

## Minutes of the Pensions Committee Meeting held on 30 June 2023

Present:

Attendance	
Philip Atkins, OBE	Bob Spencer
Nigel Caine (Co-Optee)	Stephen Sweeney
Mike Davies (Vice-Chair)	Mike Wilcox
Colin Greatorex	

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

**Apologies:** Mike Allen, Derrick Huckfield, Syed Hussain, Phil Jones, Mike Sutherland and Michael Vaughan

### Part One

#### 1. Declarations of Interest

There were no declarations of interest made on this occasion.

#### 2. Minutes of the meeting held on 31 March 2023

**Resolved:** That the minutes of the meeting of the Pensions Committee held on 31 March 2023, be confirmed and signed by the Chairman.

#### 3. Minutes of the Pensions Panel held on 6 June 2023

**Resolved:** That the minutes of the meeting of the Pensions Panel held on 6 June 2023, be received.

#### 4. Appointment of Pensions Panel

**Resolved:** That the following Members be appointed to serve on the Pensions Panel for the 2023/24 municipal year:

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

## 5. Staffordshire Pension Fund Investment Performance 2022/23

The Director of Finance submitted a summary of the Staffordshire Pension Fund's Investment Performance for 2022/23.

Committee members were reminded that the Staffordshire Pension Fund employed Portfolio Evaluation Limited (PEL) to provide independent investment performance measurement services for the Fund's various investments. The detailed performance metrics, which measure the percentage return of the Fund's various investments against an agreed range of benchmarks, were reported to the Pensions Panel each quarter.

The Committee received a presentation prepared by PEL relating to the Staffordshire Pension Fund Investment Performance. The presentation covered the following matters:

- Market Review
  - Asset class results
  - Themes
  - Market trends and developments
- Evaluation of the Staffordshire Pension Fund results
  - Total Fund results (short and long term)
  - Attribution of one and three year periods
  - Results focus on periods ended 31 March 2023.

The following Summary was provided:

- The Fund, for the period ended March 2023, outperformed its benchmark over most time periods.
- The Fund had outperformed the PEL LGPS Information Service average return over the one, three, five, ten and twenty-year periods.
- The outperformance over the year was due primarily to the performance of equity assets, most notably Private Equity and active Global Equities.
- The Fund continued to transition assets to LGPS Central as part of the wider pooling agenda.
- Total risk remained low and active risk was at a level that was consistent with the structure of the Fund. Risk had increased over recent years due to the impact of the pandemic, inflationary issues, and bond yields.

Members were informed that the contract with PEL would be coming to an end in July 2023, and that the Fund had appointed Northern Trust to carry out the future independent performance monitoring of the Pension Fund's performance and that of its managers. It was explained that Northern Trust provided a portal approach to supplying data and reports, which

would be refined as necessary to ensure it continued to meet the needs of the Panel. It was stated that performance measurement would also be the focus of the November training session.

**Resolved:** That the Staffordshire Pension Fund Investment Performance be noted.

## **6. Staffordshire Pension Fund Business Plan Outturn 2022/23**

The Committee considered the final outturn position for the financial year 2022/23, together with a summary of the key achievements against the Business Plan, provided at Appendix 2 to the report.

Members heard that Fund Officers continued to embrace hybrid working and technological developments and about the positive impacts these have had on operational activities. Members attention was drawn to the continued high levels of service being provided throughout 2022/23 to scheme members and employers. Specific achievements included:

### **Pensions Administration Team**

- Completion of the 2022 Triennial Actuarial Valuation
- Changes to Management Team Structure and ongoing Recruitment
- Continued improvements and support of the "My Pensions Portal"
- Continued improvements of the Pensions Website
- Successful completion of the first "Digital Proof of Life" biometric recognition exercise
- Continued exploration of various mediums to deliver communication to scheme members and employers.

In response to a question asking if data analytics were used to help officers understand how people were accessing the Pensions Portal or website, it was confirmed that a monthly analytics report was provided to Fund Officers. This information allowed Officers to continually develop the sites to ensure the most relevant information was being provided in places that were easily accessible.

### **Pensions Investment Team**

- Annual Stewardship Report developed in line with the requirements of the Financial Reporting Council's (FRC) UK Stewardship Code and submitted to the FRC in March.
- Climate Change Reporting in line with the requirements of the Task Force for Climate Related Financial Disclosures (TCFD).
- The implementation of the Fund's Strategic Asset Allocation, in line with the Pension Fund's Climate Change Strategy continued at pace.

## **Audit**

The Committee were informed that three Internal Audits had taken place throughout 2022/23. The Pensions Administration System Audit, which had received a draft assurance rating of "Adequate", the annual Pensions Administration Audit, which had received a draft assurance rating of "Substantial", and the Pension Fund Responsible Investment, Climate Change & Engagement Audit for which an assurance rating of "Substantial" had been received.

## **Pensions Administration – Service Standards**

The Committee were presented with the pensions Administration Team's Service Standards for 2022/23 and were informed that the Team had achieved a 90% performance target in 12 of the 15 published standards. The Committee were asked to note the consistent level of performance versus the standards over the last three years.

Councillor Greatorex highlighted that, whilst 90% of performance targets had been achieved in 12 of the 15 standards, there would be 10% of targets that had not been achieved. It was also noted that there were three standards where the performance results were less than 90%. It was clarified that performance was monitored on a monthly basis to track the cases where the desired standard had not been achieved. This allowed the team to learn lessons and ensure that, where possible, they would be able to improve services standards in the future. The ability to continue to recruit additional team members to deal with the ever-increasing volume of work was also noted as being a contributory factor.

## **Ongoing workloads and impact on Service Standards**

Members received an update of the latest position of the McCloud remedy project which summarised that:

- 2022/23 saw the Systems & Data Team requesting final data from scheme employers for the c70,000 scheme members in scope;
- Software providers continued to work with the Department for Levelling Up, Communities and Housing (DLUHC) and the LGPS Actuaries, to ensure appropriate changes to administration systems had been made;
- DLUHC published a consultation and draft legislation on the McCloud remedy on 30 May 2023, which closed on 30 June 2023;
- Regulations were expected to be in force on 1 October 2023;
- Once all of the above points were implemented, a substantial exercise would be carried out to validate and load historic data and test member benefit calculations to ensure a member would not be better off in the final salary scheme. It was anticipated that very few

scheme members would be affected.

- Annual Benefit Statements for 2024/25 would include any McCloud underpin calculations.

Confirmation had been received that changes to the Government's Pensions Dashboard Programme had delayed the date that LGPS Funds had to be connected to the dashboard's ecosystem. This had been rescheduled from 30 September 2024 to 31 October 2026. Despite this, the Fund intended to continue with its plans to cleanse scheme member data and appoint an Integrated Service Provider to enable system connection prior to the go live deadline.

### **Resource**

Recruitment of experienced team members continued to be difficult, and the focus continued to be on training and 'growing our own'. Over the last 12 months the number of team members had remained stable and whilst several experienced members of the Team had retired or left, through successful recruitment the Fund had managed to appoint some new and enthusiastic team members.

### **Pensions Investment Team**

As well as undertaking the day-to-day accounting and contract monitoring activities, the investment team also delivered several additional projects:

- Submitting the first Annual Stewardship Report to the Financial Reporting Council, in line with the UK Stewardship Code's increased requirements.
- Continuing to implement the recommendations from the Strategic Asset allocation review, carried out by Hymans Robertson in 2022.
- Continuing involvement in the development of the LGPS Central pool and engagement with the various Officer Working Groups, to ensure the right products were being developed and available for the Fund to invest in.

### **Pension Fund Budget and Costs**

Committee members were reminded that instead of solely setting an annual budget and relying on budget monitoring to manage costs, reliance would be placed on cost comparisons, benchmarking and trends, where these were available, to ensure that value for money was consistently delivered.

The headline budget reported to Pensions Committee for 2022/23, showed that the Fund was underspent by c£5.4m, this was compared to an overspend in 2021/22 of c£3.5m. It was explained that the underspend in 2022/23 was attributable to a decrease in expenditure on Investment

Management Fees and vacant property costs during the year.

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

- **Administration Costs**, where it was noted, costs had decreased from 2021/22 by around £0.04m. This was mainly due to a decreased cost of the Pensions Administration 'Altair' software system, following the recent tender.
- **Oversight and Governance Costs**, where the costs had increased in 2022/23. Actuarial fees had increased, reflecting the work for the 2022 Triennial Actuarial Valuation and Investment Oversight fees had increased because of the ongoing implementation of the Fund's Strategic Asset Allocation. LGPS Central governance costs had also increased - proportionate to the general increases in the LGPS Central budget.
- **Investment Management Costs**, had decreased overall in 2022/23. Private Equity fees were c£2.2m less, due to lower performance fees payable than in 2021/22. Vacant property costs had also decreased by c£0.5m relative to 2021/22. Asset values fell in 2022/23 due to markets falling on the back of inflationary pressures, interest rate rises and fears of a recession. Investment management fees, as a percentage of assets under management, had reduced. However, due to the outcome of the recent Strategic Asset Allocation review, where further allocations would be made to private market asset classes, the investment management costs of the Fund were expected to rise.

Councillor Greatorex suggested that it might be an appropriate time to carry out an exercise to assess the success of the Fund's participation in LGPS Asset Pooling, to establish whether it had achieved the cost savings anticipated and originally forecasted. In response it was explained that there had been many changes to the Fund's Investment Strategy since pooling was introduced in 2016 and as a result a true like for like comparison was difficult to obtain. Changes within the Fund's Strategic Asset Allocation and downward pressures on investment management fees in the market generally meant a comparison of the expected savings in 2016 would be very different to the expected savings in 2023. However, it was agreed that a session on LGPS Asset Pooling would be provided to the Committee in the future.

**Resolved:** That the outturn position of the Staffordshire Pension Fund Business Plan for 2022/23 be approved.

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

The Committee considered a report of the Director of Finance on the Fund's Risk Register and Risk Management Policy.

The Committee was informed that Risk management was good practice and central to the management of the Pension Fund, as reflected by the coverage of risk in several key documents, such as the Funding Strategy Statement and the Investment Strategy Statement. Officers reviewed the risk register every quarter, focusing in on the detail of one of four key areas, (Governance, Funding, Administration and Investment), along with a review of any emerging risks.

The Committee heard that as part of the review, Members of the Local Pensions Board attend the review meetings and took an active role in the discussions. They also discussed the specific area under review each quarter at formal board meetings, in an effort to widen the general understanding of each area. The Board's comments on the Risk Register and the review process were attached at Appendix 1 to the report. It was also suggested that the Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

The Committee were presented with a summary of the high-level risks associated with the objectives, attached at Appendix 2 of the report. This summarised the highest score of the detailed risks associated with each of the high-level risks and provided a summary of the controls and sources of assurance currently in place. This was intended to give the Committee an overview of the main risks the Pension Fund needed to consider and the controls in place to mitigate them.

The Committee were reminded that as part of the annual review, it was agreed that the Pensions Committee would review emerging risks to the Fund. It was important to recognise that some of the greatest risks faced by the Pension Fund arose from change. Several transitional areas were reflected in Appendix 3 to the report, which provided more detail on the emerging risks perceived to be faced by the Pension Fund.

The Committee was informed that the Pension Regulator's Code of Practice recommended that a Pension Fund has a Risk Management Policy in place, and that this was reviewed periodically. The risk management policy covered key areas such as:

- The Fund's attitudes to, and appetite for, risk;
- Aims;
- Risk measurement and management;
- Responsibility.

The updated Risk Management Policy for the Staffordshire Pension Fund was attached at Appendix 4 to the report and was submitted for approval.

**Resolved:** a. That the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented in Appendices 2 and 3 respectively be noted.

b. That the content and recommendations of the Local Pensions Board review of the Staffordshire Pension Fund Risk Register, attached at Appendix 1, and the continued involvement of the Pensions Board in the ongoing review, be noted.

c. That the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 4, be approved.

## **8. Staffordshire Pension Fund Communications Policy**

The Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund Communications Policy.

The Committee was reminded that Regulation 61 of the Local Government Pensions Scheme Regulations 2013, stated that the administering authority of a Pension Scheme must maintain and publish a written statement setting out its policy concerning communications with a range of stakeholders.

The review of the Fund's Communication Policy Statement that took place in June 2021 reflected changes in procedures at that time, which incorporated the more flexible ways of working and communicating, following changes that came about as a result of the pandemic. The 2023 review of the Communication Policy Statement provided a further opportunity to reflect on working practices and methods of communication. As there had been no significant changes to the policy following this review, it was determined that wider consultation was considered unnecessary.

Councillor Greatorex noted that the Communications Policy stated that paper copies of information would be phased out as the Fund developed the website and My Pension Portal platforms. Whilst it was stated that paper copies of information would be made available on request, Councillor Greatorex raised the issue of "Digital Exclusion". He suggested that not all people were capable of accessing this information digitally, and the wording of this item would need to be considered carefully, as it was important to ensure that all members would be able to access their pension information in the format they wanted.



**Resolved:** That the revised and updated Communications Policy, attached as Appendix 1 to the report, be approved subject to the wording implying Digital Exclusion being reviewed and amended appropriately.

**9. 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.

**10. Exempt minutes of the meeting held on 31 March 2023**

**11. Exempt minutes of the Pensions Panel held on 6 June 2023**

**12. Local Government Pension Scheme Regulations - Admission of New Employers to the Fund (Exemption paragraph 3)**

**Chair**