and skills…' The Department of Levelling Up, Housing and Communities (DLUHC) is also expected to issue statutory guidance, following the conclusions of the Good Governance Review, with clearer expectations for all parties who have a role in the LGPS, or who are involved with the management of the LGPS.

The Staffordshire Pensions Committee originally approved this Training Policy at its meeting on 25 March 2022 and in doing so adopted the following statements, as recommended by the Code:

1. This LGPS administering authority adopts the key principles of the Code of Practice on LGPS knowledge and skills.

2. This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.

3. This LGPS administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS.

4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA LGPS Knowledge and Skills Framework.

5. This LGPS administering authority will ensure that it has adequate resources in place to ensure all staff, Members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS, acquire and retain the necessary knowledge and skills.

6. This LGPS administering authority will report annually on how their knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.

7. This LGPS administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

D. Aims and objectives

Staffordshire County Council recognises its responsibilities as the Administering Authority to the Staffordshire Pension Fund on behalf of its stakeholders which include:

- Over 120,000 current and former Employee Members of the Fund;
- Over 500 Employers in the Fund; and
- Local taxpayers.

The Administering Authority's objectives in relation to this policy are to ensure that:

- Those persons charged with the financial management and decision-making about the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based; and
- Members of the Local Pensions Board have sufficient knowledge and understanding to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the LGPS and/or any failure to meet the standards and expectations set out the Regulators Codes of Practice.

All Members and Officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To achieve these objectives, the Fund will have regard to the following publications:

- CIPFA Technical Knowledge and Skills Framework for Local Pension Boards;
- CIPFA Code of Practice on LGPS Knowledge and Skills
- CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers
- Public Service Pensions Act 2013
- The Pensions Regulator's (TPR) Codes of Practice for Public Service Schemes.
- Local Government Pension Scheme (LGPS) Pension Board Guidance
- MIFID II
- DLUHC Statutory Guidance

Staffordshire County Council fully supports the use of the CIPFA KSF and the Pension Regulators Codes of Practice. These documents will form the basis of the training strategy using a rolling training plan together with regular monitoring and reporting.

The Director of Finance (Scheme Administrator) at Staffordshire County Council is the Fund's designated named individual responsible for ensuring that this Training Policy is implemented. However, the practical arrangements for organising and ensuring the delivery of timely and appropriate training has been delegated to the Assistant Director for Treasury and Pensions.

The Council's approach to training will be supportive in nature with the intention of providing Committee, Panel and Local Pension Board Members with regular sessions that will contribute to their level of skills and knowledge.

E. Areas of knowledge and understanding required

There are eight core technical areas where appropriate knowledge and skills should be achieved and maintained. They are:

1. **Pensions Legislation and Guidance**
   A knowledge of the framework of legislation and guidance and the way in which it affects the management and operational aspects of the Local Government Pension Scheme.

2. **Pensions Governance**
   Understanding the requirements of the current and evolving governance framework for the LGPS as well as wider pensions industry frameworks that apply and impact the governance of the LGPS.

3. **Funding Strategy and Actuarial Methods**
   To understand the work of the Actuary and the way in which actuarial information impacts both the finances of the Scheme and the Scheme Employers.

4. **Pensions Administration and Communications**
   To understand the complex nature of administering scheme benefits and contributions and the industry wide requirements of disclosure and data quality, to ensure decisions made are in compliance with the regulations.

5. **Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards**
   To understand the way LGPS pension funds are resourced, budgeted, and accounted for and the role internal and external auditors play in assuring the administering authority complies with statutory requirements.

6. **Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management**

To gain an understanding of investment risks (including emerging risks), asset allocation and its impact on investment performance, investment pooling arrangements (including the transition of assets into the pool.

7. **Financial Markets and Products**
   An understanding of the workings of financial markets and the investment vehicles available in relation to the Fund's investment strategy and how these are utilised in investment pools.

8. **Pension Services Procurement, Contract Management and Relationship Management.**
   An understanding of procurement requirements, including the availability of LGPS specific frameworks, to enable the appointment of third party providers that facilitate efficient and effective pensions operations.

F. Degree of knowledge and understanding required.

All Committee, Panel, Local Pension Board Members and Senior Fund Officers must have a knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to a level appropriate for them to be able to carry out their individual roles, responsibilities and duties and to exercise properly their delegated responsibility, on behalf of the Staffordshire Pension Fund.

The different degrees of knowledge and understanding are prescribed in the CIPFA KSF as:

For Pensions Committee and Local Pension Board Members:
• an *awareness*, i.e. recognition that the subject matter exists
• a *general understanding*, i.e. understanding the basics in relation to the subject matter
• a *strong understanding*, i.e. a good level of knowledge in relation to the subject matter (but not necessary at a detailed level).

For Senior Fund Officers
• a *strong understanding*, i.e. a good level of knowledge in relation to the subject matter (but not necessary at a detailed level)
• a *detailed level of knowledge* in relation to the subject matter
• an *expert level of knowledge* in relation to the subject matter

G. Acquiring, reviewing and updating knowledge and understanding

Pensions Committee, Panel and Local Pension Board members should invest sufficient time in their learning and development alongside their other responsibilities and duties.

Newly appointed Pensions Committee, Panel and Local Pension Board members should be aware that their legal responsibilities and duties as a member of those bodies begin from the date they take up their post. They should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. *The Pension Regulator's Code of Practice No:14 Governance and Administration of Public Service Pension Schemes (2015)* clearly states these requirements.

Pensions Committee, Panel and Local Pension Board members should undertake personal responsibility to complete a Training Needs Analysis (TNA) and annually review their skills, competencies, and knowledge to identify any gaps or weaknesses.

H. Training Plan

The Training Needs Analysis (TNA) will be the primary method of assessing the knowledge and skills of both the individual Member or Officer and more widely, the collective knowledge and skills of the Pensions Committee, Panel and Local Pensions Board and this will be used for an annual assessment. The TNA results will be used to help develop the training plan for the following year to ensure any knowledge gaps are removed as far as possible, given other areas of general training being provided.

Training will be delivered through a variety of methods including:

- In-house training provided by Officers or external trainers;
- Training as part of a formal meeting;
- External training events;
- Circulation of reading material;
- Shared training with other Funds or frameworks;
- Attendance at seminars and conferences;
- On-line training toolkit provided by the Pensions Regulator;
- Hymans Robertson ASPIRE on-line training portal; and
- Self-improvement and familiarisation with regulations and documents.

Where appropriate, training will be provided jointly for the Pensions Committee, Panel and Local Pensions Board members and Officers.

A training schedule will be developed by Officers in consultation with the Pensions Committee, Panel and Local Pensions Board to achieve the following:

- maintain a general awareness to ensure member's have an ongoing understanding and knowledge of developments and current issues in the pensions' arena;
- training is delivered to ensure appropriately timed training is provided in relation to "hot topics"; and
- individual and collective training needs are assessed and delivered.

To identify whether the objectives of this Training Policy are being met, the Administering Authority will maintain a Training Log which records any training delivered, as well as the attendance of Pensions Committee, Panel and Local Pensions Board members at training events and learning activities.

I. Key risks

The key risks to the delivery of this Policy are outlined below. Pensions Committee members, with the assistance of the Local Pensions Board and Officers, will monitor these and other key risks and consider how to respond to them:

- Changes to the Committee, Panel and/or Local Pensions Board membership and/or Officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee and / or Panel and / or Local Pension Board members and/or other Officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.

J. Reporting

A report will be presented to the Pensions Committee and the Local Pensions Board on an annual basis setting out:

- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the Training Plan; and
- any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts. The Fund's Pensions Committee, Panel and Local Pensions Board members will be provided with details of forthcoming seminars, conferences, and other relevant training events.

K. Costs

All training costs will be met directly by the Staffordshire Pension Fund.

Further Information

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

Melanie Stokes – Assistant Director for Treasury and Pensions,
Staffordshire County Council, 1 Staffordshire Place, Tipping Street, Stafford, ST16 2DH

Email: melanie.stokes@staffordshire.gov.uk
Telephone: (01785) 276330

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