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## **Pensions Committee**

Friday 15 December 2023

**10:00**

Oak Room, County Buildings, Stafford

John Tradewell  
Deputy Chief Executive and Director for Corporate Services  
7 December 2023

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## **Agenda**

- 1. Apologies**
- 2. Declarations of Interest**
- 3. Minutes of the meeting held on 29 September 2023** (Pages 5 - 12)
- 4. Staffordshire Pension Fund Investment Cost Benchmarking 2022/23** (Pages 13 - 36)  
  
Report of the Director of Finance and Presentation by CEM Benchmarking Ltd
- 5. Staffordshire Pension Fund Audit Plan Update 2020/21 - 2022/23** (Pages 37 - 120)  
  
Report of the Director of Finance
- 6. Staffordshire Pension Fund - Governance Compliance Policy** (Pages 121 - 140)  
  
Report of the Director of Finance

7. **Staffordshire Local Pensions Board - Constitution** (Pages 141 - 164)

Report of the Deputy Chief Executive and Director for Corporate Services

8. **Fund Actuaries' Update** (Pages 165 - 180)

A presentation from Hymans Robertson

9. **Exclusion of the Public**

The Chairman to move:

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part 1 of schedule 12A of the Local Government Act 1972 indicated below'

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## **Part Two**

(All reports in this section are exempt)

10. **Exempt minutes of the meeting held on 29 September 2023** (Pages 181 - 186)

11. **Local Government Pension Scheme Regulations - Admission of New Employers to the Fund (Exemption paragraph 3)** (Pages 187 - 190)

Report of the Director of Finance

12. **Enhancing Funding Strategy (Exemption paragraph 3)** (Pages 191 - 204)

A presentation from Hymans Robertson

<b>Membership</b>	
Mike Allen (Co-Optee)	Bob Spencer
Philip Atkins, OBE	Liz Staples
Nigel Caine (Co-Optee)	Mike Sutherland (Chair)
Mike Davies (Vice-Chair)	Stephen Sweeney
Colin Greatorex	Michael Vaughan (Co-Optee)
Derrick Huckfield	Mike Wilcox
Syed Hussain	

## **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 29 September 2023**

Present: Mike Sutherland (Chair)

<b>Attendance</b>	
Philip Atkins, OBE	Bob Spencer
Nigel Caine (Co-Optee)	Liz Staples (Co-Optee)
Mike Davies (Vice-Chair)	Stephen Sweeney
Derrick Huckfield	Michael Vaughan (Co-Optee)
Syed Hussain	

**Also in attendance:** Rob Birch, Corrina Bradley (Employer Representative), Chantelle Denham, Simon Humble and John Mayhew

**Apologies:** Mike Allen, Colin Greatorex, Phil Jones and Mike Wilcox

**Part One**

**13. Declarations of Interest**

There were no declarations of interest made on this occasion.

**14. Minutes of the meeting held on 30 June 2023**

**Minute 6 - Staffordshire Pension Fund Business Plan Outturn 2022/23**

At the Pensions Committee held in June 2023, Councillor Greatorex asked that an exercise be carried out to assess the success of the Staffordshire Pension Fund's (the Fund) participation in LGPS Asset Pooling, to establish whether it had achieved the cost savings anticipated and originally forecasted. That information would be presented to the Committee as part of Agenda item 13.

**Minute 8 - Staffordshire Pension Fund Communications Policy**

Councillor Greatorex raised a concern about "Digital Exclusion", as the Communications Policy stated that paper copies would be phased out as the Fund developed the website and My Pension Portal platforms. Fund Officers confirmed that the wording that implied this had been reviewed and amended specifically to address this issue and also provide assurance that current practices would continue for those that requested them.

**Resolved:** That the minutes of the meeting of the Pensions Committee held on 30 June 2023, be confirmed and signed by the Chairman.

## **15. Minutes of the Pensions Panel held on 05 September 2023**

### **Minute 114 - Responsible Investment and Engagement**

The Committee was informed that the Fund had been accepted as a signatory to the Financial Reporting Council's UK Stewardship Code. Officers and LGPS Central colleagues had undertaken a large volume of work to ensure the Fund was accepted as signatories and this involved providing evidence that showed how the Fund complied and aligned with 12 specific principles. The Committee were also informed that Staffordshire was one of a few LGPS Funds, out of a total of 86, who had achieved this.

Councillor Sutherland and the members of the Committee thanked the Officers for their hard work in achieving this accreditation.

**Resolved:** That the minutes of the meeting of the Pensions Panel held on 5 September 2023, be received.

## **16. Appointment of a Co-opted Representative**

The Committee was informed that Mr Philip Jones, who served as the non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members, tendered his resignation from the Committee in May 2023.

As a result of Mr Jones's retirement, during the Spring and Summer of 2023 expressions of interest were sought from retired members to fill the vacant co-opted member seat on the Committee. Four expressions of interest were subsequently received, and on 11 August 2023 applicants met with a panel consisting of the Chairman of the Committee, the Assistant Director for Treasury and Pensions and the Democracy and Governance Officer.

This Panel recommended that, based on those meetings, the position of non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be offered to Mrs Elizabeth Staples.

**Resolved: a.** That the appointment of Mrs Elizabeth Staples as the non-voting co-opted member on the Pensions Committee, representing Retired Pension Scheme Members, be approved.

**b.** That Mr Philip Jones be thanked for his efforts on the Pensions Committee.

## **17. Staffordshire Pension Fund Draft Annual Report and Accounts 2022/23**

The Committee was informed that the audit of the Staffordshire Pension Fund's 2022/23 accounts had commenced in June 2023 and the majority of the work was now understood to be complete. However, due to a continuing audit resource issue, a plan to accompany the audit of the 2022/23 accounts would not be available for presentation to Pensions Committee until the meeting arranged to take place in December 2023.

The Committee were informed that for the two previous years financial statements; the 2020/21 Pension Fund accounts were complete and a final Audit Results Report (ISA260) had been received, but as the Fund accounts were included within the County Council's Statement of Accounts, (which were yet to be finalised), they could not be formally signed off. For the 2021/22 Pension Fund accounts, the audit testing work had been completed but the Fund was awaiting a final Audit Results Report (ISA260), there was also the same issue that as the Fund accounts were included within the County Council's Statement of Accounts, (which were yet to be finalised), so they could not be formally signed off.

It was explained that for 2022/23, the Pension Fund would receive the final ISA260 as soon as Ernst and Young (EY) had confirmed their audit was complete, and the County Council's Statement of Accounts were finalised.

After the external audit of the 2022/23 Pension Fund accounts was complete, a final version of the Annual Report and Accounts for 2022/23 would be presented to the Chair of the Pensions Committee for formal sign off, after which it would be published as final on the Pension Fund's website.

**Resolved: a.** That the draft Staffordshire Pension Fund Annual Report and Accounts for 2022/2023 be approved, noting the potential need for minor amendments, pending the conclusion of the external audit of the accounts by EY.

**b.** That once finalised, following completion of the external audit, the final version of the Staffordshire Pension Fund Annual Report and Accounts for 2022/23 be approved and signed off by the Chair, prior to publishing as final on the Staffordshire Pension Fund's website.

**c.** That the continued delayed conclusion of the 2020/21 and 2021/22 external audits of the Staffordshire Pension Fund accounts, be noted.

## **18. Staffordshire Pension Fund - Cyber Security Strategy**

The Committee was reminded that a training session on Cyber Security and Awareness had been provided by Hymans Robertson in November 2022. This defined cyber risk as 'the risk of financial loss, disruption, or damage to the reputation of the Fund or its members resulting from the failure of its IT systems and processes'.

Since this session Fund Officers had developed a proposed "4 pillar" approach to addressing Cyber Security. These were noted as:

1. Assessing – the risks and understanding the Fund's vulnerability
2. Protecting – and safeguarding the Fund
3. Responding – to an incident and how recovery would be dealt with
4. Governance – ensuring the correct documentation and monitoring processes were place.

Fund Officers had developed and continued to refine a Cyber Footprint Register which mapped the Fund's cyber footprint across all internal and external systems accessed or used by the Fund and its suppliers (and potentially third parties) to assess what data flowed through those systems. The controls that were in place around those systems to protect the data were ascertained and the way in which the Fund would respond, in terms of who to contact in the event of an attack was also documented.

Through a risk assessment approach, Officers would determine those suppliers which presented the highest risk to the Fund and would aim to review their cyber security procedures as part of a rolling testing programme. This would involve a questionnaire being sent to the suppliers of those systems to better help officers understand and document the controls in place. It was recognised that assessing cyber resilience would be an ongoing process.

In response to a question asking whether it was possible to trust the responses to the questionnaire, it was confirmed that Fund officers would be working closely with the County Council's Cyber Security Officer to better understand the responses that were received and ensure they were relevant.

As the Fund did not have a Cyber Security Strategy previously, the document attached at Appendix 1 to the report was the first iteration of the document to be produced. It was noted that, as cyber security was a fast moving and ever-changing area, the Strategy would need to be regularly reviewed and developed in response to any wider knowledge and experience gained.

Wider consultation was considered unnecessary as, whilst there would be



some commonality of cyber risks, it was acknowledged that the combination of those cyber risks and the set of circumstances that surrounded them would be unique to Staffordshire Pension Fund and its Cyber Security Strategy.

The Chairman of the Committee thanked the advisors from Hymans Robertson for their early support in helping Fund Officers to better understand wider cyber security issues.

**Resolved:** That the Cyber Security Strategy attached as Appendix 1 to the report, be approved.

## **19. DLUHC Consultation: Next Steps on Investments**

The Committee was informed that, on 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms.

The consultation sought views on the proposals in five key areas:

### **1. Pooling**

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025
- To revise pooling guidance to set out fully how Funds and pools should interact and promote a model of pooling which includes the characteristics listed in the consultation, including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy.
- To revise guidance on annual reports to require greater clarity on the progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling.
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.
- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

### **2. Levelling Up**

- Requirement for Funds to have a plan to invest up to 5% of assets to support levelling up in the UK, and to report annually

on progress against the plan.

### **3. Private Equity**

- To revise ISS guidance to require Funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

### **4. Investment Consultants**

- To make it regulatory to implement the requirements set out in an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.

### **5. Definition of Investments**

- To make a technical change to correct an inconsistency in the definition of investment in the LGPS Investment Regulations 2016.

Committee Members were provided with an explanation of the Staffordshire Pension Fund's proposed draft responses to the 15 questions asked by the consultation, on the five areas highlighted above – these responses were attached at Appendix 1 to the report.

It was noted that the consultation would close on 2 October 2023 and Fund Officers invited feedback from Members on the draft consultation response, prior to its submission to DLUHC.

In response to a question from Councillor Spencer asking how much autonomy the Fund had with regards pooling, whether it was an inevitable process or if a hybrid option could be considered, it was explained that this was a direction of travel the Government expected LGPS Funds to go in. However, it was stated that the Staffordshire view was that a level of flexibility should be given to Funds, rather than a dictated set of rules – and this would be emphasised in the response provided as part of the consultation.

The Chairman of the Committee thanked the Fund Officers for developing a full and thorough response to the consultation.

**Resolved:** That the response to the Department for Levelling Up, Housing and Communities (DLUHC) consultation on the next steps on investments for the LGPS in England and Wales, provided in Appendix 1, be approved.

## **20. 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.

### **21. Exempt minutes of the meeting held on 30 June 2023**

### **22. Exempt minutes of the Pensions Panel held on 05 September 2023**

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

### **24. LGPS Central Asset Pool Update (Exemption paragraph 3)**

### **25. Joint Committee, Shareholders Forum and LGPS Central Limited AGM Update (Exemption paragraph 3)**

### **26. LGPS Central Limited Update (Exemption paragraph 3)**

**Chair**



## PENSIONS COMMITTEE – 15 DECEMBER 2023

### Report of the Director of Finance

#### Staffordshire Pension Fund Investment Cost Benchmarking 2022/23

#### Recommendation of the Chair

1. That the Pensions Committee notes the report from CEM Benchmarking at Appendix 1 and the presentation on such, to be given at the meeting.

#### Background

2. The Pension Fund takes part in an annual investment cost benchmarking exercise with an international company CEM Benchmarking ('CEM'). CEM benchmark over 400 asset owners globally, with total assets of £15 trillion. Attached at Appendix 1 are the results of the 2022/23 CEM benchmarking survey, where Staffordshire is compared on several cost and performance metrics to a global peer group of 41 pension funds that have a median size of £7.3bn versus the Pension Fund's £6.6bn market value, on 31 March 2023.
3. On a like for like basis, versus the international peer group, Staffordshire Pension Fund is below the benchmark cost (0.51% versus 0.53%) for the peer group. Despite making significant changes to the asset structure of the Fund over the past few years, allocating more to the more expensive private market asset classes, the Fund has been able to reduce its overall average investment management cost and provide value for money to stakeholders in the Fund.
4. However, it is important to understand that a straightforward comparison of investment returns and costs as publicly reported by pension funds, will never be meaningful. This is because there are several variables which also need to be considered, to obtain a like for like comparison. e.g., Assets under management, strategic asset allocation, implementation style, benchmarks etc. The survey undertaken by CEM adjusts for these variables and provides the Pensions Committee with more clarity on investment cost versus the selected peer group.

**Rob Salmon**  
**Director of Finance**

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Contact: Melanie Stokes - Assistant Director for Treasury & Pensions  
Telephone No. (01785) 276330  
Background Documents: CEM Benchmarking Investment Benchmarking Report

**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:** There are no resources implications and the value for money Implications are covered within this report.

**Risk Implications:** The Pension Fund by virtue of being a global investor in a number of asset classes is subject to a wide range of investment risks. Specialist advice is always taken to ensure that these risks and their potential impact are understood.

**Climate Change Implications:** 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

## Investment Benchmarking Results

For the 5-year period ending the 31<sup>st</sup> March 2023

05-12-2023



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# This benchmarking report provides an independent assessment of value-for-money.

We compare your costs with other pension funds, inside and outside the LGPS. To provide context, we also compare your investment performance, asset mix, risk, funding etc. What emerges is a narrative about your fund, how it compares with others and why your investment outcomes compare as they do.

## Cost

- How do our costs compare and why?
- Where are we paying more / less than others?
- What is the trend in our costs?
- How is the pool impacting our costs?

## Performance

- Costs need to be seen in the context of performance.
- How do our returns compare with others and why?
- Are our active management decisions being rewarded?
- What has the pool contributed?

## Risk

- How does the risk in our portfolio compare with others?
- How does risk relate to relative funding levels?

## Value-for-Money

- If we are paying more then are we getting more?
- How does our net value add compare with others?
- How is the pool contributing?

The report is accompanied by an on-line dashboard. The dashboard allows your management team to drill-down on key metrics and access detailed comparisons of cost, performance and value at an asset class and mandate level.

The footnotes of this report are listed in appendix 9.

Care is taken to validate the data contained in the report. This includes automated validations on outlying or unusual data as it is submitted, and an additional manual data 'clean' where our analysts interact with fund personnel to ensure the data is fit for purpose. Detailed notes and definitions are included as an appendix to the report.



## We compare your costs with 41 global peer funds ranging from £4.6 bn to £11.2 bn.

The peer group is selected to answer two key questions:

1. *Are your costs reasonable for a fund of your size and with your assets?*
2. *Is your pool delivering value-for-money?*

Peer group is selected:

- Based on size - because size impacts costs.
- To include both LGPS and non-LGPS funds globally.
- For depth - to compare mandate level data.

The median size in the peer group is £7.3 bn (versus your average assets of £7.0 bn).

We have detailed your full list of peers in appendix 1.

# funds:	41
# LGPS funds included:	7
	Essex Pension Fund
	London Pension Funds Authority
	Lothian Pension Fund
	Merseyside Pension Fund
	NILGOSC
	South Yorkshire Pensions Fund
	Staffordshire Pension Fund
Min size:	£4.6 bn
Max Size:	£11.2 bn
Avg size:	£7.6 bn
Med Size:	£7.3 bn
# Countries:	4.0
Countries:	Canada, Netherlands, UK, USA.

## We are benchmarking investment costs of £36.0m or 51.0 bps in 2023.

Assets	Internal costs and pool mgt fees <sup>1</sup> £000s	External			Total		Trans. costs <sup>3</sup> £000s	Other expenses <sup>4</sup> £000s
		Passive fees £000s	Active base fees <sup>2</sup> £000s	Active perf. fees <sup>2</sup> £000s	£000s	bps		
<b>Pooled sub-funds</b>								
Targeted Sustainable Equities	69				69	32.9	51	7
Factor Based Equities		171			171	7.0	414	102
Global Equity Active Multi Manager			1,524	0	1,524	20.9	2,154	97
Corporate Bonds		412			412	9.9	1,402	57
Single Asset (JPM)			456	480	935	156.0		
Infrastructure SubFund Core/Plus			231	406	637	408.4		
Private Equity 2018 & 2021			139	200	339	440.2		
Credit Partnership I LP, II LP & IV LP			360	454	814	283.1		
<b>Total pooled assets</b>	<b>69</b>	<b>583</b>	<b>2,709</b>	<b>1,540</b>	<b>4,901</b>	<b>32.2</b>	<b>4,020</b>	<b>262</b>
<b>Non-pooled assets</b>								
Equities		515	3,378		3,893.0	10.6		
Bonds		43			43.0	0.7		
Real assets			2,462	1,646	4,108.3	66.4		
Private equity			7,392	6,323	13,714.3	401.7		2,601
Private debt			4,376	2,541	6,916.9	233.4		
<b>Total non-pooled assets</b>		<b>558</b>	<b>17,608</b>	<b>10,510</b>	<b>28,676</b>	<b>51.9</b>		<b>2,601</b>
Oversight, custodial and other costs					1,221	1.7		
LGPS pool fees					1,158	1.6		
<b>Total oversight, custodial, pool and other costs<sup>5</sup></b>					<b>2,378</b>	<b>3.4</b>		
<b>Total benchmarked costs<sup>6</sup></b>					<b>35,955</b>	<b>51.0</b>		

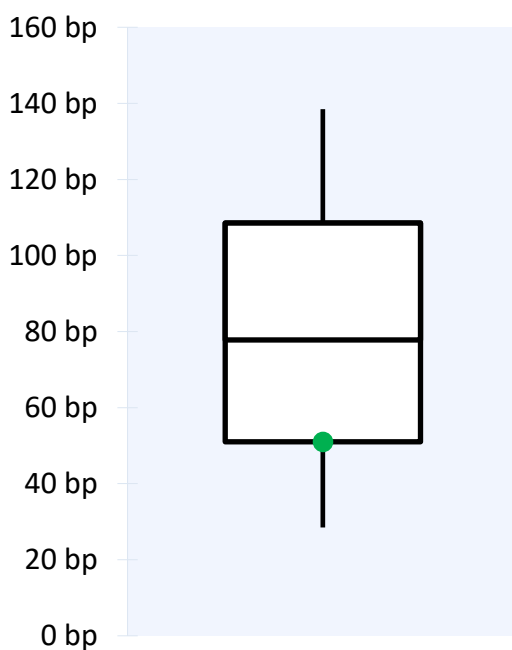
Please see appendix 2 for the full breakdown of all your mandates. See appendix 3 for the defaults that CEM applied for missing fees.

## Your cost of 51.0 bps was below your benchmark cost of 53.0 bps.

### Comparison of costs *before adjusting for asset mix* :

Before adjusting for differences in asset mix, your costs of 51.0 bps were 26.8 bps below the peer median of 77.8 bps.

**Your cost versus peers**  
(before adjusting for asset mix differences)



### Comparison of costs *after adjusting for asset mix* :

To calculate a benchmark cost we apply peer median costs at an asset class level to your asset mix (i.e., we adjust for differences in asset mix).

**Your cost versus benchmark**  
(after adjusting for asset mix differences)

	£000s	bps
Your investment cost	35,955	51.0
Your benchmark cost	37,385	53.0
<b>Difference</b>	<b>(1,430)</b>	<b>(2.0)</b>

The difference can be broken down as follows:

	£000s	bps
Lower use of active management	(3,989)	(5.7)
Within pooled assets	(183)	(0.3)
Investment strategy decisions	1,402	2.0
Paying less for structure	(1,586)	(2.2)
Within non-pooled assets	2,529	3.6
Investment strategy decisions	5,759	8.2
Paying less for structure	(3,230)	(4.6)
Oversight, custody, pool & other costs*	213	0.3
<b>Total</b>	<b>(1,430)</b>	<b>(2.0)</b>

\* Includes LGPS pool fees not allocated to specific sub-funds of £1,158k, or 1.6bps. Peers reported an average of 1.7bps. These unallocated costs are related to the establishment of pools, and are expected to disappear over time as all costs are attributed appropriately to the sub-funds.

## Pooled assets saved you 0.3bps / £0.2m due to a lower cost structure. This was partially offset by a higher cost strategy.

Sub-fund	Investment strategy	Structure	Avg. fee basis £m <sup>1</sup> a	You paid (bps) b	Strategy Benchmark (bps) c	Structure Benchmark (bps) d	Strategy impact £000s a x (d - c)	Structure impact £000s a x (b - d)	Total £000s
<b>Costs of pooled mandates in relation to peers</b>									
Targeted Sustainable Equities	Equities - Global - Active	Internal	21	32.9	36.1	11.3	(52)	45	(7)
Factor Based Equities	Equities - Global - Passive	External	244	7.0	3.9	3.9	(1)	77	77
Global Equity Active Multi Manager Fund	Equities - Global - Active	External	731	20.9	36.1	45.0	651	(1,763)	(1,112)
Corporate Bonds	Bonds - other - Passive	External	415	9.9	5.1	5.7	22	177	199
Single Asset (JPM)	Infrastructure	Evergreen	60	76.0	88.0	76.0	(72)	0	(72)
Performance fees (on NAV)	Infrastructure	Evergreen	60	80.0	94.7	80.0	(88)	0	(88)
Infrastructure SubFund Core/Plus	Infrastructure	Fund of funds	16	148.4	88.0	164.7	120	(25)	94
Performance fees (on NAV)	Infrastructure	Fund of funds	16	260.0	94.7	260.0	258	0	258
Private Equity 2018 & 2021	Private equity - Diversified	Fund of funds	8	180.2	172.6	213.8	32	(26)	6
Performance fees (on NAV)	Private equity - Diversified	Fund of funds	8	260.0	165.3	186.9	17	56	73
Credit Partnership I LP, II LP & IV LP	Private credit	Fund of funds	29	125.1	96.1	169.5	211	(128)	84
Performance fees (on NAV)	Private credit	Fund of funds	29	158.0	51.7	158.0	306	0	306
<b>Total</b>							<b>1,402</b>	<b>(1,586)</b>	<b>(183)</b>
<b>Total impact in bps</b>							<b>2.0</b>	<b>(2.2)</b>	<b>(0.3)</b>

Investment strategy refers to the asset class invested in, and whether the approach is active or passive. Structure is the model used to invest: internal direct, open-end fund, limited partnership, co-invest or fund of funds.

The strategy benchmark is the cost peers pay for the investment strategy, while the structure benchmark refers to the cost only for those using the same structure within that strategy.

**Non-pooled assets added cost of 3.6bps / £2.5m due to a higher cost strategy. This was partially offset by a lower cost structure.**

Investment strategy	Structure	Avg. fee basis £m <sup>1</sup> a	You paid (bps) b	Strategy Benchmark (bps) c	Structure Benchmark (bps) d	Strategy impact £000s a x (d - c)	Structure impact £000s a x (b - d)	Total £000s
Equities - UK - Passive	External	240	1.3	8.7	8.7	0	(179)	(179)
Equities - Global - Passive	External	2,116	2.3	3.9	3.9	(5)	(331)	(336)
Equities - Global - Active	External	1,304	25.9	36.1	45.0	1,162	(2,490)	(1,329)
Bonds - Inflation indexed - Passive	External	430	1.0	2.0	2.0	0	(42)	(42)
Domestic property	Evergreen	530	25.4	37.4	41.5	218	(854)	(636)
Performance fees (on NAV)	Evergreen	530	5.0	5.3	5.0	(18)	0	(18)
Infrastructure	LP	85	120.7	88.0	120.7	277	0	277
Performance fees (on NAV)	LP	85	150.0	94.7	150.0	469	0	469
Infrastructure	Fund of funds <sup>2</sup>	4	226.0	88.0	164.7	32	25	57
Performance fees (on NAV)	Fund of funds <sup>2</sup>	4	260.0	94.7	260.0	68	0	68
Hedge funds	Fund of funds <sup>2</sup>	2	0.0	143.9	175.2	7	(38)	(31)
Performance fees (on NAV)	Fund of funds <sup>2</sup>	2	0.0	192.1	183.1	(2)	(39)	(41)
Private equity - Diversified	Fund of funds <sup>2</sup>	341	216.5	172.6	213.8	1,407	91	1,498
Performance fees (on NAV)	Fund of funds <sup>2</sup>	341	185.2	165.3	186.9	738	(56)	681
Private credit	LP	274	142.4	96.1	121.0	685	588	1,273
Performance fees (on NAV)	LP	274	80.0	51.7	80.0	778	0	778
Private credit	Fund of funds <sup>2</sup>	22	213.2	96.1	169.5	161	96	256
Performance fees (on NAV)	Fund of funds <sup>2</sup>	22	158.0	51.7	158.0	233	0	233
Overlays						(449.6)	0.0	(449.6)
<b>Total</b>						<b>5,759</b>	<b>(3,230)</b>	<b>2,529</b>
<b>Total Impact in bps</b>						<b>8.2</b>	<b>(4.6)</b>	<b>3.6</b>

# Your benchmarked costs fell from 61.6 bps in 2019 to 51.0 bps in 2023.

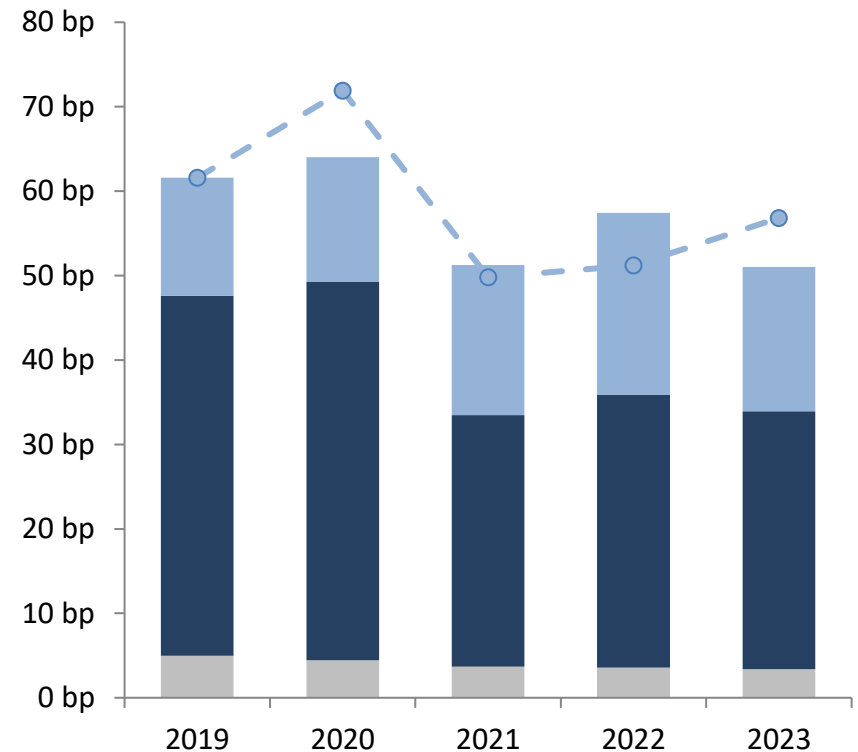
Your costs change over time because:

1. Your asset mix changes.
2. Your implementation approach changes, e.g., moving from active to passive or external to internal (or vice versa).
3. What you pay for mandates changes over time because:
  - Performance fees (if applicable) are variable.
  - Your line-up of managers and mandates changes.
  - Some mandates have cost bands that vary with assets.

Page 22

The asset mix impact line on the graph shows the predicted change of your costs based on asset mix alone. It assumes that what you paid for each mandate and how you implemented your strategy was unchanged from the baseline year.

Investment cost changes (bps)



Performance	14.0	14.8	17.8	21.6	17.1
Base and internal	42.7	44.8	29.8	32.3	30.5
Oversight	5.0	4.4	3.7	3.6	3.4
Total	61.6	64.0	51.2	57.4	51.0
Asset mix impact	61.6	71.9	49.8	51.2	56.8

## Your investment costs decreased by more than predicted by your asset mix.

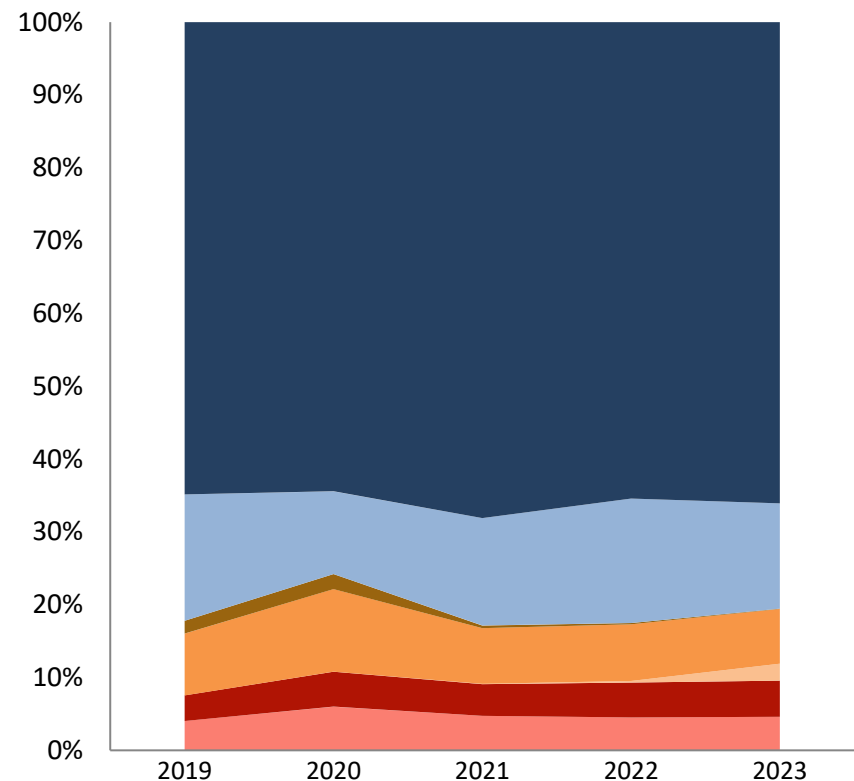
Over the 5-year period your costs decreased by 10.6bps from 61.6bps in 2019 to 51.0bps in 2023. This decrease was more than the 4.8bps predicted by your asset mix changes.

All other things being equal, changes in your asset mix influence your total cost. If you invest more in higher cost assets, particularly private assets, your costs increase (and vice versa).

Asset classes that tend to have lower costs are denoted in blue and asset classes that tend to have higher cost assets are denoted in red colours.

The asset mix impact is the predicted change of your costs based on asset mix alone. It assumes that what you paid for each mandate and how you implemented your strategy was unchanged from the baseline year.

5-year trend in your actual asset mix



■ Equities	65%	64%	68%	65%	66%
■ Bonds	17%	11%	15%	17%	14%
■ Hedge funds & multi-asset	2%	2%	0%	0%	0%
■ Property	9%	11%	8%	8%	8%
■ Infrastructure	0%	0%	0%	0%	2%
■ Private equity	4%	5%	4%	5%	5%
■ Private debt	4%	6%	5%	5%	5%
■ Derivatives/Overlays	0%	0%	0%	0%	0%

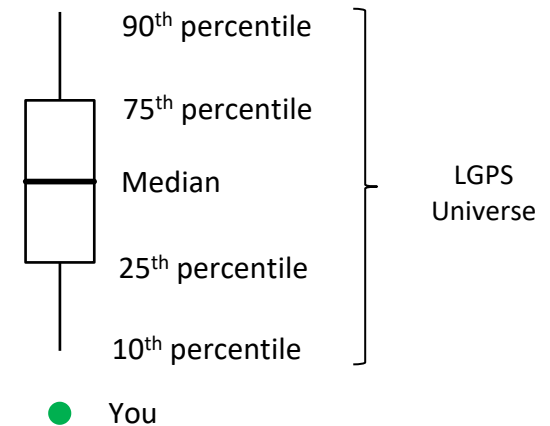
## We compare your investment returns to CEM's LGPS universe.

Costs need to be seen in context so we consider relative performance to help better understand cost. The investment performance comparisons are with CEM's LGPS universe, which currently comprises 34 funds with total assets of £258 billion (average £8 billion, median £6 billion).

Pool / Group	Participating funds
Access	Cambridgeshire, Essex, Hampshire County Council, Isle of Wight, Kent, Northamptonshire, Suffolk.
BCPP	Cumbria, Durham, East Riding, Lincolnshire, NYPF, SYPF, Surrey, Teesside, Tyne and Wear, Warwickshire.
Central	Cheshire, Staffordshire, West Midlands, Worcestershire.
London	London Borough of Sutton Pension Fund.
LPP	Berkshire Pension Fund, Lancashire, LPFA.
Northern	GMPF, Merseyside, West Yorkshire.
Northern Ireland	NILGOSC.
Scotland	Falkirk, Fife, Lothian, Scottish Borders, Strathclyde.

Key:

'Bar and whisker' graphs are used to show how you compare with other LGPS funds:



The number of participant funds will increase over time, as other funds submit their data.

Your performance numbers will be compared against the LGPS universe over a 1, 3, 5 and 9-year periods. We are showing a 9-year time horizon as this aligns with DLUHC's baseline requirements.



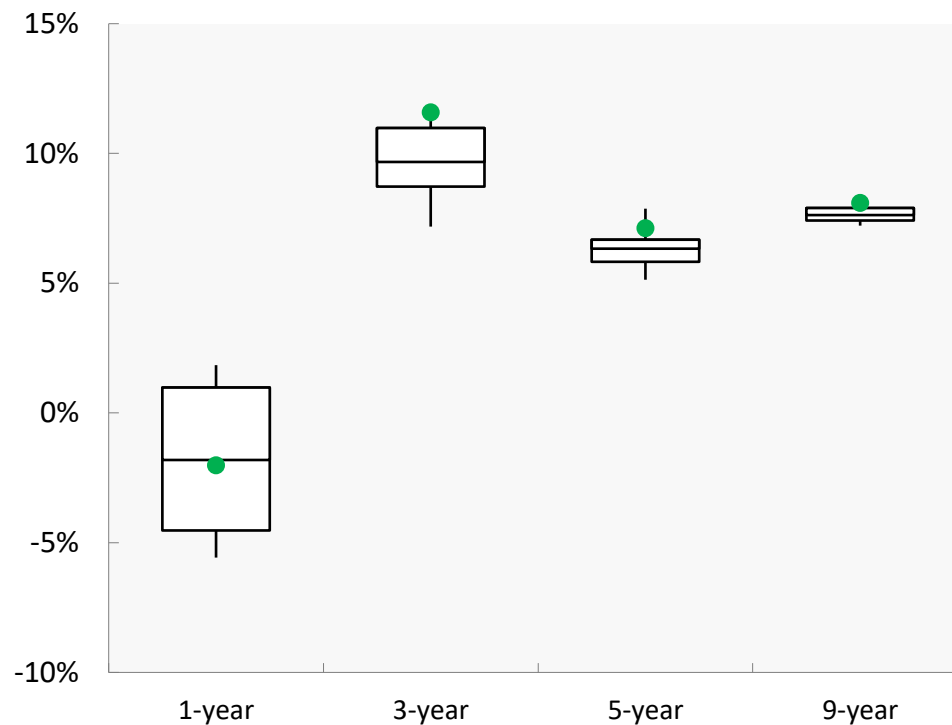
## Your 5-year net total return of 7.1% was above the LGPS median of 6.3%.

In the pages that follow, we help you to understand why your returns compare as they do by separating total return into its more meaningful components:

- *Benchmark return* : The return from strategic asset allocation decisions. These decisions are typically made by the local Pensions Committee.
- *Value added* : A function of active management decisions, including tactical asset allocation, manager selection, stock selection, etc. These 'implementation' decisions tend to be made by management.

Page 25

LGPS net total returns - quartile rankings



Q3	1.0	11.0	6.7	7.9
<b>Median</b>	<b>-1.8</b>	<b>9.7</b>	<b>6.3</b>	<b>7.6</b>
Q1	-4.5	8.7	5.8	7.4
<b>Your fund</b>	<b>-2.0</b>	<b>11.6</b>	<b>7.1</b>	<b>8.1</b>
LGPS %ile	42%	92%	86%	84%

## Your 5-year benchmark return of 6.5% was above the LGPS median of 5.7%.

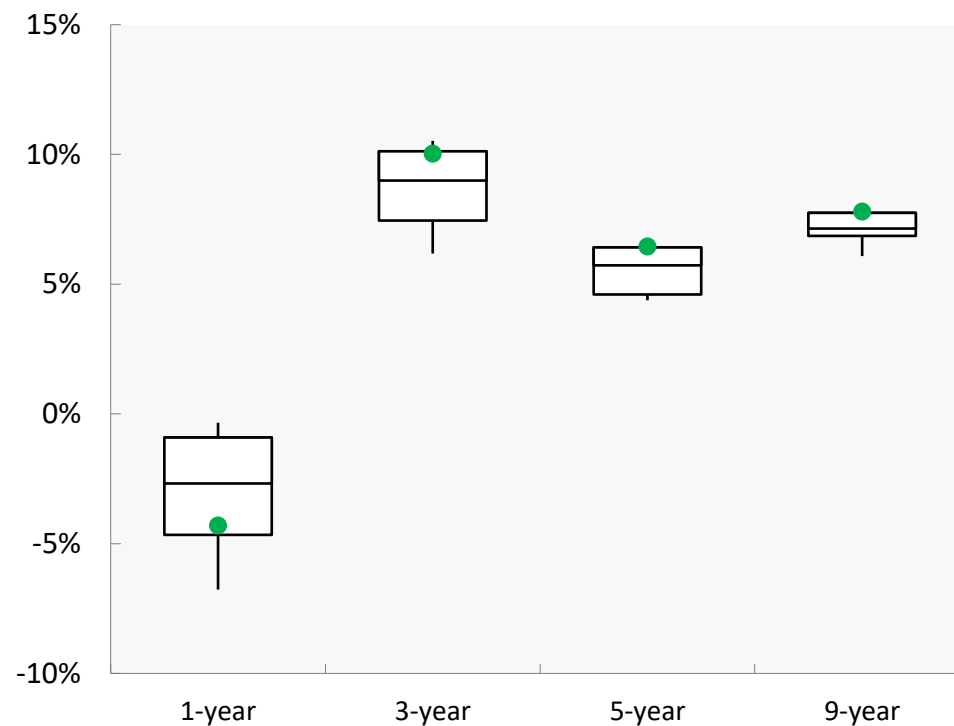
The benchmark return is the return you could have earned by implementing your strategy passively, i.e., by indexing your portfolio in line with your strategic asset allocation.

You have selected a strategic asset allocation based on your funding position, long-term market expectations, liabilities, employer covenant and appetite for risk.

These factors are different in each fund and it is unsurprising that benchmark returns (and total returns) often vary widely.

Appendix 7 looks at how your strategic asset allocation and choice of benchmarks compare with other LGPS funds.

LGPS benchmark returns - quartile rankings



Q3	-0.9	10.1	6.4	7.8
<b>Median</b>	<b>-2.7</b>	<b>9.0</b>	<b>5.7</b>	<b>7.1</b>
Q1	-4.7	7.4	4.6	6.9
<b>Your fund</b>	<b>-4.3</b>	<b>10.0</b>	<b>6.5</b>	<b>7.8</b>
LGPS %ile	30%	68%	81%	84%

# Your 5-year net value added (NVA) of 0.7% was slightly below the LGPS median of 0.8%.

NVA equals total net return minus benchmark return. It is a function of active management decisions made in the implementation of your strategy including tactical asset allocation, manager selection, stock selection, hedging, etc. If the NVA is positive, then value is being created and active management decisions are being rewarded.

The NVA from the pool reflects aggregate net returns on pooled sub-funds minus the benchmark returns for those sub-funds. The total fund NVA and the NVA from the pool should not be directly compared. Pooled assets are only part of the total fund and some assets will generate a higher NVA than others.

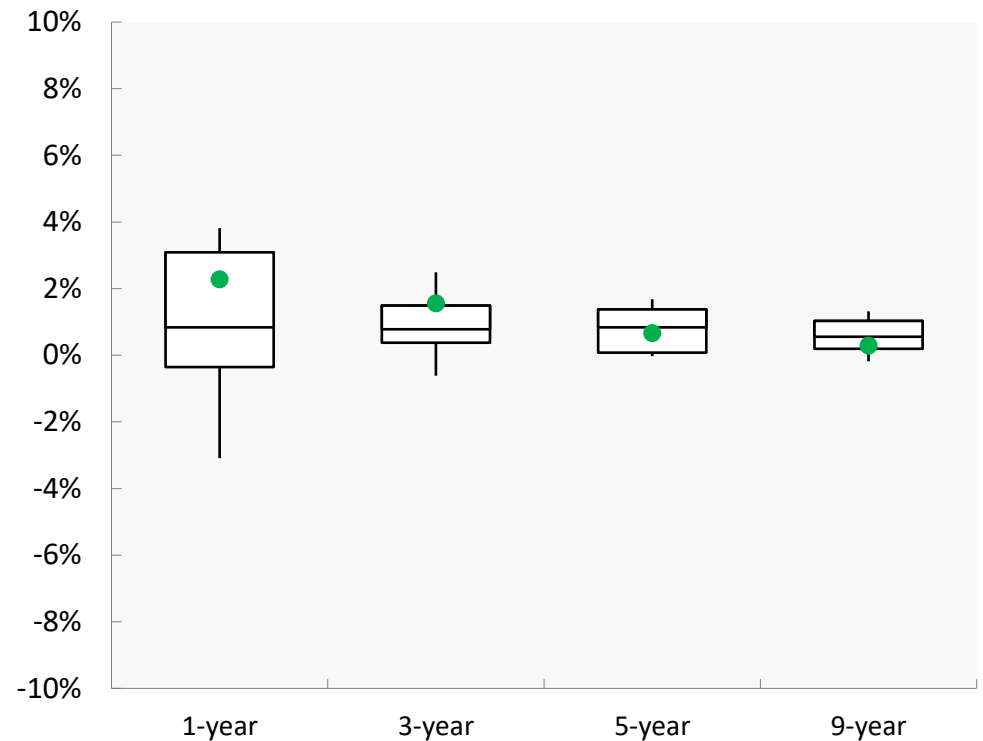
## Total Fund assets:

Year	Assets (£m)	NVA (%)	Approx. NVA (£m)
2019	4,946	(0.0)	(0)
2020	4,672	(1.0)	(49)
2021	6,125	2.1	131
2022	6,533	0.2	11
2023	7,049	2.3	161
<b>Total</b>		<b>0.7</b>	<b>253</b>

## Pooled assets:

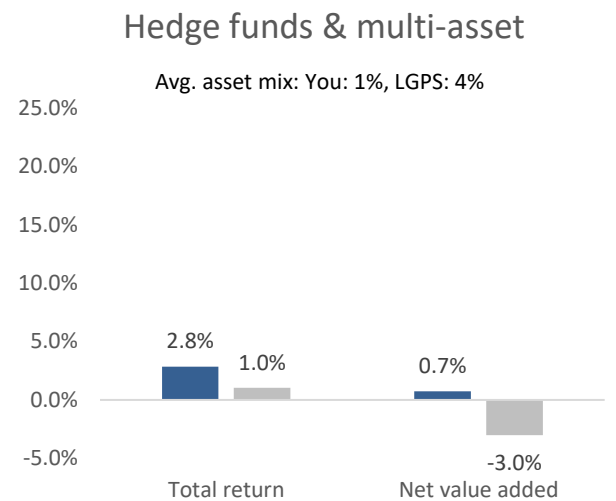
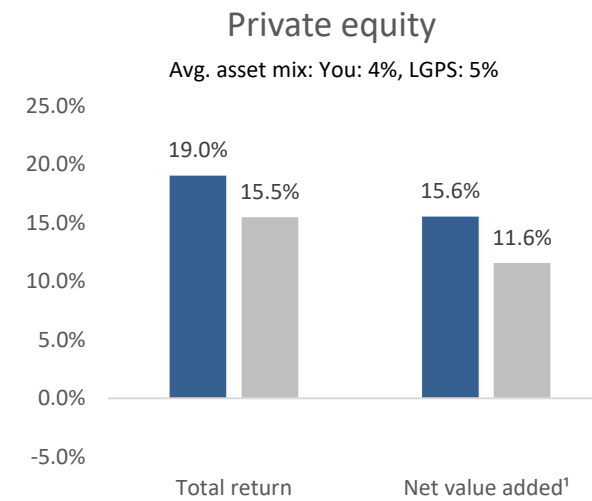
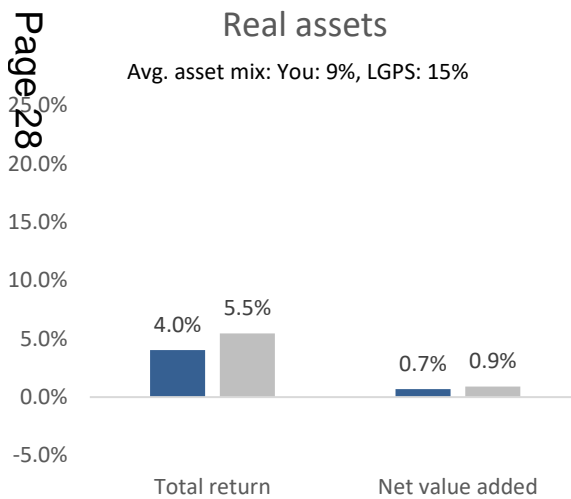
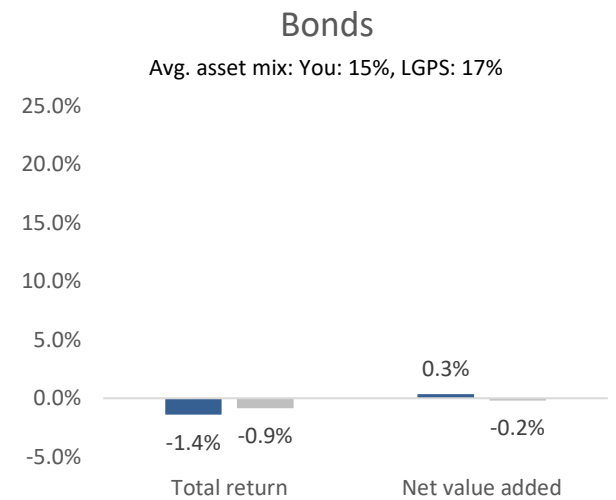
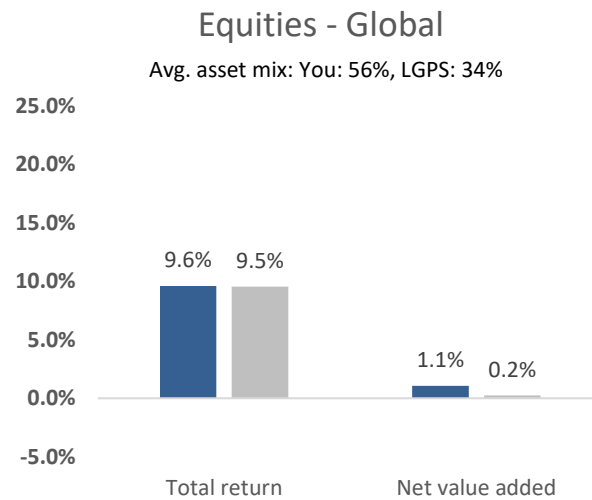
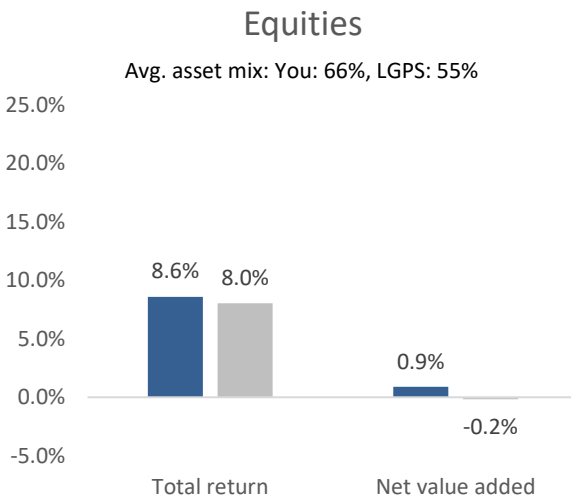
Year	Assets (£m)	NVA (%)	Approx. pool NVA (£m) <sup>2</sup>
2020	1,149	(8.9)	(75)
2021	1,230	5.9	65
2022	1,327	0.0	0
2023	1,523	0.7	9
<b>Total</b>			<b>(0)<sup>3</sup></b>

LGPS net value added<sup>1</sup> - quartile rankings



Q3	3.1	1.5	1.4	1.0
<b>Median</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.6</b>
Q1	-0.4	0.4	0.1	0.2
<b>Your fund</b>	<b>2.3</b>	<b>1.6</b>	<b>0.7</b>	<b>0.3</b>
LGPS %ile	67%	76%	43%	32%

# 5-year average net returns and net value added by major asset class.



■ You    ■ LGPS

## Your pooled sub-funds relative costs and their performance relative to the universe.

Sub-funds	Avg. AUM £m	Total impact 2022		1-year net return			1-year NVA			3-year net return			3-year NVA		
		Fees ex. private & HF perf fees (bps)	Private & HF perf. fees (bps)	Your (%)	Univ. Avg. (%)	Rank vs. Univ.		Your (%)	Univ. Avg. (%)	Rank vs. Univ.		Your (%)	Univ. Avg. (%)	Rank vs. Univ.	
						Low	High			Low	High			Low	High
Global Equity Active Multi Manager Fund	731	(15.2)		1.4	(2.8)	■ ■ ■ ■ ■	2.2	(0.3)	■ ■ ■ ■ ■	19.2	14.7	■ ■ ■ ■ ■	3.2	(0.2)	■ ■ ■ ■ ■
Corporate Bonds	415	4.8		(10.8)	1.6	■ ■ ■ ■ ■	(1.9)	1.6	■ ■ ■ ■ ■	(2.0)	1.6	■ ■ ■ ■ ■	(0.2)	2.1	■ ■ ■ ■ ■
Factor Based Equities	244	3.1		0.9	(2.8)	■ ■ ■ ■ ■	0.3	(0.3)	■ ■ ■ ■ ■	5.1	14.7	■ ■ ■ ■ ■	n/a	(0.2)	
Single Asset (JPM)	60	(12.0)	(14.7)	(0.1)	4.1	■ ■ ■ ■ ■	n/a <sup>1</sup>	5.4	■ ■ ■ ■ ■	n/a	5.7	■ ■ ■ ■ ■	n/a <sup>1</sup>	2.4	■ ■ ■ ■ ■
Credit Partnership I LP, II LP & IV LP	29	29.1	106.3	65.1	7.9	■ ■ ■ ■ ■	n/a <sup>1</sup>	4.6	■ ■ ■ ■ ■	n/a	11.9	■ ■ ■ ■ ■	n/a <sup>1</sup>	3.8	■ ■ ■ ■ ■
Targeted Sustainable Equities	21	(3.1)		1.9	(2.8)	■ ■ ■ ■ ■	n/a	(0.3)	■ ■ ■ ■ ■	n/a	14.7	■ ■ ■ ■ ■	n/a	(0.2)	
Infrastructure SubFund Core/Plus	16	60.4	165.3	n/a	4.1	■ ■ ■ ■ ■	n/a <sup>1</sup>	5.4	■ ■ ■ ■ ■	n/a	5.7	■ ■ ■ ■ ■	n/a <sup>1</sup>	2.4	■ ■ ■ ■ ■
Private Equity 2018 & 2021	8	7.6	94.7	3.4	1.7	■ ■ ■ ■ ■	n/a <sup>1</sup>	16.8	■ ■ ■ ■ ■	20.3	15.6	■ ■ ■ ■ ■	n/a <sup>1</sup>	9.9	■ ■ ■ ■ ■

Total impact is the combination of both strategy and structure impacts, in bps, as shown on page 6.

In the 'Rank' graphic, one colored square (Low) is a percentile ranking of 0% to 10%, two squares is 10.1% to 25%, three squares is 25.1% to 75%, 4 squares is 75.1% to 90%, and 5 squares (High) is 90.1% to 100%. Highlighting is not applied if there are fewer than 5 observations.

## Your strategic asset mix is largely a function of your appetite for risk.

It is interesting and helpful to compare the overall expected level of volatility in your portfolio. Each fund has its own risk model, but we calculate risk on a standard basis in order to compare funds. It is your position relative to others that is helpful.

- Asset risk - A higher asset risk is indicative of a higher weighting to more volatile assets and/or more concentration in the portfolio (and vice-versa). Your asset risk of 11.3% was above the LGPS median of 10.7%.
- Asset-liability mismatch risk - A lower asset-liability mismatch risk means you are closer to a 'fully-matched' position. A higher asset-liability mismatch risk is indicative of a willingness to take more risk relative to liabilities. Your asset-liability risk of 11.4% was above the LGPS median of 10.7%.

Page 30

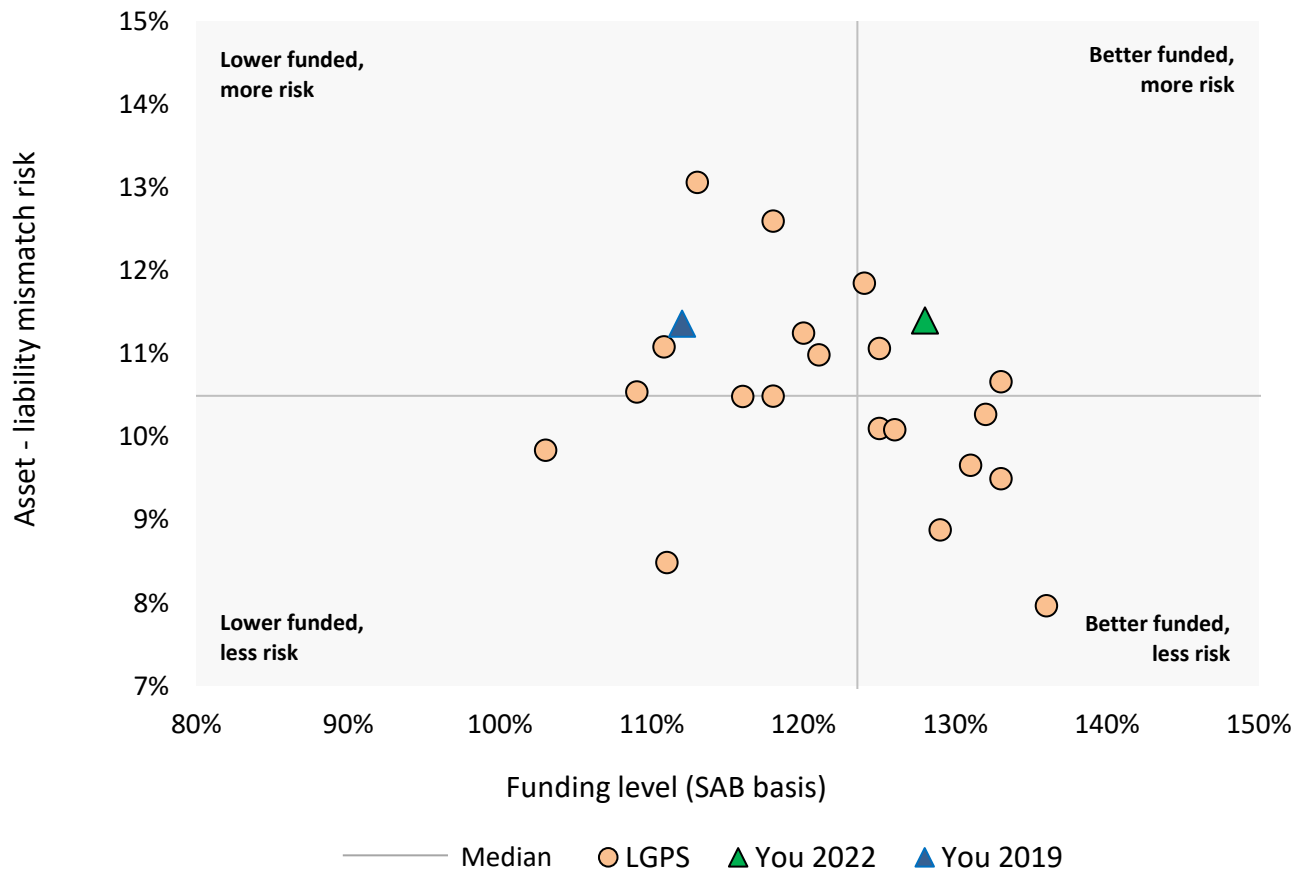
LGPS risk levels at 31<sup>st</sup> March 2023



# Your funding level on the standard SAB basis<sup>1</sup> in 2022 was 128%.

Your funding level on the standard SAB basis in 2022 was above the LGPS median of 124%. You had more asset liability mismatch risk than other LGPS funds. Your SAB basis funding level in 2019 was 112%. We use the standard SAB basis because it helps us to compare relative funding levels, eliminating most of the noise of different actuarial assumptions.

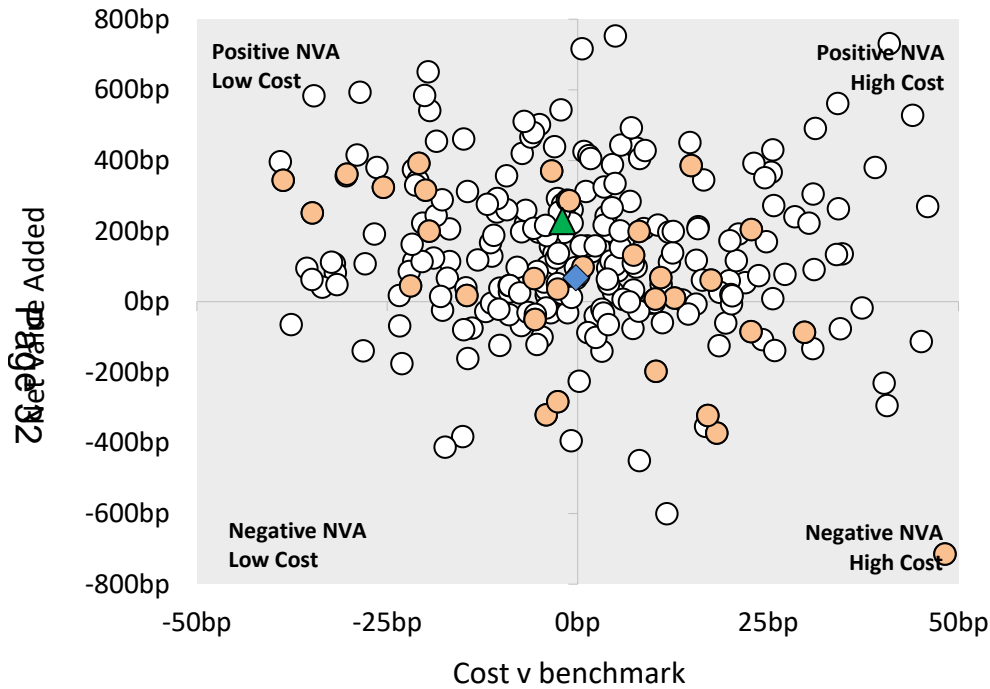
### LGPS funding levels (SAB basis) vs asset-liability mismatch risk



# Value-for-Money (VfM).

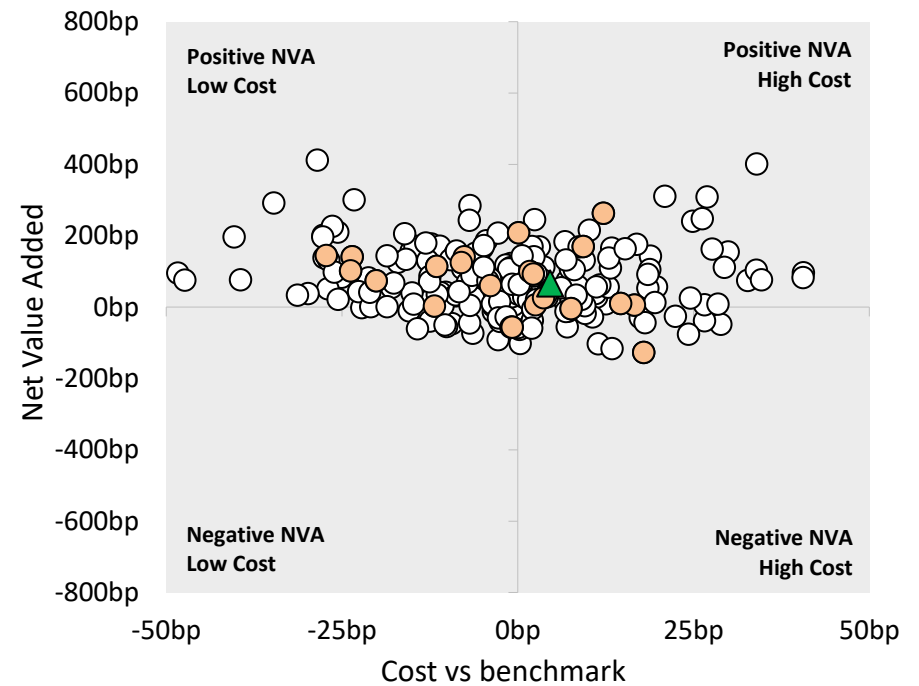
Your 2023 performance placed in the positive value added, low cost quadrant of the VfM chart.

(Your 2022/23: net value added 228.0 bps, cost savings 2.0 bps)



Your 5-year performance placed in the positive value added, high cost quadrant of the VfM chart.

(Your 5-year: net value added 66.2 bps, cost 4.6 bps)



<span style="color: orange;">●</span> LGPS	<span style="color: white;">○</span> Global	<span style="color: green;">▲</span> You	<span style="color: blue;">◆</span> Pooled assets
--	---	--	---

	2023	2022	2021	2020	2019	5-year
<b>Total</b>						
Net value added (bps)	228.0	16.7	213.6	(104.1)	(0.7)	66.2
Your relative cost (bps)	(2.0)	5.6	5.8	6.7	6.9	4.6
<b>LGPS Pool</b>						
Net value added (bps)	68.2	TBD	TBD	TBD	TBD	
Your relative cost (bps)	(0.3)	--	--	--	--	



# Key takeaways

## Cost

- Your investment cost of 51.0 bps was below your benchmark cost of 53.0 bps.
- In aggregate, you had a higher cost implementation style.
- In aggregate, you paid less than peers for similar assets.
- Your pooled assets saved you 0.3 bps relative to peers.

## Cost trend

- Your costs fell from 61.6 bps in 2018/19.

## Returns

- Your 5-year net total return was 7.1%. This was above the LGPS median of 6.3%.
- Your 5-year benchmark return was 6.5%. This was above the LGPS median of 5.7%.

## Funding and Risk

- Your funding level of 128% on the standard SAB basis in 2022 was above the LGPS median of 124%.
- Your strategic asset allocation suggests that you take more risk relative to your liabilities than LGPS peers.

## Value added

- Your 5-year net value added was 0.7%. The LGPS median was 0.8%.
- Your cumulative 5-year net value added has added £253 million to the funding of your plan.

## Cost effectiveness / value-for-money

- Your 5-year performance placed in the positive value added, high cost quadrant of the VfM chart.

## Appendix 1: Your peer group.

Your peer group is comprised of 41 global funds including 7 LGPS funds ranging in size from 4.6bn to 11.2bn. The median size in the peer group is £7.3 bn (versus your average assets of £7.0 bn).

### Global peers

American Airlines, Inc  
Canadian National  
Caterpillar Inc.  
Chevron Corporation  
Citigroup  
Colleges of Applied Arts and Technology  
Corteva, Inc.  
Deere & Co  
District of Columbia Retirement Board  
Dominion Energy, Inc.  
Dow Chemical Company  
Eli Lilly and Company  
ExxonMobil Corporation  
Healthcare Employees - Manitoba  
Houston Police Officers Pension System  
Huntington Ingalls Industries, Inc.  
ILWU-PMA Pension Fund  
International Paper  
Merck & Co., Inc.  
MetLife  
Missouri State Employees' Ret. Sys.  
N.S. Association of Health Organizations  
NRECA  
PepsiCo Inc.  
Prudential Financial Inc.  
Régime de rentes du Mouvement Desjardins  
San Diego City ERS  
Saskatchewan Healthcare Employees'  
Saskatchewan Public Employees Pension Fund  
BPF voor de Media PNO  
SPF Werk en (re)Integratie  
Textron Inc.  
WCB-Alberta  
Wells Fargo & Company

### LGPS Peers

Essex Pension Fund  
London Pension Funds Authority  
Lothian Pension Fund  
Merseyside Pension Fund  
NILGOSC  
South Yorkshire Pensions Fund  
Staffordshire Pension Fund

## Appendix 9: Notes.

Page	Note
4	<ol style="list-style-type: none"> <li>1. Your internal costs reflect the cost of managing assets internally (either yourself or at a pooled level).</li> <li>2. Your costs include any underlying manager base and performance fees for any of your fund of funds mandates.</li> <li>3. Transaction costs should not be regarded as complete. They are shown only where provided. We specifically exclude transaction costs from the benchmarking analysis because of concerns over the consistency and validity of data. We hope to include transaction costs in future years.</li> <li>4. Other expenses include fund administration, governance, compliance, distribution and communication costs captured from CTI templates.</li> <li>5. Benchmarked investment costs exclude pension administration costs and non-investment related governance and oversight costs.</li> <li>6. Your 2022/23 financial statements report investment costs of £18.69 million. The costs benchmarked here are different. This is likely because of differences in standard definitions, and/or estimations of costs in financial statements.</li> </ol>
6	<ol style="list-style-type: none"> <li>1. For external property, infrastructure, natural resources and private equity/credit investments the fee basis is usually the committed amount during the commitment period and unreturned invested capital (i.e., book cost) afterward. Unreturned invested capital equals contributed capital less contributed capital attributable to realized investments plus the aggregate amount of write-downs, if any, with respect to unrealized investments. If this has not been provided the default will be based on NAV. This is only applicable to manager base fees.</li> </ol>
Page 35	<ol style="list-style-type: none"> <li>1. For external property, infrastructure, natural resources and private equity/credit investments the fee basis is usually the committed amount during the commitment period and unreturned invested capital (i.e., book cost) afterward. Unreturned invested capital equals contributed capital less contributed capital attributable to realized investments plus the aggregate amount of write-downs, if any, with respect to unrealized investments. If this has not been provided the default will be based on NAV. This is only applicable to manager base fees.</li> <li>2. Includes the underlying manager base and performance fees for both benchmark items and impacts.</li> </ol>
13	<ol style="list-style-type: none"> <li>1. To enable fairer comparisons, the value added for each participant, except your fund, was adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices. If CEM used this same adjustment for your fund, your 5-year total fund value added would have been 0.0% lower.</li> <li>2. The calculation of the approximate pool net value added is in appendix 8.</li> <li>3. Total includes public mandates where LGPS Central benchmarks were available.</li> </ol>
14	<ol style="list-style-type: none"> <li>1. To enable fairer comparisons, the private equity benchmarks of all participants, except your fund, were adjusted to reflect lagged, investable, public-market indices. If CEM used this same adjustment for your fund, your fund's 9-year private equity net value added would have been 15.1%.</li> </ol>
15	<ol style="list-style-type: none"> <li>1. LGPS Central benchmarks for private mandates are not yet available.</li> </ol>
16	<ol style="list-style-type: none"> <li>1. Asset risk is the standard deviation of your benchmark return. It is based on the historical variance of, and covariance between, the asset classes in your strategic asset allocation.</li> <li>2. Asset-liability mismatch risk is the standard deviation of funded status caused by market factors. It is a function of the standard deviations of your asset risk, your marked-to-market liabilities and the correlation between the two.</li> </ol>

## Appendix 9: Notes.

Page	Note
17	<ol style="list-style-type: none"><li>1. The funding level is based on standardised actuarial assumptions developed for the Scheme Advisory Board (SAB). Most of the key assumptions are consistent across funds but some assumptions, and in particular mortality assumptions, are fund specific. The standard basis serves a useful purpose in providing context for comparisons of asset risk and asset-liability mismatch risk.</li><li>2. Your funding level, on the regular basis prescribed by your own actuary in 2019 was 99%, i.e., the SAB basis is less prudent than your regular basis. The median funding level for participating LGPS funds on their regular basis was 124%.</li></ol>

**PENSIONS COMMITTEE – 15 DECEMBER 2023**

**Report of the Director of Finance**

**Staffordshire Pension Fund Audit Update 2020/2021 to 2022/2023**

**Recommendations of the Chair**

1. That the Pensions Committee note the conclusion of the audit of the Staffordshire Pension Fund accounts for 2020/21 and the content of the Final Audit Results Report (ISA260) from Ernst and Young (EY) at Appendix 1.
2. That the Pensions Committee note the content of the Audit Plan from EY in relation to their audit of the Staffordshire Pension Fund accounts for 2022/23 at Appendix 2.
3. That the Pensions Committee note the continuing delay in the conclusion of the 2021/22 and 2022/23 external audits of the Staffordshire Pension Fund accounts by EY.

**Staffordshire Pension Fund Annual Report and Accounts Audit 2020/21**

4. At their meeting in December 2021, the Pensions Committee received a draft Audit Results Report (ISA 260) from EY in relation to the audit of the 2020/21 accounts of the Staffordshire Pension Fund. Delays since then, because of the delayed conclusion of the audit of the County Council Statement of Accounts, in which the Pension Fund accounts are included, has meant that it has not been possible to issue a final ISA260 and conclude the audit for 2020/21.
5. At their meeting on 12 December 2023, the Audit and Standards Committee received the Audit Results Report for both the County Council and the Pension Fund accounts which finally concludes the audit for 2020/21. The ISA260 for the Pension Fund, with minor tracked changes (in blue) is included for information at Appendix 1.
6. The draft 2020/21 Annual Report and Accounts for the Staffordshire Pension Fund can now be finalised and published on the Fund's website.

**Staffordshire Pension Fund Annual Report and Accounts Audit 2022/23**

7. Although the audit of the Staffordshire Pension Fund's 2022/23 accounts commenced in June 2023, and is now substantially complete, EY were unable to produce a detailed Audit Plan. This has now been provided and is attached at Appendix 2 for information; having been presented to the meeting of the Audit and Standards Committee on 12 December 2023 for approval.
8. Once EY complete their external audit of the 2022/23 accounts and the County Council's Statement of Accounts are also finalised, the Pension Fund will receive its concluding Audit Results Report (ISA260).

9. A draft copy of the 2022/23 Pension Fund Annual Report and Accounts were published on the Pension Fund website in line with the 1 December deadline. A link to the draft version of the accounts is provided below:

[202223 Annual Report draft \(staffspf.org.uk\)](http://staffspf.org.uk)

## Summary

10. The following table summarises the current position of the external audit of the Staffordshire Pension Fund for the financial years 2020/21 to 2022/23.

Financial Year	Audit Plan		Draft Accounts	ISA260 Report	
	Received from EY	Presented to Pensions Committee	Presented to Pensions Committee	Received from EY	Presented to Pensions Committee
2020-2021 (COMPLETE)	✓	June 2021	Sept 2021 (draft as part of the Annual Report)	✓	Dec 2023 (Final)
2021-2022	✓	Sept 2022	Dec 2022 (draft as part of the Annual Report)	x	
2022-2023	✓	Dec 2023	Sept 2023 (draft as part of Annual Report)	x	

**Rob Salmon**  
**Director of Finance**

---

Contact: Melanie Stokes  
Assistant Director for Treasury and Pensions  
Telephone No. (01785) 276330

Background Documents: Accounts & Audit Regulations 2015

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

**Legal implications:** These have been addressed in the report.

**Resource and Value for money implications:** There are no direct resource or value for money implications arising from this report.

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

**Climate Change implications:** 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

## Audit results report

Year ended 31 March 2021

14 December 2021

12 December 2023 - All changes are  
highlighted in blue

Page 41

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better  
working world



Staffordshire Pension Fund

14 December 21

12 December 2023

Dear Members

We are pleased to attach our draft audit results report summarising the status of our audit for the forthcoming meeting of the Audit & Standards Committee. We will update the Committee at its meeting on 14 December 2021 on further progress to that date and explain the remaining steps for the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Staffordshire Pension Fund's accounting policies and judgements and material internal control findings. Our audit of the Fund's accounts for the year ended 31 March 2021 is materially complete. We anticipate [issuing](#) an unqualified audit opinion on the financial statements in the form at Section 3.

This report is intended solely for the use of the Audit & Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

Yours faithfully

Hassan Rohimun

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

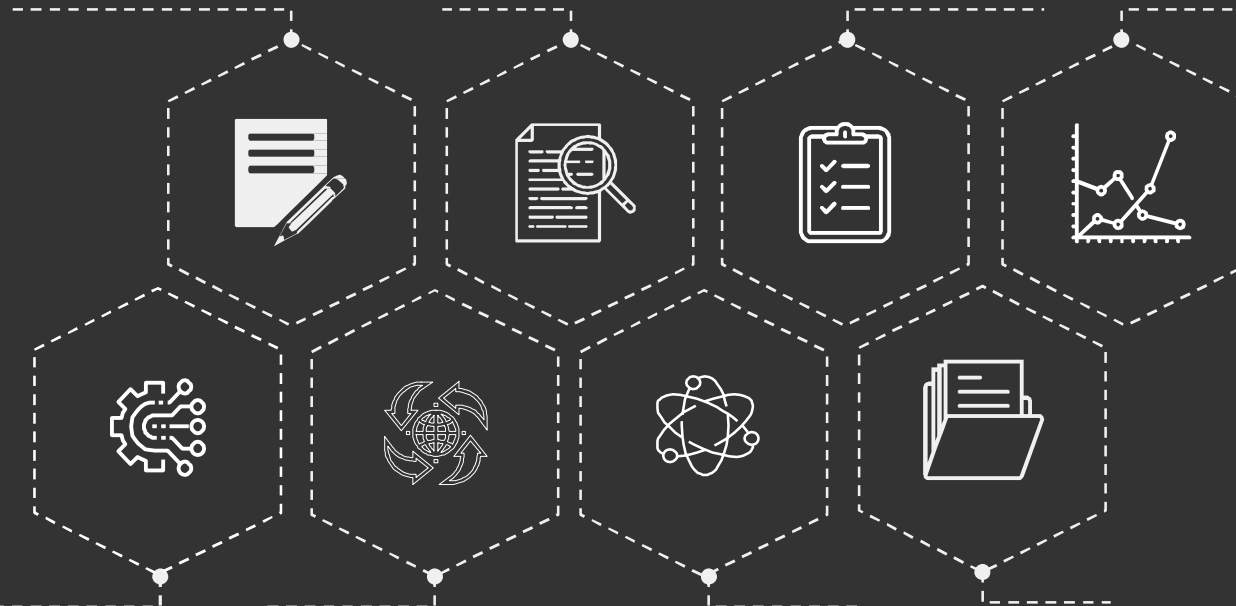
# Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Other Reporting Issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Regulation, Audit and Accounts Committee and management of Staffordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee and management of Staffordshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of Staffordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Executive Summary



# Executive Summary

## Scope update

In our audit planning report dated 25 June 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have conducted our audit in accordance with the plan.

Changes in materiality and audit risks - we updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. There are no new audit risks.

Planning Materiality	Performance Materiality	Audit Differences
Our planning materiality represents 1% of the prior year's net assets, consistent year on year (2019/20: 1% of net assets).	Performance materiality represents 75% of planning materiality (2019/20: 50%).	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality (2019/20: 5% of PM).
£47.4m - as reported in the audit plan	£35.5m - as reported in the audit plan	£2.3m - as reported in the audit plan
£61.2m - final	£45.9m - final	£3.06m - final



# Executive Summary

## Scope update (continued)

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

## Status of the audit

We have completed the procedures outlined in our Audit Plan subject to:

- the completion of the final conclusion procedures including subsequent events;
- receipt of the approved final statements;
- receipt of the signed management letter of representation; and
- final manager and partner review

We anticipate issuing an unqualified opinion on the financial statements in the form which appears at Section 3.

## Auditing accounting estimates

A revised auditing standard has been issued for the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether or not there is a significant risk. At the same time, we may see the number of significant risks we report for accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard have affected the nature and extent of information requested and increased the level of audit work required.

# Executive Summary

## Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Fund's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Management Override: Misstatements due to fraud or error	We have completed our testing and found no indications of management override of controls.
Posting of investment journals	We have completed our testing and have nothing to report.
Valuation of unquoted investments	We have completed our testing and have nothing to report.

Other area of audit focus	Findings & conclusions
Valuation of directly held properties	The Fund's draft accounts include £468m directly held property. For 2020/21, in line with the updated RICS guidance, material uncertainty clause has been removed by the valuer. We considered the work of the Fund's external valuer and we also engaged our own internal valuation specialists (EY Real Estates) to review a sample of the properties and we found that overall the valuations were reasonable. We have not identified any issues and have nothing to report in this area. We have also concluded that it is appropriate not to include Emphasis of Matter paragraph to our audit opinion.
Going concern	The Fund provided a going concern assessment and following audit review revised its disclosure note.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Pension Committee.

## Audit differences

We have not identified any adjusted or unadjusted audit differences that are above our reporting threshold as specified in Section 04.



# Executive Summary

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## Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement included within the Staffordshire County Council annual report for consistency with our knowledge of the Fund. We have no matters to report as a result of this work.

We have no other matters to report.

## Independence

Please refer to Section 07 for our update on Independence.





# 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Risk of Management Override: Misstatements due to fraud or error

##### What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

##### What did we do and what judgements did we focus on?

Page 50  
In order to address this risk we:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions.

##### What are our conclusions?

Our conclusion is subject to the completion of remaining audit procedures as outlined within the Executive Summary on page 6. To date, we have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business



## Areas of Audit Focus

### Significant risk

#### Risk of Management Override: Year end investment journals

##### What is the risk?

The Pension Fund posts year end manual journals in relation to the valuation of its investments and the recognition of investment income. There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect, which could result in a misstatement of year-end investment value and/or investment income.

##### What did we do and what judgements did we focus on?

- Page 51
- Tested journals at year-end to ensure there are no unexpected or unusual postings;
  - Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
  - Re-performed the detailed investment note using the reports we have acquired directly from the custodians or fund managers, including the agreement of investment additions and disposals in the year;
  - Sought to obtain further independent support for the valuation of pooled year-end investments where this can be obtained;
  - Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
  - Reviewed accounting estimates for evidence of management bias.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

##### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business. Our final conclusion for this audit area is subject to completion of the remaining audit procedures as outlined within Executive Summary on page 6 of this report.



## Areas of Audit Focus

### Significant risk

#### Valuation of unquoted investments

##### What is the risk?

###### Valuation of unquoted investments

The Fund's investments include unquoted pooled investment vehicles such as private equity and private debt (Level 3 Investments).

Investment managers make judgements to value those investments as their prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

As these investments are more complex to value, we have identified the Fund's investments in Level 3 investments as a significant risk, as even a small movement in these assumptions could have a material impact on the financial statements.

Page 52

##### What did we do and what judgements did we focus on?

Our audit approach has included the following procedures:

- Assessing the competence of management experts;
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Comparing the investment value included in the financial statements to direct confirmations from the Fund Managers.
- Review the basis of valuation for level 3 investments and ensure it is in line with the accounting policy.
- Reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight weaknesses in the funds valuation;
- Obtain copies of the ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

##### What are our conclusions?

We have completed our planned procedures including obtaining all relevant internal control reports. We are satisfied that the valuation of level 3 investments is materially stated.



## Areas of Audit Focus



### Valuation of directly held property

The fund holds £468.4m as directly held property, which is valued annually by an external valuer. The market uncertainty in 2020 due to Covid-19 resulted in the valuer including a material uncertainty paragraph in the prior year valuation report which was also disclosed in the notes to the financial statements. We have emphasised the disclosure in our prior year audit opinion. For 2020/21, in line with the updated RICS guidance, the material uncertainty clause has been removed by the valuer.

We considered the work of the Fund's external valuer and we also engaged our own internal valuation specialists (EY Real Estates) to review a sample of the properties and we found that overall the valuations were reasonable. We tested a further sample of properties to gain assurance that their valuation was reasonably stated in the accounts. This required verifying lease rental payments via third party information provided by the Fund's property advisors. We have not identified any issues and have nothing to report in this area. We have also concluded that it is appropriate not to include Emphasis of Matter paragraph to our audit opinion.

Page 53



### Going concern disclosure

There is a presumption that the Fund will continue as a going concern. However, the current and future uncertainty presented by the Covid-19 pandemic [and increased cost of living](#) increases the need for the Fund to undertake a going concern assessment to support its assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, this year, for example, we have requested evidence of the going concern assessment up to and including at least [March 31, 2025](#).

We have obtained management's going concern assessment and reviewed for any evidence of bias and consistency with the accounts; we have reviewed the financial modelling and forecasts prepared by the Pension Fund for the going concern assessment period. We have ensured that appropriate going concern disclosures have been made within the financial statements. [We are currently awaiting the latest version of the financial statement which includes an updated going concern disclosure.](#)



# 03 Audit Report



# Audit Report

## Draft audit report

### Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORDSHIRE COUNTY COUNCIL

#### Opinion

We have audited the Pension Fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the Pension Fund financial statements: give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the County Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the County Treasurer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Staffordshire County Council statement of Accounts 2020/21, set out on pages XX-XX, other than the financial statements and our auditor's report thereon. The County Treasurer is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.



# Audit Report

## Draft audit report

### Our opinion on the financial statements

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the County Treasurer

As explained more fully in the Statement of the Responsibilities set out on pages [...] the County Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the County Treasurer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.





# Audit Report

## Draft audit report

### Our opinion on the financial statements

We understood how Staffordshire Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Committee, Pensions Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified management override of controls and the manipulation of investment journals to be our fraud risks.

To address our fraud risks we tested the consistency of the investment asset valuation from the independent sources of the Custodian and the fund managers to the financial statements. We have also tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the members of Staffordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Staffordshire County Council and the Staffordshire County Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
City  
Date



# 04 Audit Differences





## Audit Differences

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In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of unadjusted and adjusted differences

At the date of this report there are no unadjusted or adjusted audit differences which require your attention.

The draft financial statements and supporting working papers were of a good quality. We worked with management to make enhancements to the management commentary and notes to the financial statements which have been agreed by management.



# 05 Other reporting issues

## Other reporting issues

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### Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Staffordshire Pension Fund Annual Report with the audited financial statements. We have no matters to report.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We have no matters to report.



06

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Page 63



07

# Independence



## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Pension Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Pension Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2021.

In our Audit Plan we have communicated our proposal to increase the scale fee for 2019/20 to £50,340. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals. On completion of the audit we will finalise our fees and provide supporting details to the Director of Corporate Services for agreement.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee – Code work	22,050	22,050	22,050
Additional work and associated fees:			
Page 85 PAS 19 Assurance Work – annual approach (1)	9,500	9,500	9,500
Triennial Review Procedures (2)	-	-	11,500
Going concern assessment. EOM disclosures including EY consultations (3)	TBC	2,000-5,000	4,250 -
Additional work to obtain assurance over directly held property in light of Covid-19. (4)	TBC	3,000-7,000	5,750
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk (5)	28,920	28,920	28,920
Total indicative Pension Fund fee	TBC	TBC	81,340

## Fee analysis (continued)

1. *In line with prior year, additional fee of £9,500 takes into account the additional work required to respond to twelve IAS19 assurance requests from scheduled bodies.*
2. *In prior year we reported in the Audit Plan that as a result of the triennial valuation of the Fund we would be required to undertake additional testing of membership date. We have tested data for a sample of 250 members.  
Items 1 and 2 are outside of the PSAA fee regime and we will seek agreement with the County Treasurer.*
3. *We reported in the Audit Plan that we would need to carry out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure and the impact of C-19 on the valuation of directly held property.*
4. *We have had to undertaken additional work on directly held properties and engaged our EYRE specialists in light of the impact of Covid-19 on the valuation of the assets.*
5. *We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. In our view the scale fee for the Staffordshire PF audit should be increased by £28,290.*







Page 68

# 08 Appendices

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report 25 June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report 25 June 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	This Audit Results Report

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	This Audit Results Report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	This Audit Results Report
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	This Audit Results Report
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	This Audit Results Report

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	This Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	<p>Audit planning report 25 June 2021 and This Audit results report</p>





# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have inquired management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	This Audit Results Report

Page 72



# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	This Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	This Audit Results Report
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	This Audit Planning Report 25 June 2021 and This Audit results report

# Management representation letter

Staffordshire Pension Fund.

## Management Representation Letter

12 December 2023

Hassan Rohimun  
Associate Partner  
Ernst & Young LLP  
2 St Peter's Square  
Manchester  
M2 3DF

Page 74

This letter of representations is provided in connection with your audit of the financial statements of Staffordshire Pension Fund ("the Fund") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

## Management representation letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

## Management representation letter

2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following [date].
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021
10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Notes to the financial statements all guarantees that we have given to third parties.

### E. Going Concern

3. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than the events described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

# Management representation letter

## E. Going Concern

3. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

## F. Subsequent Events

1. Other than the events described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

## G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement within the Statement of Accounts, and the Pension Fund Annual Report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

## H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

## I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

## J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

## K. Actuarial valuation

1. The latest report of the actuary Hymans Roberson as at 31 March 2021 and date [...] has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on their report.

# Management representation letter

## L. Use of the Work of a Specialist

We agree with the findings of the specialists that we have engaged to value directly held property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## M. Estimates

### Valuation of Complex Investments Estimate

1. We confirm that the significant judgments made in making the valuation of complex investments have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of complex investments.
3. We confirm that the significant assumptions used in making the valuation of complex investments appropriately reflect full available information that might affect fair value of the investment assets, the fair value on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty, are complete and are reasonable in the context of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of complex investments.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements.

### Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgments made in making the actuarial present value of promised retirement benefits have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by the actuary producing the estimate have been consistently and appropriately applied or used in making this estimate.
3. We confirm that the significant assumptions used in making this estimate appropriately reflect all available information at the point of making the estimate on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty, are complete and are reasonable in the context of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the actuarial present value of promised retirement benefits.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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# Staffordshire Pension Fund Audit planning report

Year ended 31 March 2023

December 2023

Page 81



December 2023



Staffordshire County Council  
No 1 & 2 Staffordshire Place,  
Tipping Street,  
Stafford, ST16 2DH

Dear Committee Members

### **Audit planning report**

We are pleased to attach our audit planning report for the forthcoming December meeting of the Audit and Standards Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2022/23 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for Staffordshire Pension Fund. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 12 December 2023 as well as understand whether there are other matters which you consider may influence our audit. As ever, as our risk assessment and work continues, we will update the committee as required, notably if any significant changes in key risks or audit approach.

Yours faithfully

Hassan Rohimun

For and on behalf of Ernst & Young LLP

# Contents

<b>01</b> Overview of our 2022/23 audit strategy	<b>02</b> Audit risks	<b>03</b> Audit materiality	<b>04</b> Scope of our audit
			
			
<b>05</b> Audit team	<b>06</b> Audit timeline	<b>07</b> Independence	<b>08</b> Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Regulation, Audit and Accounts Committee and management of Staffordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee and management of Staffordshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of Staffordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Overview of our 2022/23 audit strategy

# Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Committee.

## Audit risks and areas of focus

Risk/area of focus	Risk identified (see key over-page)	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We have not identified anything specific to Staffordshire on this risk.</p> <p>In the prior year we identified the risk of manipulation of investment income and valuation as the most likely way management would seek to override controls and presented this as a specific fraud risk. We continue to consider this to be the most likely way management will override controls, but will address this through the mandatory journal testing we undertake to address this generic risk of misstatements due to fraud and error.</p>
Valuation of level 3 investments	Significant risk	No change in risk or focus	<p>We consider the valuation of Level 3 investments to be a significant risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts supporting the valuation are only produced up to Quarter 3 of the financial year.</p> <p>The Fund's private equity, private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs. Although there have been no significant changes in the composition of the Fund's level 3 investments we now consider this to be a significant risk.</p>
Valuation of property investments (Level 3)	Significant risk	No change in risk or focus	<p>We consider the valuation of property investments to be of a significant risk because of the level of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.</p>
IAS 26 - Actuarial present value of promised retirement benefits	Inherent risk	New inherent risk	<p>We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to its nature.</p>
Going Concern	Inherent risk	No change in risk or focus	<p>The Fund will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation. It will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assessment being made by management.</p>



# Overview of our 2022/23 audit strategy

## Key - Risk definitions

Risk Type	Definition
Significant risk	An identified and assessed risk of material misstatement of the accounts that, in the auditor's judgment, requires special audit consideration.
Fraud risk	Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional and involves deception or is unintentional. A risk of material misstatement due to fraud is always a significant risk.
Inherent risk	The risk posed by an error or omission in a financial statement due to a factor other than a failure of internal control. Inherent risk is most likely to occur when transactions are complex, or in situations that require a high degree of judgment in regard to financial estimate

# Overview of our 2022/23 audit strategy

## Materiality

### Planning materiality

£66m

Materiality for the Fund has been set at £66.5m, which represents 1% of net assets in the draft 2022/23 financial statements. We consider net assets, to be the appropriate basis of materiality for the Fund due to the scale and interest to users of the financial statements. This is the same basis as that used in the prior year.

### Performance materiality

£50m

Performance materiality has been set at £49.9m, which represents 75% of materiality. This is consistent with the prior year. Our assessment reflects the strong control environment present at the Fund and our expectation of a relatively low level of misstatements based on results from previous audits.

### Audit differences

£3.3m

We will report all uncorrected misstatements relating to the primary statements (fund account and net asset statement) greater than £3.3 million. Other misstatements identified will be communicated to the extent that they merit the attention of those charged with governance.



# Overview of our 2022/23 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities for 2022/23.
- ▶ Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Staffordshire County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

We will provide an update to Audit and Standards Committee Members on the results of our work in these areas in our report to those charged with governance scheduled for the December 2023 meeting of the Committee.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of complex investment assets, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years. Therefore to the extent any of these are relevant in the context of Staffordshire Pension Fund audit, we will discuss these with management as to the impact on the scale fee.





# Overview of our 2022/23 audit strategy

## Audit team

The audit will be led by Hassan Rohimun as the partner in charge for 2022/23. Hassan will be supported by Sanchita Rai, senior manager, and Ishaq I. Kasam, lead senior. See Section 05 for further details of the audit team and the areas where management and EY specialists are expected to provide input for the current year audit.

## Audit timescales

Full details of the planned timeline for delivery of the audit are set out in Section 06.



## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Misstatements  
due to fraud or  
error\***

## What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

## Our response: Key areas of challenge and professional judgement

We will undertake our standard procedures to address fraud risk, which include:

- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Assessing accounting estimates for evidence of management bias.
- ▶ Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

We will include a focus on ensuring that the investment valuations provided through the custodian and fund managers are appropriately journaled into the financial statements, where we have identified the opportunity and incentive for override to occur.

# Our response to significant risks

## Valuation of Level 3 Investments

### What is the risk, and the key judgements and estimates?

We consider the valuation of Level 3 investments to be a significant risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts are only produced up to Q3 of the financial year.

The Fund's private equity, private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs.

### Our response: Key areas of challenge and professional judgement

We will:

- ▶ Agree the valuation of Level 3 investments appearing in the financial statements to valuation reports from the fund managers.
- ▶ Obtain audited financial statements of fund managers and obtain bridging letters for the controls reports to year end if necessary. Where audited financial statements supporting the investments are not available at the financial statements date we will undertake alternative procedures to gain further assurance over the valuation reported in the financial statements.
- ▶ Consider the work performed by the fund managers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Challenge the key assumptions used by the fund managers in valuations and consider further whether specialist support is needed to support our work in this area.
- ▶ Test accounting entries have been correctly processed in the financial statements.

# Our response to significant risks

## Valuation of property investments (Level 3)

### What is the risk, and the key judgements and estimates?

We consider the valuation of property investments to be a significant risk because of the level of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.

### Our response: Key areas of challenge and professional judgement

We will:

- ▶ Reconcile the valuation used in the financial statements to the valuations provided by the pension fund's external valuer.
- ▶ Consider the work performed by the Fund's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Challenge the key assumptions used by the valuer and test a sample of inputs and calculations used to inform the valuation by:
  - ▶ engaging our EY Real Estate valuation professionals;
  - ▶ using relevant available market data and other supporting evidence.
- ▶ Undertake a review of valuations as at 31/03/23, compared to the prior year end and use information on valuation trends to identify valuations which maybe outside of expectations.
- ▶ Obtain and evaluate management's assessment for impairment and consider whether there are indicators of impairment which management have not considered.

## Other areas of audit focus

We have identified other area of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

### IAS 26

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to it's nature.

### Going concern disclosure

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry our a going concern assessment that is proportionate to the risks it faces.

The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Agree the disclosure to the IAS 26 actuarial statement and reporting requirements.
- ▶ Engage auditor's specialists to review the IAS 26 calculation approach and comment on the underlying assumption.
- ▶ Review the work of the management specialist (the actuary) and auditor's specialist.
- ▶ Consider the controls used by Hymans Roberson in undertaking the calculation.
- ▶ Perform IAS 19 procedures, which give us assurance over the data input into the calculation. In addition to our usual IAS 19 procedures, in 2022/23 we have been required to test membership data informing the 2022 triennial valuation of the Fund which will provide IAS19 assurance for scheduled body audits across a number of years.

We will:

- ▶ Challenge management's identification of events or conditions impacting going concern.
- ▶ Test management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- ▶ Review the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- ▶ Undertake a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- ▶ Challenge the disclosure made in the accounts in respect of going concern and any material uncertainties.



## 03 Audit materiality

# Materiality

## Materiality

For planning purposes, materiality for 2022/23 has been set at £66m. This represents 1% of the Fund's net assets in the draft 2022/23 financial statements. We consider net assets, to be the appropriate basis of materiality for the Fund due to the scale and interest to users of the financial statements. We have provided supplemental information about audit materiality in Appendix C.

Net Assets  
£6,653m

Planning  
materiality  
£66.5m

Performance  
materiality  
£49.9m

Audit  
differences  
£3.3m

We request that the Audit and Standards Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality (2021/22: 75%).

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and net asset statement. This was calculated as 5% of planning materiality, which is consistent year on year.

Other uncorrected misstatements, such as reclassifications and misstatements in the disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Committees, or are important from a qualitative perspective.





# 04 Scope of our audit

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Obligations under the Code of Audit Practice

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited.

We issue an audit report that covers:

### Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities for 2022/23; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Consistency statement:

- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Staffordshire County Council.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Changes to auditing standards - ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent.

The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.

Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

The key impacts are:

- Significant increase in work on entity's use of IT in business and system of internal control.
- Clearer workflow within the standard to highlight the importance of the auditor's understanding of the entity and environment, the applicable financial reporting framework, and system of internal control.
- New concepts: e.g. inherent risk factors, spectrum of inherent risk
- Changed definitions: notably, the definition of 'significant risk', which is an identified risk of material misstatement:
  - For which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur; or
  - That is to be treated as a significant risk in accordance with the requirements of other ISAs (UK)

See Appendix D for our assessment of the impact of ISA (UK) 315 on the current year audit.

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Changes to auditing standards - ISA (UK) 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional and involves deception or is unintentional. ISA (UK) 240 deals with the auditor's responsibilities relating to fraud in an audit of financial statements.

The revision to the standard is effective from FY 2022/23 aims to clarify the obligations of auditors to identify and assess the risk of material misstatement due to fraud, as well as including supplemental requirements and guidance to enhance the auditors' procedures.

Key changes are:

- The objectives of the auditor have been revised to emphasise the requirement to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud.
- There is a greater focus on professional scepticism including that audit approaches don't show bias to looking for corroborative evidence or excluding contradictory evidence.
- There are new requirements for the auditor to determine whether the engagement team requires specialised skills or knowledge to perform their work on fraud, including their assessment of fraud risk, associated procedures and evaluation of the evidence obtained.
- There is additional guidance regarding the discussion required by ISA (UK) 315 among the audit engagement team. This is to discuss the susceptibility of the entity's financial statements to material misstatement due to fraud or error. The revised ISA (UK) 240 emphasises the need for an exchange of ideas among all engagement team members about fraud risk factors.
- The auditor shall make inquiries of management, or others within the entity who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- Auditors are to hold a discussion with those charged with governance regarding the risks of fraud in the entity and to consider the implications for the audit.
- The auditor must communicate with those charged with governance matters relating to fraud (unless prohibited by law or regulation) and the auditor's assessment of the risks of material misstatement due to fraud.
- Auditors must evaluate whether their assessment of the risk of material misstatement due to fraud remains appropriate at audit conclusion, that sufficient appropriate audit evidence has been obtained, and that the financial statements are not materially misstated as a result of fraud.

The auditor's report shall explain to what extent the audit was considered capable of detecting irregularities, including fraud.



# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Assessment of Internal Control

### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts;
- ▶ Reliance on the work of other auditors where appropriate; and
- ▶ Reliance on the work of experts in relation to areas, such as property valuations.

For 2022/23 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Standards Committee.

### Internal audit:

We will review internal audit plans and the results of their work to consider if their findings could have an impact on the financial statements.



# 05 Audit team

# Audit team

## Audit team structure:

Hassan Rohimun  
Lead Audit Partner

Sanchita Rai  
Senior Manager

Ishaq Ibrahim Kasam  
Senior

EY Pensions  
(Pension Specialist)

EY Real Estate  
(Valuation Specialist)



## Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management and EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of directly held property investments	Management Specialist - Savills Limited EY Specialist - EY Real Estate
IAS 26	Management Specialist - Hymans Robertson EY Specialist - PWC as NAO consulting actuary and EY Pensions.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





06

# Audit timeline

# Timetable of communication and deliverables

## Timeline

Below is an indicative timetable showing the key stages of the audit and the planned deliverables we have agreed to provide to you through the audit cycle in 2021/22. Please note that we will communicate any changes to this plan to officers and members as soon as we can. From time to time matters may arise that require immediate communication with the Audit and Standards Committee and we will discuss them with the Audit and Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Deliverables
Planning: Risk assessment and setting of scopes	October - November	This audit planning report to be presented to the 12 December meeting of the Audit and Standards Committee.
Walkthrough of key systems and processes	October - November	
Execution of audit procedures on the financial statements	November	
Audit Completion procedures	March 2024	Draft audit results report shared with management and, in turn, committee, subject to the finalisation of 2020/21 & 21/22 financial statements.
Audit Conclusion	March 2024	Audit opinion and completion certificates, subject to the signing of 2020/21 & 21/22 financial statements.





07

## Independence

# Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hassan Rohimun, your audit engagement partner, and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we have an investment in the Authority; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. For accounting period ended 31 March 2023 non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years.

At the time of writing, there are no non-audit fees associated with Staffordshire Pension Fund. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.



# Relationships, services and related threats and safeguards

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2023 and can be found here:  
[ey-uk-2023-transparency-report.pdf](#)



Page 111

# 08 Appendices

# Appendix A – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2023.

Scale fee variations are agreed when we incur work in addition to the planned level of work built into the scale fee.

For the Staffordshire Pension Fund audit, we do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise and therefore we expect to agree a scale fee variation with management and PSAA for the 2022/23 audit.

	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	Planned fee £
Scale Fee - Code work	26,675	22,050
Scale Fee Variation - see Note 1	28,920	28,920
Additional fee for IAS 19 assurance work on behalf of admitted bodies - see Note 2	TBC	TBC
Going concern and PBSE assessments and disclosures including EY consultations (Note 3)	TBC	TBC
Additional work to obtain assurance over Level 3 investments (Note 3)	TBC	2,500 - 5,000
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

**Note 1** - In order to meet regulatory and compliance audit requirements not present in the market at the time of our bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our 2021/22 audit should increase by £28,920. We also expect to charge additional fee for work to comply with the enhanced requirements of ISA (UK) 315 (Revised).

**Note 2** - Additional fees will be required for IAS 19 assurance provided to a number of scheduled bodies of the Fund. The 2022/23 fee will also need to reflect the additional cost of needing to test membership data informing the 2022 triennial valuation of the Fund which will provide IAS19 assurance for scheduled body audits across a number of years. We will report relevant control observations arising from our membership data testing as part of our Audit Results Report. IAS19 work is annual work outside of the PSAA contract to provide assurance to the auditors of Staffordshire councils.

**Note 3** - Proposed fees to reflect our assessment of the additional work required to respond to identified risk, we will discuss details of the increases with the Management.

Any additional fees are subject to PSAA approval.



# Appendix B – Required communications with those charged with governance

We have detailed the communications that we must provide to those charged with governance.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by those charged with governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.  When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - December 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>▶ Significant difficulties, if any, encountered during the audit;</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management;</li> <li>▶ Written representations that we are seeking;</li> <li>▶ Expected modifications to the audit report; and</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> <li>▶ Findings and issues regarding the opening balance on initial audits.</li> </ul>	Audit results report - March 2024

# Appendix B – Required communications with those charged with governance (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty;</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	Audit results report - March 2024
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>▶ The effect of uncorrected misstatements related to prior periods.</li> <li>▶ A request that any uncorrected misstatement be corrected.</li> <li>▶ Material misstatements corrected by management.</li> </ul>	Audit results report - March 2024
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements</li> </ul>	Audit results report - March 2024
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected.</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.</li> <li>▶ Any other matters related to fraud.</li> </ul>	Audit results report - March 2024

# Appendix B – Required communications with those charged with governance (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable;</li> <li>▶ Non-disclosure by management;</li> <li>▶ Inappropriate authorisation and approval of transactions;</li> <li>▶ Disagreement over disclosures;</li> <li>▶ Non-compliance with laws and regulations; and</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit results report - March 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats;</li> <li>▶ Safeguards adopted and their effectiveness;</li> <li>▶ An overall assessment of threats and safeguards; and</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - December 2023</p> <p>Audit results report - March 2024</p>

# Appendix B – Required communications with those charged with governance (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit;</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy;</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard; and</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence.</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations; and</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report - March 2024.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur; and</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of.</li> </ul>	Audit results report - March 2024.
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report - March 2024.
Representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance.</li> </ul>	Audit results report - March 2024.
Material inconsistencies and misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.</li> </ul>	Audit results report - March 2024.
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report; and</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report.</li> </ul>	Audit results report - March 2024.

# Appendix C – Additional audit information

## Regulatory update

Our objective is to form an opinion on the Fund’s financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA’s appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Mayor. The audit does not relieve management or those charged with governance of their responsibilities.

## Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control;
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Concluding on the appropriateness of management’s use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements. Reading other information contained in the financial statements and the Audit and Standards Committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Appendix C – Additional audit information (cont'd)

### Other required procedures during the course of the audit

#### Other procedures

- ▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

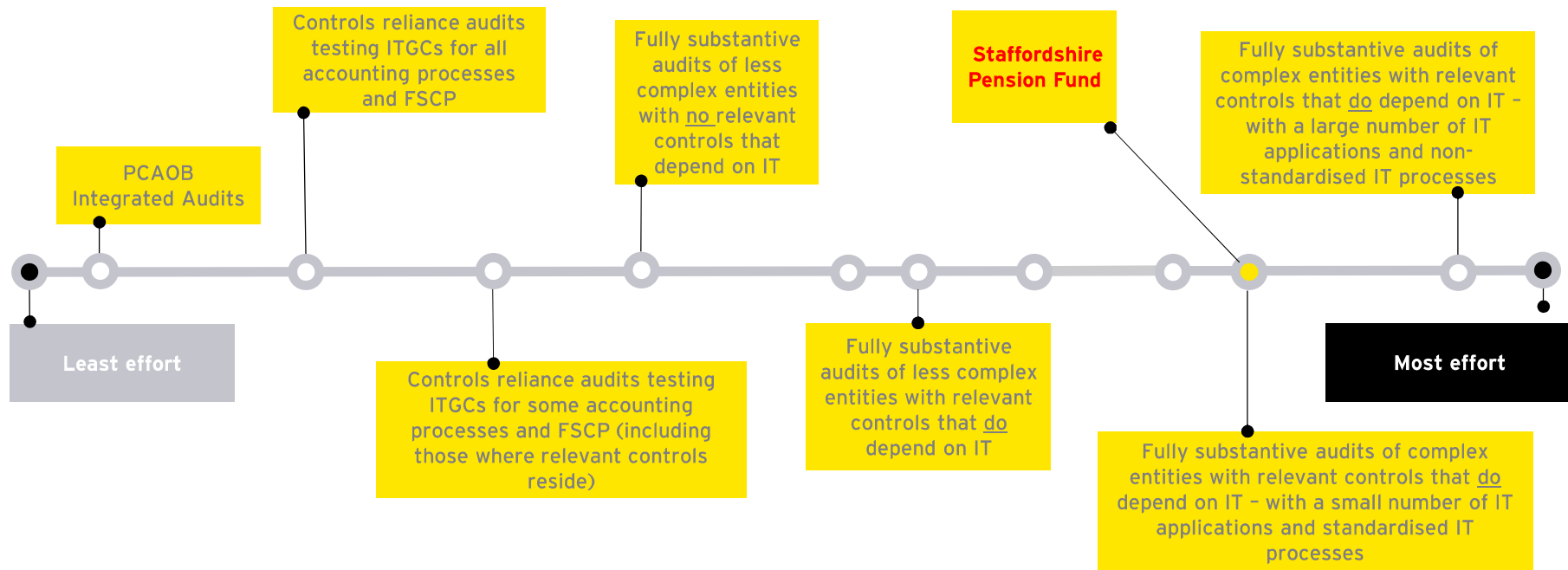
The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Appendix D – Impact of ISA (UK) 315 (Revised)

## Other required procedures during the course of the audit

The graphic below indicates where we have anticipated that the audit of Staffordshire Pension Fund falls on the spectrum of effort as it applies to the new requirements of the revised standard relating to understanding the effect of the entity's use of IT. The level of effort is displayed relative to the circumstances applicable to Staffordshire Pension Fund, and why that level of effort may differ to that required on the audits of entities with different circumstances.

Page 119



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**PENSIONS COMMITTEE – 15 DECEMBER 2023**

**Report of the Director of Finance**

**REVIEW OF GOVERNANCE COMPLIANCE STATEMENT**

**Recommendation of the Chair**

1. That the Pensions Committee approves the revised and updated Governance Compliance Statement attached as Appendix 1.

**Background**

2. Regulation states, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Having such, and keeping them updated, not only proves regulatory compliance, but more importantly demonstrates good governance and provides a range of current information to stakeholders.

**Governance Policy Statement**

3. **Regulation 55** of the Local Government Pensions Scheme Regulations 2013 states:

55. -(1) An administering authority must prepare a written statement setting out-

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so-

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

4. The Governance Policy Statement, now renamed the Governance Compliance Statement, was last updated, and approved by the Pensions Committee at their meeting in September 2018. The major changes at that time reflected the introduction of LGPS Central Limited, the Fund's asset pooling company, together with several minor changes and some reformatting.
5. A full review of the document has been delayed pending Government's formal adoption of the recommendations of the Good Governance Project and the introduction of any requirements for the LGPS arising from the Pensions Regulator's Single Code of Practice. However, as both, and any guidance on such, appears to have been delayed indefinitely, best practice dictates a minor review of the Governance Compliance Statement is in order, to ensure the Fund still has a document which reflects current guidance and is as up to date as possible.
6. As the Statement reflects the actual Governance arrangements in place, no wider consultation is considered necessary.

**Rob Salmon**  
**Director of Finance**

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Contact: Melanie Stokes, Assistant Director for Treasury & Pensions  
Telephone: (01785) 276330

Background Documents:  
Local Government Pensions Scheme Regulations 2013

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

**Legal implications:** The legal implications are covered in the body of the report.

**Resource and Value for money implications:** There are no direct resource and value for money implications arising from this report.

**Risk implications:** The legal implications are covered in the body of the

report.

**Climate Change implications:** 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

# Governance Compliance Statement

DRAFT

15 December 2023

## **1. Introduction**

Staffordshire County Council is the administering authority for the Staffordshire Pension Fund (the Fund). Local Government Pension Scheme (LGPS) regulations require all administering authorities to publish a Governance Compliance Statement which sets out how the County Council discharges its responsibilities in response to regulatory requirements and also how it complies with guidance issued by the Secretary of State. To the extent that it does not comply, it should set out the reasons for not complying.

This statement combines the overall governance arrangements which meet the requirements set out in Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013.

This statement also takes account of the guidance issued by the former Ministry of Housing, Communities and Local Government (MHCLG) now called the Department of Levelling Up, Housing and Communities (DLUHC), entitled Local Government Pension Scheme Governance Compliance Statement Statutory Guidance. The basic principles are accountability and transparency and both principles are achieved by setting clear responsibilities and appropriate reporting mechanisms.

Further sources of information are available on the Fund's website [www.staffspf.org](http://www.staffspf.org) including the Annual Report and Accounts, Funding Strategy Statement and Investment Strategy Statement.

## **2. Purpose of the Governance Compliance Statement**

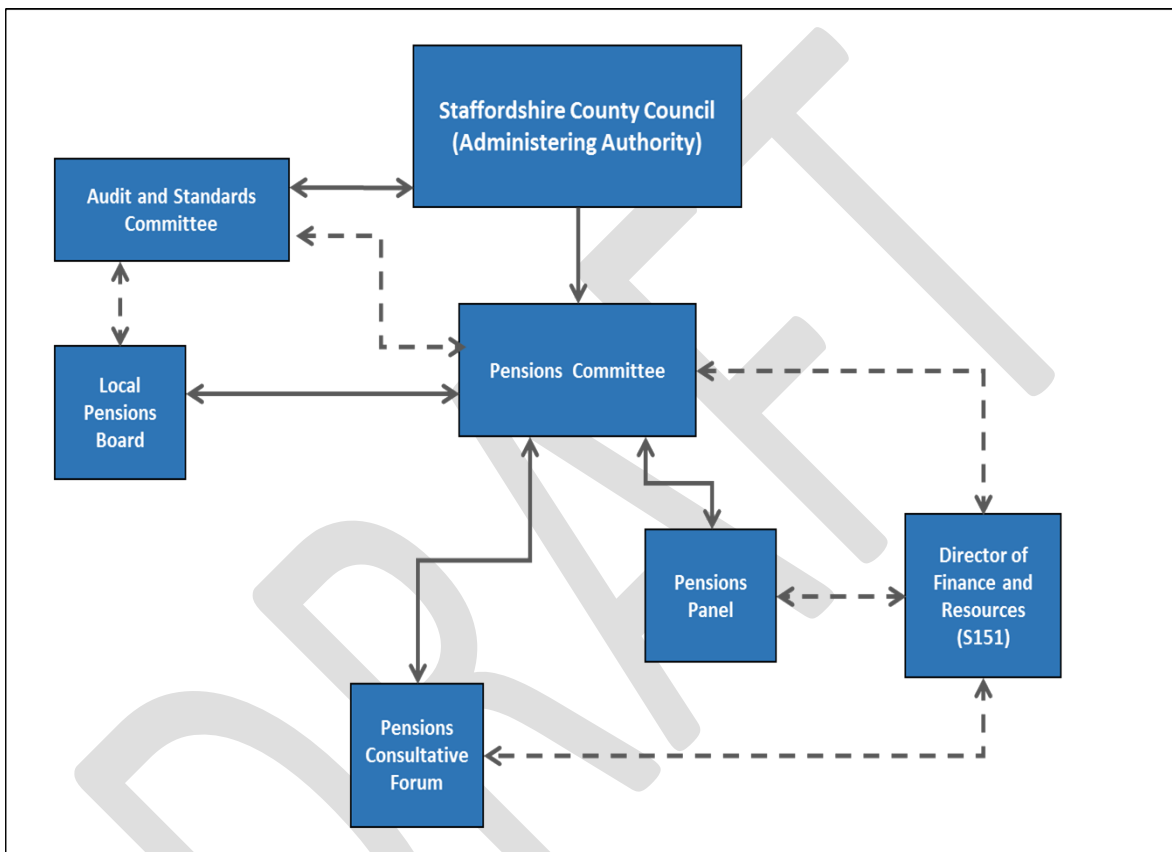
The LGPS regulations require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:

- whether it delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- the terms, structure and operational procedures of the delegation;
- whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the Local Pension Board.

### 3. Governance of the Staffordshire Pension Fund

Overall responsibility for managing the Fund lies with the full Council of Staffordshire County Council in its role as administering authority. Under the County Council’s Constitution, further delegations for the management, administration and investment of the Fund are made to the Pensions Committee, the Pensions Panel and the Director of Finance and Resources and his Staff.

#### Governance Structure of the Staffordshire Pension Fund



In all areas of the Governance Structure, the 7 Principles of Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership) are widely acknowledged and practiced; both within the decision-making framework and within day-to-day activities.

### 4. The Pensions Committee

The Pensions Committee has full delegated powers to deal with all functions relating to Local Government Pensions on behalf of Staffordshire County Council, including the management of the administration of benefits and the strategic management of the Funds’ assets.

The Pensions Committee is made up of:

9 Elected Councillor Members; and

6 non-voting representatives from the Pensions Consultative Forum representing the following categories:

- Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)
- Contractors (1)
- Other Scheduled Bodies (1)
- Trade Unions (2)
- Pensioner Recipients (1)

The Pensions Committee principally fulfils its role by.

- Approving and keeping under review the Investment Strategy Statement and Funding Strategy Statement;
- Maintaining a Communication Strategy;
- Approving the Pension Fund Annual Report and Accounts;
- Receiving a report, at least annually on pensions administration activities;
- Approving and keeping under review the Fund's Additional Voluntary Contribution (AVC) arrangements;
- Approving the formal Actuarial Valuation;
- Approving the admission of employing organisations to the Fund where there is discretion to do so;
- Dealing with any other matters arising in respect of Local Government Pensions; and
- Appointing a Pensions Panel of five Members of the Committee.

In making its decisions, the Pensions Committee is obliged:

- To have due regard to the advice of the Director of Finance and to the advice of Consultants appointed by the Committee for the purpose (the appointment of whom may be made by the Committee on such terms and conditions and for such duration as the Committee may consider appropriate) with expertise in either or both of the following fields:
  - Actuarial matters and Risk/Liability assessment
  - Investment Strategy and Asset Allocation;
- To monitor from time to time the advice received from those Consultants; and
- To have regard to the advice of the Pensions Panel on matters referred to the Committee for consideration by the Panel and to call for advice from any Adviser or Manager who could have been asked by the Pensions Panel to give the Panel advice.

If the Pensions Committee shall disregard the advice of Consultants their reasons for so doing shall be recorded in the minutes of the Committee.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Over time, as assets move into pooled structures the Pensions Committee will also become responsible for:



- The selection, appointment and dismissal of an investment pooling operator to manage the assets of the Fund;
- Determining what the administering authority requires the pool to provide to enable it to execute its local investment strategy effectively;
- Receiving and considering reports and recommendations from the Joint Committee and Practitioners Advisory Forum, established to oversee the pool, to ensure that the Fund's investor rights and views are represented effectively;
- Identifying and managing the risk associated with investment pooling;
- Ensuring that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling; and
- Ensuring the responsible investment, corporate governance and voting policies of the Fund are delivered effectively.

## **5. The Pensions Panel**

Each year, the Pensions Committee will appoint a Pensions Panel of 5 Elected Councillor Members of the Committee, with full delegated powers (and voting rights in accordance with the County Council's Constitution) to deal, as and when appropriate, to the following investment matters:

- The structure of the investment management arrangements necessary to achieve the effective management of the Pension Fund to meet the objectives set by the Pensions Committee;
- For non-pooled assets, the selection, appointment and dismissal of, and the monitoring of the performance of, the Investment Managers of the Pension Fund;
- The allocation of the assets of the Pension Fund and the generic selection of asset portfolios in order to meet the objectives set by the Pensions Committee;
- The monitoring of the performance of the Pension Fund and its portfolios on a regular and routine basis across all sectors of investment and management, and the reporting arrangements to Panel that may be required from time to time for this purpose;
- The monitoring of the performance and effectiveness of the investment pooling operator to ensure it is providing an effective means of delivering the investment strategy (e.g. types of assets and style of investment management) and it is meeting the objectives that have been set (including requirements in relation to responsible investment);
- To agree from time to time any restrictions to be placed on any one or more Managers of the Pension Fund as to particular classes of authorised investment or decisions they may take on behalf of the Pension Fund or as to the exercise of voting rights.

The Pensions Panel will review regularly and make recommendations to the Pensions Committee on the following:

- Strategic Asset Allocation;
- Strategic Benchmarks;
- Strategic Performance Targets;
- The performance of Investment Fund Managers;

- The Investment Strategy Statement and the Funding Strategy Statement;
- Legislative, financial and economic changes which impact on the investment activity of the Fund;
- Responsible Investment (RI) considerations; and
- The advice from Advisers appointed by the Panel.

The Pensions Panel shall have regard to the advice of the Director of Finance and to the advice of the Independent Advisors, or other service providers, appointed by the Panel for the purpose (the appointment of whom may be made by the Panel on such terms and conditions and for such duration as the Panel may consider appropriate) with expertise in any one or more of the following fields:

- Tactical Asset Allocation/Investment Strategy Implementation;
- Equities/Stocks/Shares/Securities (whether in UK or Overseas);
- Property;
- Bonds and Gilt-edged Investments;
- Alternative Investments e.g. Private Equity, Private Debt, Infrastructure; and
- Manager Selection and Performance Monitoring.

In addition, the Pensions Panel may make recommendations to the Pensions Committee on any matter, whether or not it falls within the powers delegated to the Pensions Panel.

## **6. The Local Pensions Board**

The role of the Local Pensions Board is defined by the Public Service Pensions Act 2013. The Board aims to assist the administering authority in ensuring the effective and efficient governance and administration of the Pension Fund including:

- Securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the Fund;
- Securing compliance with requirements imposed in relation to the Fund by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

The Local Pensions Board comprises 4 representatives with equal representation from Employer Bodies and Scheme Membership.

As well as meeting sufficiently regularly to discharge its duties and responsibilities effectively, all Board representatives have an open invitation to attend all meetings of the Pensions Committee and Pensions Panel, in an observer capacity.

## **7. Pensions Consultative Forum**

The Pensions Consultative Forum, which consists of representatives from all Scheme Employers in the Fund, as well as Trade Unions, meets at least annually (for an Annual General Meeting (AGM)). The Forum's 6 nominated representatives also attend the quarterly meetings of the Pensions Committee in a non-voting capacity.

The AGM provides a formal means for communication and consultation about the activities and governance of the Staffordshire Pension Fund, and will typically:

- receive the Annual Report and Accounts of the Fund;
- consider a report on the assets, liabilities and the solvency of the Fund;
- consider a report of the investment arrangements of the Fund;
- consider an account of the performance of the investment arrangements of the Fund;
- discuss the principles and practices of the interaction between the administering authority and Participating Bodies regarding the Fund; and
- consider any other business that is consistent with the purpose and objectives of the meeting.

Outside of the AGM, the Forum is also used as a means of consultation with Scheme Employers; for example, this may include consultation on changes to the Funding Strategy Statement or the Investment Strategy Statement.

The Employer Focus Peer Group will consist of about 15 representatives from a cross section of the Fund's Scheme Employers, eligible to be members of the Forum, and will be used for more regular engagement for the purposes of delivering appropriate training and timely information via Employer Focus Newsletters.

## **8. The Director of Finance**

The Director of Finance and his Team are responsible for all matters of Fund administration, including recording each member's years of service and calculating and paying out pensions. They are also responsible for all administration and accounting functions that relate to the investment of the Fund's assets.

Under the County Council's Constitution (Section 10, Appendix 1, Table 7), the Director of Finance may:

- Take and implement any decision relating to the investment or management of the Pension Fund which is within the framework of the strategic or policy decisions of the Pensions Committee or the Pensions Panel; and
- After taking appropriate advice from the Fund Actuary, Investment Consultants or Independent Advisers appointed to advise the Pensions Committee or the Pensions Panel, to take any decisions relating to the investment and management of the Pension Fund which cannot reasonably await the next meeting of the Pensions Committee or the Pensions Panel.

There is also a Finance sub-scheme of delegation which further delegates some practical elements of the day to day running of the Fund to the Assistant Director of Treasury and Pensions and members of the Treasury and Pensions Team.

## **9. LGPS Central (LGPSC)**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. As a result of this, the Staffordshire Pension Fund has joined with 8 other LGPS Funds across the Midlands (Partner Funds) to form an asset pool, known as LGPS Central.

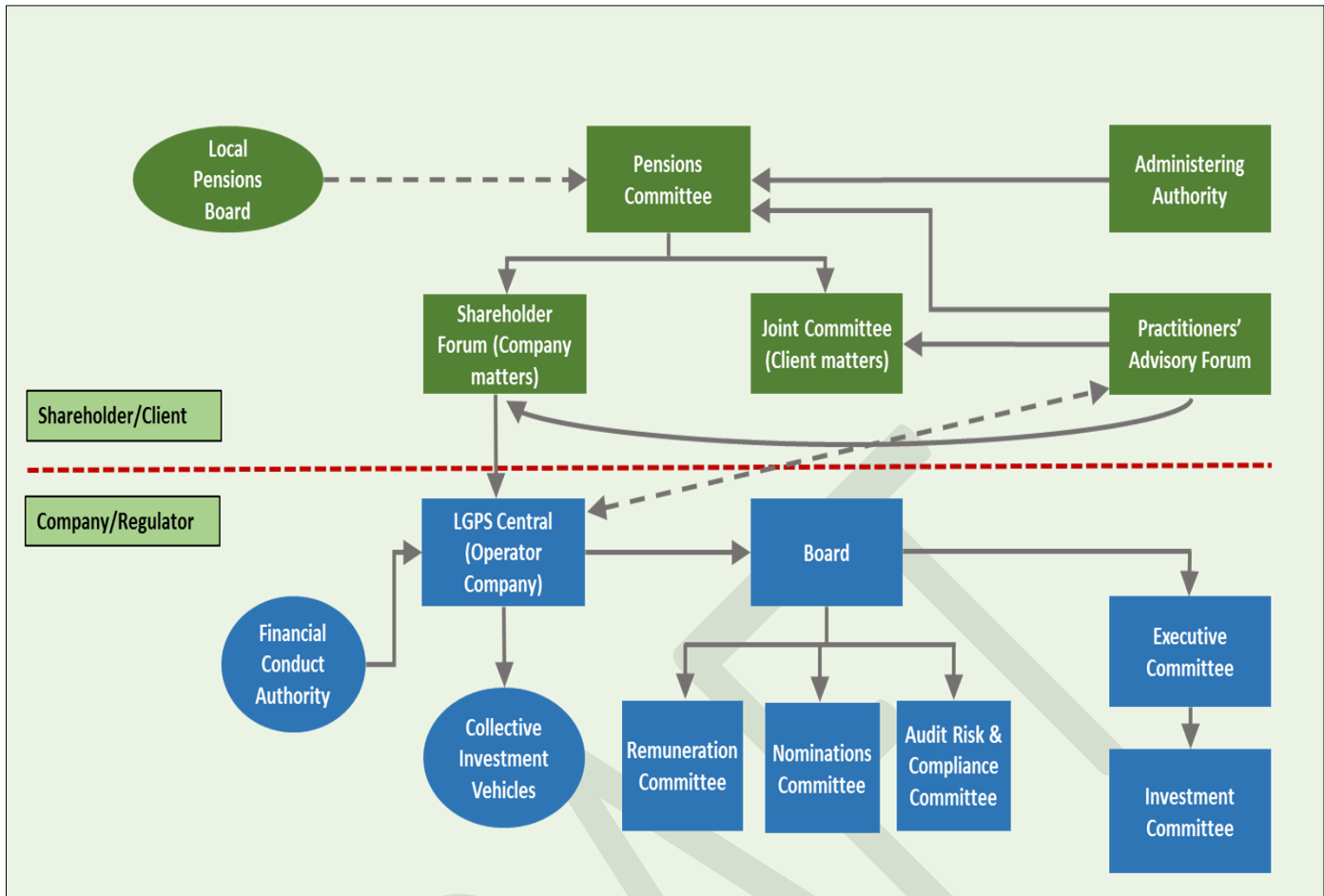
LGPS Central Limited is the Company formed by the Partner Funds which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the Partner Funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

It is important to note that the Councils of each of the Partner Funds retain their core duties and responsibilities as the administering authorities of their respective LGPS Funds.

Asset allocation decisions remain with the Partner Funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the Operator is the responsibility of LGPS Central Limited. Manager selection for the remainder of the Pool's assets currently remains with the Partner Funds. The Operator is responsible for selecting the custodian for the assets in the ACS; the Partner Funds are responsible for selecting the custodian for the remaining assets.

The formation of LGPS Central Limited has an impact on the roles of the Staffordshire Pensions Committee and the Pensions Panel. As more assets transfer to the pool and the investment management activity of the company progresses, the existing Governance arrangements and Terms of Reference will need amending to reflect these changes.

### Governance Structure of LGPS Central



The governance structure of LGPS Central will allow Partner Funds to exercise control (both individually and collectively) over the pooling arrangements, not only as investors in the ACS but also as shareholders of the operator company.

The **LGPS Central Joint Committee** has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The membership of the Joint Committee consists of one elected member from each Council within the LGPS Central pool. The first meeting of the Joint Committee took place on 23 March 2018 and at that meeting it was agreed that a Trade Union representative would be appointed as a non-voting member of the Joint Committee to represent the scheme members across the Councils' pension funds.

Staffordshire's representative on the LGPS Central Joint Committee is the Chair of the Pensions Committee.

The primary role of the **Shareholders' Forum** is to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the Shareholding Councils within the LGPS Central pool. The Shareholders' Forum is independent of the Company and its meetings are distinct from Company meetings, however, members of the Shareholders' Forum represent the Councils at Company Meetings. The Councils as individual investors in the Company have in place local

arrangements to enable their Shareholder representatives to vote at Company meetings.

The Staffordshire Pension Fund, as a shareholder in LGPS Central has equal voting rights alongside the other Partner Funds and unanimous decisions are required on certain reserved matters before the actions can be implemented. These are specified in the Company's Shareholder Agreement and Articles of Association. Other matters, not directly related to the control of the company to manage its operation are subject to a majority approval (75%).

Staffordshire's representative on the Shareholders Forum is the Chair of the Pensions Committee.

The **Practitioners' Advisory Forum (PAF)** is a working group of officers appointed by the Shareholding Councils within the LGPS Central pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. PAF seeks to manage the Pool's conflicting demands and interests, either between the participating Councils or between the Councils (collectively) and the Company, recognising that speaking with "one voice" reduces the duplication of costs and resources and maximises the benefits of scale. PAF will also report back to Partner Fund's Pensions Committees on matters requiring their attention.

Staffordshire's representatives on PAF are the Director of Finance and the Assistant Director for Treasury and Pensions.

Terms of Reference have been approved for the Joint Committee, the Shareholders' Forum and the Practitioners' Advisory Forum. These are "live" documents which will be reviewed as the practical day to day experience of working within the LGPS Central pool dictates.

## 10. Governance Compliance Statement

LGPS Regulations require Pension Funds to issue a statement confirming the extent to which their governance arrangements comply with guidance issued by the Secretary of State. The statement below confirms the mechanism in place to satisfy each requirement.

Principle	Explanation of Approach	Compliance
STRUCTURE		
The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	The Pensions Committee is clearly responsible for these areas under the terms of reference contained in the Council's constitution. Details are included in the main body of this document.	FULL
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Representatives of employing bodies and employees are included as non-voting representatives of the Pensions Committee through the Pensions Consultative (Employers) Forum as follows: <ul style="list-style-type: none"> <li>• Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)</li> <li>• Contractors (1)</li> <li>• Other Scheduled Bodies (1)</li> <li>• Trade Unions (2)</li> <li>• Pensioner Recipients (1)</li> </ul>	FULL
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	The Pensions Panel meets quarterly. Minutes from the Pensions Panel meetings are presented to the Pensions Committee. Six members of the Pensions Consultative Forum are co-opted onto the Pensions Committee, as non-voting members.	FULL
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member of the secondary committee or panel.	The five members of the Pensions Panel are also voting members of the Pensions Committee and meet quarterly.  Six members of the Pensions Consultative Forum are co-opted on to the Pensions Committee.	FULL

Principle	Explanation of Approach	Compliance
<b>REPRESENTATION</b>		
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <p>a) Employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>b) Scheme members (including deferred and pensioner scheme members;</p> <p>c) Independent professional observers; and</p> <p>d) Expert advisors (on an ad-hoc basis).</p>	<p>a) and b)</p> <ul style="list-style-type: none"> <li>• The following are co-opted on to the Pensions Committee: Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)</li> <li>• Contractors (1)</li> <li>• Other Scheduled Bodies (1)</li> <li>• Trade Unions (2)</li> <li>• Pensioner Recipients (1)</li> </ul> <p>c) The Committee does not include an independent professional observer as the value add, given the likely cost, is unclear. However, professional independence is evidenced in a number of other ways, including:</p> <ul style="list-style-type: none"> <li>• The Director of Finance providing impartial and independent advice;</li> <li>• Auditors using the new Chartered Institute of Public and Accountancy (CIPFA) template to give an independent view of the overall governance of the Fund;</li> <li>• The Fund being visibly accountable through the wide range of information published, including Annual Reports, Investment Strategy Statement, Funding Strategy Statement, Governance Compliance Statement and Communications Policy; and</li> <li>• The 6 non-voting members, including the Pensioner Representative, of the Pensions Consultative Forum operating as independent observers.</li> </ul> <p>d) Expert advisors attend the Pensions Committee as required for the nature of the main decisions. For example, the Actuary attends when the valuation is being considered, and the main Investment Consultant attends when the Strategic Asset Allocation decision is being made. The Investment Consultant and Independent Advisor(s)</p>	<p>FULL</p> <p>b) non-compliant for reasons explained</p>



	<p>regularly attend the Pensions Panel meeting.</p> <p>All members are treated equally in terms of access to papers and to training that is given as part of the Committee process.</p> <p>Additionally, new members of the Committee are automatically offered attendance on the three-day LGA LGPS Fundamentals Training course.</p>	
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<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>SELECTION AND ROLE OF LAY MEMBERS</b>		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	The elected members are aware of their status, role and function (which are set out in the constitution).	FULL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>VOTING</b>		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<p>Voting rights remain with Elected Members (County Councillors) on the main Pensions Committee because the Council retains legal responsibility as the administering authority. Outside of their delegated powers, neither the Pensions Panel nor the Local Pensions Board have any independent voting rights, but they do make recommendations to the Pensions Committee.</p> <p>The Pension Consultative Forum does not have voting rights as they are not members of the administering authority. However, the 6 members of the Forum who attend the Pension Committee will bring the perspectives of all stakeholders to the main Committee.</p>	FULL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
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<b>TRAINING / FACILITY TIME / EXPENSES</b>		
That in relation to the way the statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time, and reimbursement of expenses in respect of members involved in the decision-making process.	This falls within the County Council's normal approach to member expenses.  Co-opted members do not receive expenses.  Training has been referred to above.	FULL
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	The policy applies equally to all elected members. However, unelected co-opted representatives do not ordinarily receive expenses from the administering authority.	PARTIAL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>MEETINGS (Frequency / Quorum)</b>		
That an administering authority's main committee or committees meet at least quarterly.	The Pensions Committee meets quarterly.	FULL
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The Pensions Panel meets quarterly. In addition, the Fund invites all its Employers to attend and Annual General Meetings. Ad-hoc Employer Training Day(s) are also offered. The Employers also select 5 members to attend the Pensions Committee as non-voting representatives to allow stakeholders' perspectives to the Fund's governance arrangements.	FULL
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	Not applicable

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>ACCESS</b>		

That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members of the Pensions Committee, Pensions Panel and Pensions Board have the same access.	FULL
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Principle	Explanation of Approach	Compliance
SCOPE		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	<p>The terms of reference are:</p> <ul style="list-style-type: none"> <li>• set out under the constitution; and</li> <li>• cover all aspects of investment, administration and benefits and the wider issues of governance.</li> </ul>	FULL

Principle	Explanation of Approach	Compliance
PUBLICITY		
That administering authorities have published details of their governance arrangements in such a way that the stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	<p>The Governance Compliance Statement is published and available on the internet:  <a href="http://www.staffspf.org.uk/Governance/Policies.aspx">http://www.staffspf.org.uk/Governance/Policies.aspx</a></p> <p>The main direct stakeholders (employing bodies and staff (via Trades Unions)) are part of the Pensions Consultative Forum that meets at least annually.</p> <p>Employing bodies are in turn accountable to Council Tax payers and other interested parties. As a result the Governance Compliance Statement covers all the main stakeholders.</p> <p>It is arguable that retired pensioners are not specifically included, although they do receive an annual newsletter.</p> <p>Contact details are provided in the Communications Policy and in the Annual Report, as well as on the website, so other interested parties can find out more if they wish.</p>	FULL

## 11. To Contact Us or for Further Information

In writing or in person at:

Treasury and Pension Fund  
Staffordshire County Council  
2 Staffordshire Place  
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**PENSIONS COMMITTEE – 15 DECEMBER 2023**

**Report of the Deputy Chief Executive  
and Director of Corporate Services**

**STAFFORDSHIRE LOCAL PENSIONS BOARD CONSTITUTION**

**Recommendation**

1. That the Pensions Committee approves the proposed amendments to the make-up of the Local Pensions Board Membership and agrees to reduce the number of members that sit on the Board from six to four – two representing Scheme Employers and two representing Scheme Employees.
2. That the Pensions Committee approves the amendments to the Local Pensions Board Constitution reflecting the proposed changes to the make-up of the Local Pensions Board Membership.
3. That the Pensions Committee approves the changes to the Local Pensions Board Member Appointment Process.

**Background**

4. In April 2015 Staffordshire County Council set up a Local Pensions Board (“the Board”) to ensure that, as the Scheme Manager for the Local Government Pension Scheme (LGPS), it executes its duties and responsibilities. The main purpose and role of the Board is to assist the Administering Authority, as Scheme Manager, to secure compliance with the LGPS Regulations and any other legislation relating to governance and administration of the LGPS.
5. When the Board was set up the membership consisted of a maximum of six members made up of three Scheme Employer Representatives and three Scheme Member Representatives.
6. The Board Constitution states that one of the Scheme Employer representatives must be an Elected Local Authority Member and one Scheme Employee representative must be a Trade Union representative.

**Amendment to the Local Pension Board Make-up, Constitution and Appointment process.**

7. The Committee will be aware of the difficulties experienced throughout 2022 and 2023, in finding suitable nominees to appoint as Board Member Representatives. For some time now, the Scheme

Manager has attempted to appoint both an Elected Member and a Trade Union representative to the Board, without success.

8. Following discussions at the September Board meeting, it was proposed that the Scheme Manager consider reducing the number of members on the Board from six to four, and in doing so remove the specific stipulation from the Board Constitution that the Board membership must specifically include an Elected Local Authority Member and a Trade Union representative.
9. This proposal remains consistent with Local Government Pensions Scheme Regulations 2013, which state that 'an administering authority shall determine the membership of the Board, the way in which they are appointed and the terms of the appointment'. It also states that 'the administering authority must appoint to the local pension board an equal number, which is no less than four in total, of employer representatives and member representatives'.
10. To be clear this does not mean that Elected Local Authority Members or Trade Union representatives cannot become members of the Board, it simply removes the stipulation that there must be two such representatives. This will allow for more flexibility in recruiting new members moving forward.
11. Trade Unions were informed of the proposal on Wednesday 18 October 2023 and asked for any comments by Thursday 30 November 2023. One response, from Unison, stated an appreciation of the issue and given they had no suitable candidate to put forward, confirmed that as a result, there was no objection to the proposal. This, together with the lack of a response from the other Unions, further strengthens the argument that amendments to the make-up of the Board are needed.
12. Whilst this process was carried out the opportunity was also taken to make some amendments to the "Member Appointment Process" included within the Board Constitution, to ensure it remains consistent with current appointment practices.
13. The appointment process included in the current constitution focusses on the selection process undertaken when the Pensions Board was originally established. Whilst it also includes additional steps that concentrate on the recruitment of replacement Board members, the process no longer needs to consider the appointment of an original Board, and the proposed amendments means the process focusses on the appointment of replacement Board members only.

14. The current appointment process also includes the involvement of the Pensions Forum as a nominating body. The Pensions Forum no longer exists in its original guise and is therefore no longer able to carry out this function.
15. The proposed appointment process (found on page 19 of the amended Constitution) is tried and tested as it follows the same appointment process that is used to recruit co-opted members to the Pensions Committee.
16. An opportunity was also taken to bring the document in line with current Fund logo and brand guidelines, and the Pensions Committee is asked to note these amendments.
17. An updated copy of the Constitution can be found at Appendix 1 to this report.

**John Tradewell**  
**Deputy Chief Executive and Director of Corporate Services**

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

**Legal implications:** The legal are covered in the body of this report.

**Resource and Value for money implications:** There are no direct resource and value for money implications arising from this report.

**Risk implications:** There are no risk implications arising from the report.

**Climate Change implications:** 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**  
Local Government Pension Scheme

# Staffordshire Pension Fund Pensions Board

Constitution

December 2023





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## CONTENTS

1.	<a href="#">Purpose &amp; Role</a>	4
2.	<a href="#">Definitions</a>	4
3.	<a href="#">Powers of the Pension Board</a>	5
4.	<a href="#">Scheme Manager Consents</a>	5
5.	<a href="#">Membership</a>	6
6.	<a href="#">Resignation and Dismissal from the Pension Board</a>	9
7.	<a href="#">Quorum</a>	10
8.	<a href="#">Conflicts of Interest</a>	10
9.	<a href="#">Pension Board Review Process and Publicity</a>	11
10.	<a href="#">Advisers to the Pension Board</a>	11
11.	<a href="#">Knowledge, Skills and Training</a>	11
12.	<a href="#">Meetings and Frequency</a>	13
13.	<a href="#">Decision Making &amp; Reporting</a>	14
14.	<a href="#">Conduct</a>	14
15.	<a href="#">Accountability</a>	14
16.	<a href="#">Expenses</a>	15
17.	<a href="#">Variations</a>	15
18.	<a href="#">Confidentiality</a>	15
Appendices		
Appendix 1	<a href="#">Member Role Specification</a>	17
Appendix 2	<a href="#">Member Appointment Process</a>	19

## Purpose & Role

- 1.1. 1.1 This is the governing document for the Staffordshire Pension Fund, Pension Board.
- 1.2. The role of the Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to:
  - 1.2.1. Assist the Administering Authority, as Scheme Manager;
    - 1.2.1.1. to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS;
    - 1.2.1.2. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator including but not limited to the regulatory strategy of public service pension schemes (as amended);
    - 1.2.1.3. in such other matters as the LGPS regulations may specify.
  - 1.2.2. Secure the effective and efficient governance and administration, including funding and investments of the LGPS for the Staffordshire Pension Fund.
  - 1.2.3. Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
  - 1.2.4. Help ensure that the Staffordshire Pension Fund is managed and administered effectively and efficiently in terms of administration and governance including investments and funding and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator.
- 1.3. The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## 2. Definitions

- 2.1. The following terms and expressions shall have the following meanings:

Term	Definition
“Administering Authority”	means Staffordshire County Council as administrator of the Staffordshire Pension Fund;
“Annual Report”	Means the report to be compiled and provided by the Pension Board in accordance with clause 13.6
“Code of Practice”	means the Pensions Regulator’s code of practice number 14 for the governance and administration of public service pension schemes as amended;
“Conflict of Interest”	as defined in section 5 of the Public Service Pensions Act 2013 as a financial or other interest which is likely to prejudice the persons exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme);
“Employer Representative(s)”	means a person appointed to represent the interests of the employers in the pension scheme who must meet the requirements of this Constitution and more specifically clause 5;

“LGPS Regulations”	the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended;
“member”	means a member of the Pension Board for the purposes of this Constitution;
“Monitoring Officer”	means the officer of the Scheme Manager as required under section 5 of the Local Government and Housing Act 1989 as amended by schedule 5 para 24 of the Local Government Act 2000;
“Pension Board”	means the local Pension Board for the Administering Authority as required under the Public Service Pensions Act 2013;
“Pension Committee”	means the committee constituted with full delegation from the Scheme Manager to act on behalf of the Scheme Manager in relation to the Staffordshire Pension Fund;
“Pension Fund”	means the Staffordshire Local Government Pension Fund;
“Pensions Panel”	means the panel constituted with full delegation from the Scheme Manager to act on behalf of the Scheme Manager in relation to the Staffordshire Pension Fund;
“Regulations”	means the Part 3 (Governance) of the Local Government Pension Scheme Regulations 2013 as amended by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
“role specification”	means the required skills and standards which relate to the role of a Pension Board member and more specifically described in <a href="#">Appendix 1</a> ;
“Scheme Employer”	means a body listed in Schedule 2 of the LGPS Regulations 2013 employing an employee who is eligible to be a member of the Staffordshire Pension Fund and includes an admission body;
“Scheme Manager”	means Staffordshire County Council as Administering Authority of the Staffordshire Pension Fund from whom delegated powers have been provided to the Director of Finance and the Head of Treasury and Pensions, employed by Staffordshire County Council;
“Scheme Member(s) Representative”	means a person who will represent the interest of the pension scheme members who must meet the requirements of this Constitution and more specifically clause 5;
“section 151 officer”	means under Section 151 of the Local Government Act 1972 an officer the Administering Authority is required to have who has a statutory responsibility to ensure the proper arrangement of the authorities financial affairs.

### 3. Powers of the Pension Board

- 3.1 Where any breach of legislation or duties is committed or is alleged to have been committed by the Pension Committee, the Pension Board shall;
  - 3.1.1 Within 1 month of the possible breach, meet with the Committee Chair (supported by the section 151 officer) to discuss the breach;
  - 3.1.2 Ask the Committee Chair to explain the actions taken and provide evidence of the legitimacy of the actions taken;

- 3.1.3 Consider the matter on the facts available and evidence provided by the Committee Chair and shall;
  - 3.1.3.1 Refer it back to the Committee to consider afresh and correct any areas of concern/or breaches of duty; or
  - 3.1.3.2 Determine that no breach of duty has taken place.
- 3.2 If under clause 3.1 above it is decided that a breach has occurred, the Pension Board shall (as required by the Code of Practice and the Pensions Act 2004);
  - 3.2.1 report the breach to the Scheme manager and take prompt and effective action to investigate and correct the breach and its causes and, where appropriate, notify any affected members; or
  - 3.2.2 where prompt and effective action to remedy the breach has not been taken and/or where scheme members have not been informed when they should have been, report the breach as a breach of material significance to the Pensions Regulator.
- 3.3 As per Regulation 106 (7) and subject to the terms in this Constitution, the Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

#### **4. Scheme Manager Consents**

- 4.1 The Pension Board shall not:
  - 4.1.1 replace the Scheme Manager or make decisions which are the responsibility of the Scheme Manager;
  - 4.1.2 amend the statements, strategies and reports prepared in compliance with sections 57 to 61 of the LGPS Regulations 2013;
  - 4.1.3 consider or become involved in any internal dispute resolution appeals or the process itself;
  - 4.1.4 enter into contracts on behalf of the Administering Authority;
  - 4.1.5 dismiss any members of the Pension Committee or Pensions Panel;
  - 4.1.6 use the Pension Board to act on behalf of a particular constituency or Pension Fund member in general or in relation to a specific complaint at any time;
  - 4.1.7 compromise the Pension Committee's ability to comply with its fiduciary duty to the Pension Fund and its members and employers.
- 4.2 The Pension Board must seek written consent from the Scheme Manager before it:
  - 4.2.1 instructs the Pension Fund actuary to provide a report of any kind;
  - 4.2.2 request any external advisor to attend a meeting of the Pension Board which shall require remuneration of any level;
  - 4.2.3 incurs a cost to the Pension Fund;
  - 4.2.4 can amend this Constitution.
- 4.3 All members of the Pension Board shall be entitled to attend Pension Committee and Pensions Panel meetings including during any item covered by exempt/confidential information procedures under the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.

- 4.4 All members of the Pension Board shall be given access to all Pension Committee and Pensions Panel papers including any items covered by exempt/confidential information procedures under the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.
- 4.5 Insofar as it relates to the role of the Pension Board, it may also:
  - 4.5.1 request and receive information and reports from the Pensions Committee, Pensions Panel or any other body or officer responsible for the management of the Fund,
  - 4.5.2 examine decisions made or actions taken by the Pensions Committee, Pensions Panel or any other body or officer responsible for the management of the Fund.
- 4.6 Any further requests for information and advice are subject to the approval of the Scheme Manager, who will be required to consider positively all reasonable requests in relation to the role of the Pension Board whilst being mindful of value for money.

## 5. Membership

- 5.1 During the existence of the Pension Board, the membership shall contain a maximum of ~~six-four~~ members, which shall consist of:
  - 5.1.1 ~~Three-Two~~ Employer Representatives;
  - 5.1.2 ~~Three-Two~~ Scheme Member Representatives.
- 5.2 Scheme Member Representatives and Employer Representatives shall be appointed in equal number at all times.
- 5.3 Members of the Pension Board shall be appointed via the appointment process set out in [Appendix 2](#).
- 5.4 Upon receipt of written approval from the Scheme Manager, the Pension Board may appoint a non-voting independent advisor to the Pension Board.

### ***Employer Representatives***

- ~~5.5~~—The two Employer Representatives ~~must~~can consist of:
  - ~~5.6~~—~~One elected local authority councillor;~~
  - ~~5.75.5~~ elected local authority councillors or Two officers of a Scheme Employer, who are active members of the Pension Fund.
- ~~5.85.6~~ 5.8.15.6 The specific conditions for Employer Representatives are;
  - ~~5.8.15.6.1~~ 5.8.15.6.1 They cannot be a member of the Pension Board if they are responsible for the discharge of any function of the Administering Authority under the LGPS Regulations 2013;
  - ~~5.8.25.6.2~~ 5.8.25.6.2 They can be a senior officer of a Scheme Employer;
  - ~~5.8.35.6.3~~ 5.8.35.6.3 They must have capacity to represent employers in addition to holding the required level of knowledge and skill as set out in this Constitution;
  - ~~5.8.45.6.4~~ 5.8.45.6.4 They must not have a Conflict of Interest;
  - ~~5.8.55.6.5~~ 5.8.55.6.5 They must adhere to all relevant policies and codes of conduct of the Scheme Manager in addition to this Constitution at all times during their tenure;

~~5.8.65.6.6~~ They cannot also be a member of the Pension Committee, or Pensions Panel in a non-voting capacity;

~~5.8.75.6.7~~ They cannot be an elected member of the Administering Authority.

#### **Scheme Member Representatives**

~~5.9~~ ~~The Scheme Member Representatives must consist of:~~

~~One trade union representative; and~~

~~Two active, deferred or pensioner members of the Pension Fund, (who can be members of a trade union but not a representative for them).~~

5.7 The Scheme Member Representatives can consist of Trade Union representatives, active, deferred or pensioner members of the Pension Fund

~~5.105.8~~ The conditions for Scheme Member Representatives are:

~~5.10.15.8.1~~ They must have capacity to represent members in addition to holding the required level of knowledge and skill as set out in this Constitution;

~~5.10.25.8.2~~ They must not have a Conflict of Interest;

~~5.10.35.8.3~~ They must adhere to all relevant policies and codes of conduct of the Scheme Manager in addition to this Constitution at all times during their tenure;

~~5.10.45.8.4~~ They cannot also be a member of the Pension Committee, or Pensions Panel in a non-voting capacity.

~~5.10.55.8.5~~ They cannot be a member of the Pension Board if they are responsible for the discharge of any function of the Administering Authority under the LGPS Regulations 2013.

#### **Chair and Vice Chair**

~~5.115.9~~ The Chair and Vice Chair of the Pension Board shall be appointed by majority vote of the Pension Board members in a general meeting.

#### **Role of the Chair**

~~5.125.10~~ It will be the role of the Chair to;

~~5.12.15.10.1~~ ensure the rules of this Constitution are followed at all times

~~5.12.25.10.2~~ ensure that all members of the Pension Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met;

~~5.12.35.10.3~~ ensure that only decisions within the powers of the Pension Board are made;

~~5.12.45.10.4~~ instruct the Pension Board members to consider relevant matters only and to disregard irrelevant matters.

~~5.135.11~~ The decision of the Chair on all points of procedure and order and the Chair's interpretation of any terms of this Constitution shall be final.

~~5.145.12~~ The Chair and Vice Chair shall be appointed for a term to be agreed by the



Pension Board members and the appointed person will be entitled to seek reappointment for no more than one further term which is equal to the duration of their first term.

5.155.13 The Chair or Vice Chair can be removed from office for any reason, by the Scheme Manager, with or without notice.

5.165.14 In the event that the Chair cannot attend a Pension Board meeting due to illness or emergency, the Vice Chair will carry out the role of Chair for that particular meeting.

#### ***Term and Attendance of Pension Board Members***

5.175.15 Pension Board members shall serve for a four year term.

5.185.16 The Scheme Manager has discretion to extend any member's term of office for up to 12 months in order to ensure continuity of experience and knowledge of Pension Board members.

5.195.17 Each Pension Board member shall endeavour to attend all Pension Board meetings during their term.

5.205.18 No Pension Board member may send a substitute to a Pension Board meeting.

#### ***Subcommittees***

5.215.19 The Pension Board may create subcommittees with members of the Pension Board to complete particular and specific tasks that are required by the Pension Board from time to time.

5.225.20 Subcommittee members must have the requisite skills and knowledge to carry out and complete the task that the subcommittee was created for.

5.235.21 Such subcommittees must complete the specific task within a reasonable time period however this shall not be longer than 6 months.

5.245.22 The Chair can disband any subcommittee for any reason and with immediate effect.

### **6. Resignation and Dismissal from the Pension Board**

- 6.1 Any member may resign from the Pension Board by giving six (6) month's written notice to the Chair.
- 6.2 The Scheme Manager shall have absolute discretion to remove any member with notice or with immediate effect.
- 6.3 The termination of a member's involvement under clause 6.2, where notice is given, shall take effect one month after the decision has been made. (Except in cases where the dismissal is due to the member no longer meeting the required standard of knowledge and capacity.)
- 6.4 Termination of a Pension Board member shall not;
  - 6.4.1 where the member is an officer of a Scheme Employer, affect that employment (unless specifically stated otherwise); or
  - 6.4.2 where the member is an elected member of a Scheme Employer, affect that position as a Councillor for the relevant authority (unless specifically stated otherwise).
- 6.5 The office of a member shall be vacated if:

- 6.5.1 he becomes prohibited by law from being a member; or
  - 6.5.2 he is appointed to a position in which he is responsible for the discharge of any function under the LGPS Regulations 2013; or
  - 6.5.3 he becomes incapable due to mental or physical incapacity or death; or
  - 6.5.4 he resigns his office by notice to the Pension Board under clause 6.1; or
  - 6.5.5 he shall for more than six consecutive months have been absent without permission of the Pension Board from meetings held during that period; or
  - 6.5.6 if he ceases to be an elected Councillor for a local authority on behalf of whom he acts as a representative; or
  - 6.5.7 if he ceases to be employed by the body on behalf of whom he acts as representative;
  - 6.5.8 as a result of a complaint which is substantiated after completion of an investigation by the Scheme Manager;
  - 6.5.9 as a result a breach of, or an offence committed under the Scheme Manager's Members' code of conduct, created in accordance with chapter 7 of the Localism Act 2011 and they are removed from their position of elected member; or
  - 6.5.10 as a result of a failure to meet the requirements of clause 11.
- 6.6 For the avoidance of doubt, where a member is an employee of a Scheme Employer or trade union and they resign, or retire or are dismissed from their employment, this will result in their removal from the Pension Board.
- 6.7 For the avoidance of doubt, where a member is an elected councillor and they are not re-elected, or they retire or they are removed from their post, this will result in their removal from the Pension Board.

## **7. Quorum**

- 7.1 The Pension Board shall have a formal quorum of two, which must consist of one Scheme Member Representative and one Employer Representative.
- 7.2 A meeting that is (or becomes at any point) not quorate will cease immediately.

## **8. Conflicts of Interest**

- 8.1 Further to the Regulations, the Scheme Manager shall not appoint as a member, a person who has an existing conflict of interest.
- 8.2 For the avoidance of doubt, being a member of the LGPS is not a conflict of interest.
- 8.3 Where a member becomes conflicted during their appointment, they shall inform the Scheme Manager without delay and either;
  - 8.3.1 they will withdraw from the particular meeting; or
  - 8.3.2 the conflict will be reviewed by a select committee created just for this purpose, to determine whether the conflict requires withdrawal or resignation; or
  - 8.3.3 where the conflict is considered to be so significant, their tenure shall end with immediate effect.

- 8.4 Where a member has been removed from the Pension Board under this clause 8, they will be entitled to be reappointed once the conflict has been resolved.
- 8.5 Such reappointment shall be made by the Pension Board, only where written approval from the Scheme Manager (advised by the Monitoring Officer) has been provided.
- 8.6 Each member of the Pension Board (as well as any other attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that Pension Board.
- 8.7 Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Scheme Manager with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

#### **9. Pension Board Review Process and Publicity**

- 9.1 The annual review shall be published on the Staffordshire Pension Fund Website and made available in hard copy upon request.
- 9.2 The minutes of Pension Board meetings shall be published on the Staffordshire Pension Fund Website and made available in hard copy upon request.

#### **10. Advisers to the Pension Board**

- 10.1 The Pension Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation in force from time to time, consult with such advisers on such terms as it shall see fit to help better perform its duties.
- 10.2 Appropriate advisors shall include but not be limited to:
  - 10.2.1 The Fund's Actuary;
  - 10.2.2 The Fund's Legal Adviser;
  - 10.2.3 The Fund's Investment Adviser(s);
  - 10.2.4 The Fund Manager;
  - 10.2.5 The Fund's Strategic Investment Manager
  - 10.2.6 Other external advisers, so approved by the Scheme Manager.
- 10.3 At all times legal advice provided to the Pension Board will be considered to be legally privileged and confidential unless declared otherwise by the minutes of the meeting in which the advice was given.

#### **11. Knowledge, Skills and Training**

- 11.1 A member of the Pension Board must have knowledge and understanding of and be fully familiar with:
  - 11.1.1 the rules of the LGPS, and
  - 11.1.2 any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.
  - 11.1.3 the law relating to pensions, and

- 11.1.4 such other matters as may be prescribed under the Pensions Act 2004, the Pensions Regulator, the Public Service Pensions Act 2013 and the Regulations.
- 11.2 The degree of knowledge and understanding required by clause 11.1 is that appropriate for the purposes of enabling the individual to properly and efficiently exercise the functions of a member of the Pension Board.
- 11.3 It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
- 11.4 Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date.
- 11.5 Pension Board members are therefore required to maintain a written record of relevant training and development.
- 11.6 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 11.7 The Scheme Manager will provide or source relevant training, updates and refresher training for all Pension Board members throughout their tenure.
- 11.8 Pension Board members will comply with any Scheme Manager training policies that are in place from time to time and will attend all training provided or sourced by the Scheme Manager.
- 11.9 Training where needed, that is provided or sourced by the Scheme Manager will be charged to the Pension Fund.
- 11.10 Subject to the Regulations or any advice or requirement issued by the Pensions Regulator, the Pensions Board must agree and implement a programme of training in respect of all members of the Pension Board to ensure (without prejudice to the duties of the individual members themselves in this regard) that they are adequately trained to perform their respective duties.

***Continued Professional Development Review (“CPD”)***

- 11.11 If at any time a member appears to the Pension Board or the Scheme Manager to be failing to meet the requirements of clause 11 or where a member fails to attend training arranged under clause 11 without reasonable excuse, the Chair will commence the following CPD Review process.

***Understanding***

- 11.12 The Chair will meet with the member to discuss their training needs and will put them on notice to improve.
- 11.13 The member will be given, by the Chair, a set period of time within which to improve their knowledge and skills in order to remain a member of the Pension Board.
- 11.14 The Chair and the member will prepare a training plan which shall commence as soon as possible.
- 11.15 If the member fails to complete the training plan at all or within the notice period, or the Chair believes that the member still does not hold the requisite knowledge, the member will vacate his position on the Pension Board with immediate effect.

***Attendance & Training***

- 11.16 Whether or not a member is believed to have requisite knowledge and skill, where he is failing to attend training and/or to comply with clause 11 generally, without reasonable excuse, the Chair will put the member on notice to improve.

- 11.17 The notice will set out the requirements which the member must comply with during the notice period.
- 11.18 If the member fails to comply with the notice at all or within time, the member will be dismissed from the Pension Board with immediate effect.
- 11.19 Where the Scheme Manager or members of the Pension Board believe a member of the Pension Board does not have or is not up to date with the required standard of knowledge, such a member will be referred for additional training which shall be provided or sourced by the Scheme Manager.
- 11.20 If a Pension Board member, after receiving support provided in clause 11 does not meet the required standard of knowledge, their tenure shall be reviewed by the Chair of the Pension Board in conjunction with the Scheme Manager.

## **12. Meetings and Frequency**

- 12.1 The Chair of the Pension Board shall arrange for notice to be given to all Pension Board members for every meeting of the Pension Board in writing via email.
- 12.2 Pension Board meetings will be treated in the same way as a Committee of Staffordshire County Council and, as such, members of the public may attend.
- 12.3 The Chair shall arrange for an agenda and any papers to be circulated to all Pension Board members prior to each Pension Board meeting. The agenda and any papers for the Pension Board will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.
- 12.4 All agendas and papers for Pension Board meetings will be made publically available on the Staffordshire Pension Fund website unless, in the opinion of the Scheme Manager, they are covered by exempt/confidential information procedures under the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.
- 12.5 Where a Pension Board meeting includes matters considered by the Pension Committee or Pensions Panel that contain information deemed by the Scheme Manager to be covered by exempt/confidential information procedures under the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998, the public will be excluded from that part of the meeting on the same grounds and the minutes will reflect this accordingly.
- 12.6 The Pension Board shall ensure that a formal record of Pension Board proceedings including a record of attendance, all actions, decisions and matters where the Board was unable to reach a decision is maintained.
- 12.7 Following the approval of the minutes by the Chair of the Pension Board, they shall be circulated to all members.
- 12.8 The number of Pension Board meetings per year shall mirror that of the Pension Committee standard meetings.
- 12.9 All meetings must be held on a day when the Pension Committee is also meeting and shall take place after the Pension Committee has met (except meetings required under clause 13.7).
- 12.10 The following will be entitled to attend Pension Board meetings in an observer capacity:
  - Members of the Pensions Committee;
  - The Director of Finance , Monitoring Officer, Head of Treasury and Pensions;

- The Fund Manager, the Fund's Strategic Investment Manager; other officers or advisers of Staffordshire County Council or other employers involved with the management of the Pension Fund subject to approval in advance by the Chair, or on request by the Chair;
- any other person requested to attend by the Chair;
- any other person subject to approval in advance by the Chair.

12.11 Any such attendees will be permitted to speak on request to the Chair.

12.12 The Chair may request the Scheme Manager to provide a 'Board Secretary' to assist in the administration of the Pension Board such as minute taking and circulating agenda and reports to Pension Board members.

### **13. Decision Making & Reporting**

13.1 Each Scheme Member Representative and each Employer Representative of the Pension Board will have an individual voting right but it is expected that as far as possible the members will try to reach a consensus.

13.2 Any Independent Advisor shall have no right to vote, as per the Regulations.

13.3 The Chair of the Pension Board will have the final deciding vote.

13.4 In circumstances where the Chair's deciding vote has been exercised, the Scheme Manager shall be notified.

#### **Reporting**

13.5 At all times the Pension Board will comply with reporting requirements set out in the Code of Practice.

13.6 In compliance with its duties under the Regulations, the Pension Board shall prepare and provide an Annual Report to the Scheme Manager which shall include (but not be limited to);

13.6.1 A summary of the work of the Pension Board;

13.6.2 Details of matters reported to the Pension Board and the action taken;

13.6.3 A conflict of interest register and any action taken relating to conflicts which may have arisen;

13.6.4 Any concerns which the Pension Board wishes to raise with the Scheme Manager;

13.6.5 Training details for members of the Pension Board;

13.6.6 Details of expenses and other costs incurred by the Pension Board;

13.6.7 A plan of actions for current and next year.

13.7 If a member is aware of or is informed by any person of a concern relating to the administration or governance of the Pension Fund this shall be reported to the Chair and added to the agenda for the next meeting of the Pension Board.

13.8 If the concern raised under clause 13.6 is considered to be urgent, a special meeting can be convened by the Chair as long as this meeting is quorate it can make relevant decisions in relation to the concern.

### **14. Conduct**

14.1 The members of the Pension Board shall at all times during their tenure, adhere to relevant legislation and the Scheme Manager's Members' code of conduct,

created in accordance with Chapter 7 of the Localism Act 2011, and paragraph 18 of this Constitution.

**15. Accountability**

- 15.1 The Pension Board will be collectively and individually accountable to the Scheme Manager and the Pensions Regulator.

**16. Expenses**

- 16.1 Members of the Pension Board and any subcommittees shall be reimbursed for reasonable subsistence and travel expenses in accordance the relevant sections of the Scheme Manager's Members' Allowance Scheme, which relate to such claims.
- 16.2 Upon request from a Pension Board member and in exceptional circumstances, the Scheme Manager shall have the discretion to approve payment of reasonable costs incurred by a member for time spent preparing for and/or attending Pension Board meetings and/or training provided by or sourced by the Scheme Manager.
- 16.3 For the avoidance of doubt, Pension Board members shall not receive an annual allowance of any kind.

**17. Variations**

- 17.1 Any variation to this Constitution, considered necessary by the Pension Board, shall be reported to the Scheme Manager for consideration and written consent.
- 17.2 No variation made by the Pension Board will be valid without the express written consent of the Scheme Manager provided under Clause 17.1.

**18. Confidentiality**

- 18.1 Each member shall undertake that they will not at any time during their tenure, and for a period of 4 years after termination of the same, disclose to any person any Confidential Information except as permitted by clause 18.2.
- 18.2. Each member may only disclose any confidential information:
- 18.2.1. to their employees, officers, representatives or advisers who need to know such information for the purposes of carrying out the member's obligations under this Constitution;
- 18.2.2. each member shall procure that their employees, officers, representatives or advisers to whom they disclose the confidential information comply with this clause 18; and
- 18.2.3. as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority.
- 18.3. No member shall use any confidential information for any purpose other than to perform their obligations under this Constitution.
- 18.4. "Confidential Information" means all information (however recorded or preserved) disclosed by the Pension Board, Pension Committee, Pensions Panel, a subcommittee, a member (or where relevant) employees, officers, representatives or advisers to a member of the Pension Board in connection with the Pension Board, which is:

- 18.4.1. covered by exempt/confidential information procedures under the Local Government Act 1972 (as amended); and/or
  - 18.4.2. data covered by the Data Protection Act 1998.
- 18.5. The provisions of this clause 18 shall not apply to any Confidential Information that:
- 18.5.1. is or becomes generally available to the public (other than as a result of its disclosure by a member in breach of this clause);
  - 18.5.2. was available to the receiving party on a non-confidential basis before disclosure by the disclosing member;
  - 18.5.3. was, is or becomes available to the receiving party on a non-confidential basis from a person who, to the receiving party's knowledge, is not bound by a confidentiality agreement with the disclosing member or otherwise prohibited from disclosing the information to the receiving party; or
  - 18.5.4. the Pension Board members agree in writing is not confidential or may be disclosed; or
  - 18.5.5. is developed by or for the receiving party independently of the information disclosed by the disclosing member.



**Appendix 1**  
**Member Role Specification**

POST No.	POST TITLE	GRADE	DATE
	Pension Board – Scheme Member Representative/Employer Representative	n/a	2015

**STATEMENT OF PURPOSE**

Through your position on the Pension Board to review the decisions and actions of the Scheme Manager in relation to the governance, operation and management of the Staffordshire Pension Fund, in order to ensure compliance with all relevant legislation and any requirements of the Pension Regulator.

**Main Duties and Responsibilities**

As a Member you will be expected:

- To commit to undertake the role for a period of 4 years
- To attend and participate constructively in meetings of the Committee
- To undertake training and development appropriate to your role including:
  - ❖ Attendance at external training
  - ❖ Participation in a continuous assessment of knowledge and skills through an established framework
- To approach matters before the Pension Board with an open and independent mind avoiding any pre-determination or bias
- To operate within the Pension Board's Constitution and Code of Conduct

## PERSON SPECIFICATION

FACTORS	ESSENTIAL	DESIRABLE	MEASURED BY
<b>Qualification</b>			
• To be resident in Staffordshire*	√	√	
<b>KNOWLEDGE/SKILLS, ABILITIES AND/OR EXPERIENCE</b>			
<b>Knowledge</b>			
• Knowledge / understanding of the pension industry	√		I
• Experience of / interest in pensions or finance		√	I
<b>Leadership</b>			
• Ability to represent the views of the LGPS members/employers to the Pension Board where relevant	√		I
<b>Organisational skills</b>			
• The ability and confidence to deal with all matters before the Pension Board in an independent and even handed way free from bias and without regard for the political consequences	√		I
<b>Team working and relationship building</b>			
• The ability to establish effective working relationships with other members of the Pension Board and supporting officers	√		I
<b>Communications</b>			
• Excellent listening and questioning skills	√		I
• Good communication skills with the confidence to speak and write effectively and clearly	√		I
• Computer literate	√		I
<b>Other Requirements</b>			
• A personal commitment to high standards of probity, propriety and governance	√		I
• Willingness to train	√		I

**A = Application**

**I = Interview**

*\*except for any Independent Advisor*

## Appendix 2 Member Appointment Process

### 1. Scheme Member and Employer Representatives

- 1.1. The members, who will sit as Scheme Member and Employer Representatives, shall be appointed by the Scheme Manager after applications are sought publicly from employers ~~at the Pensions Forum and the scheme members via advertising the positions through a number of public and employer channels in the Pension Fund Newsletter.~~
- 1.2. The Scheme Manager shall seek nominations and consider the applications and nominations received. ~~Where required a ballot will be carried out to select candidates.~~
- 1.3. Selection will be subject to the role specification and holding the required capacity, knowledge and skills needed to be a member in accordance with this Constitution and the Regulations (subject to any training).
- ~~1.3.1.4.~~ 1.4. ~~If necessary, a~~ An appointment selection committee will be created to interview prospective candidates.
- ~~1.4.1.5.~~ 1.5. Successful candidates will be informed in writing and their tenure shall begin at the first meeting of the Pension Board thereafter.
- 1.6. Approval of the appointment will be made at the next available meeting of the Pensions Board.
- ~~1.5. Future Scheme Member and Employer Representatives shall be appointed by nomination and/or application from the Pensions Forum, to the Pension Board and where more than one appropriate application is received for a particular place on the Pension Board; a selection committee shall interview the candidates.~~
- ~~1.6. Selection will be subject to the role specification and holding the required capacity, knowledge and skills needed to be a member in accordance with this Constitution and the Regulations (subject to any training).~~



# Fund Actuaries' update

Staffordshire Pensions Committee Meeting

Robert Bilton FFA

15 December 2023



# What we will cover today

1. Funding update

2. Actuarial assumptions in the real world

3. Wider outlook & summary

# The 2022 valuation

## Solvency



Funding level: **120%**

## Average employer rates

**21.5%** Primary rate

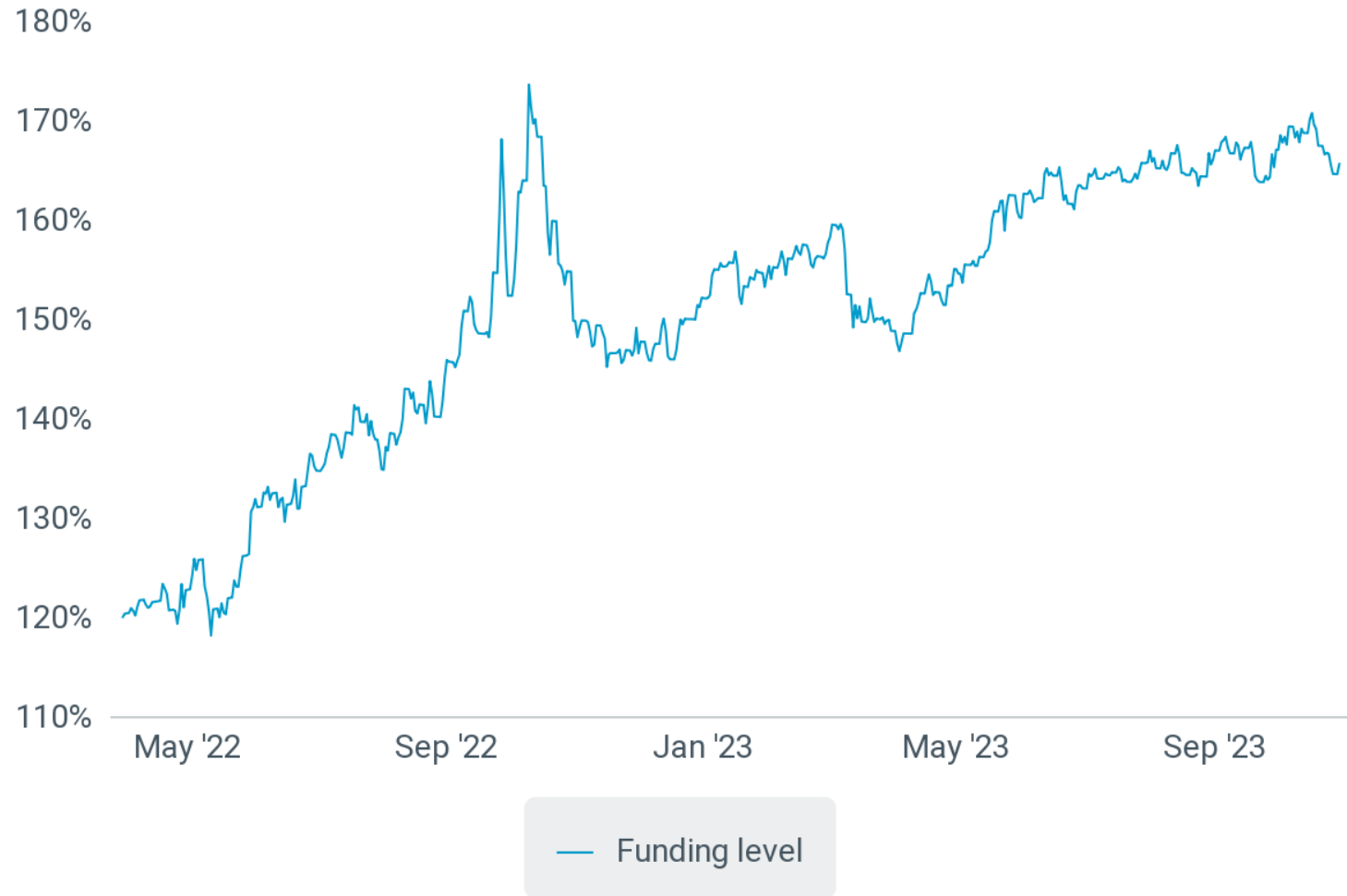
**8.1%** Secondary rate

**29.6%** Total rate

# What's happened since 2022

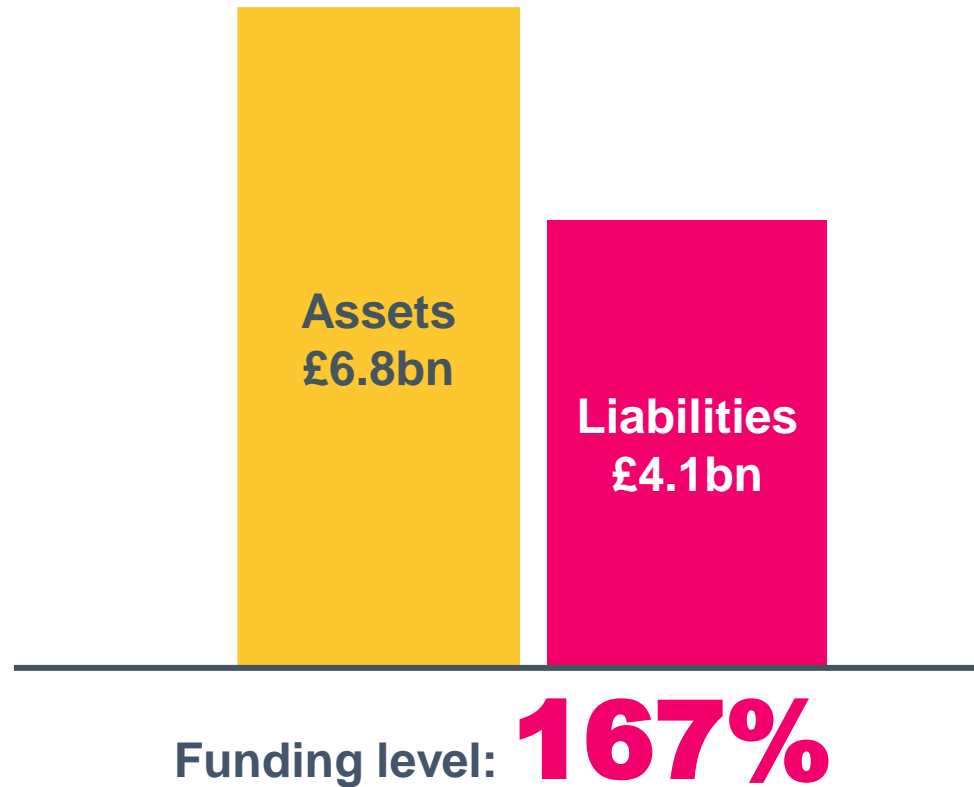
Funding levels are up, but it's important to understand why.

Page 168





# Funding update as at 30 September 2023

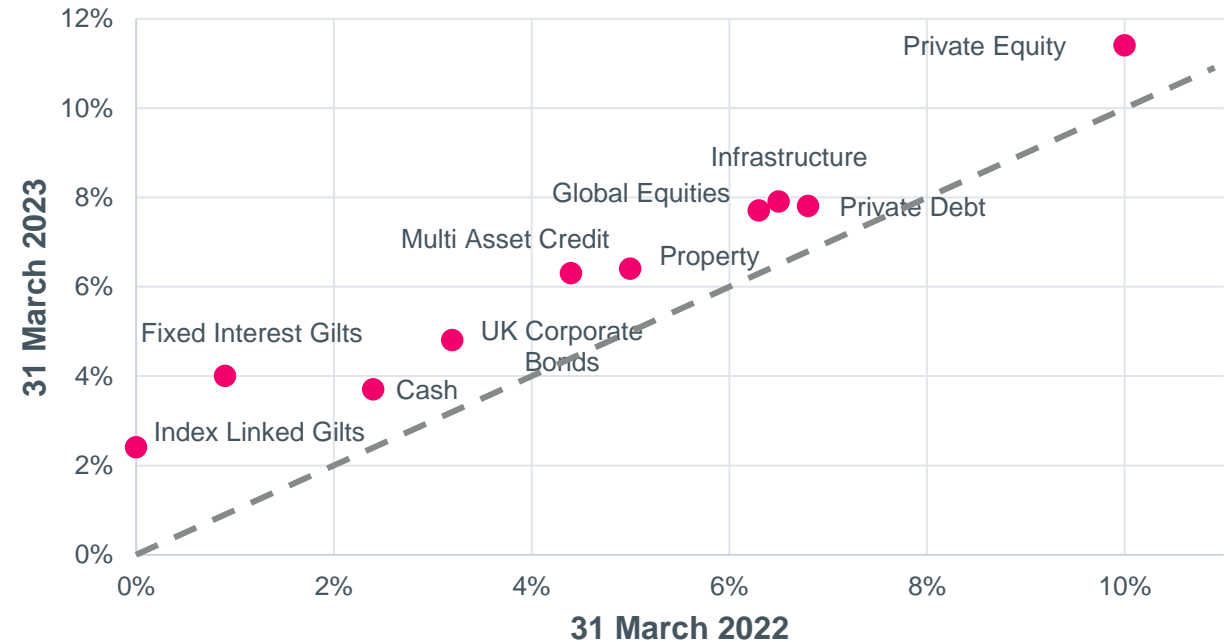


Total investment return from 1 April 2022 to 30 September 2023 was -0.3%

# What's caused the improvement?



20 year expected annual returns - 2023 vs 2022



**Green line** - investment returns since the valuation have been flat.

**Red line** - improvements due to higher expected *future* returns => lower liability present values.

The Fund does not currently hold more money to pay benefits.

# What does this mean for contributions?

Today

## 2022 valuation

Set rates 1 Apr 2023 to  
31 March 2026

## 2025 valuation

Set rates 1 Apr 2026 to  
31 March 2029



Page 171

- Rates can be reviewed in between triennial valuations, however ...
- **Only in specific situations, which do not include a change in funding level**
- If a rate is reviewed, need to follow:
  - i. Scheme Advisory Board guidance (eg use 2022 valuation conditions)
  - ii. Section 2.4 of Staffordshire Fund's Funding Strategy Statement (FSS)

**No immediate impact. Will be considered as part of 2025 valuation**

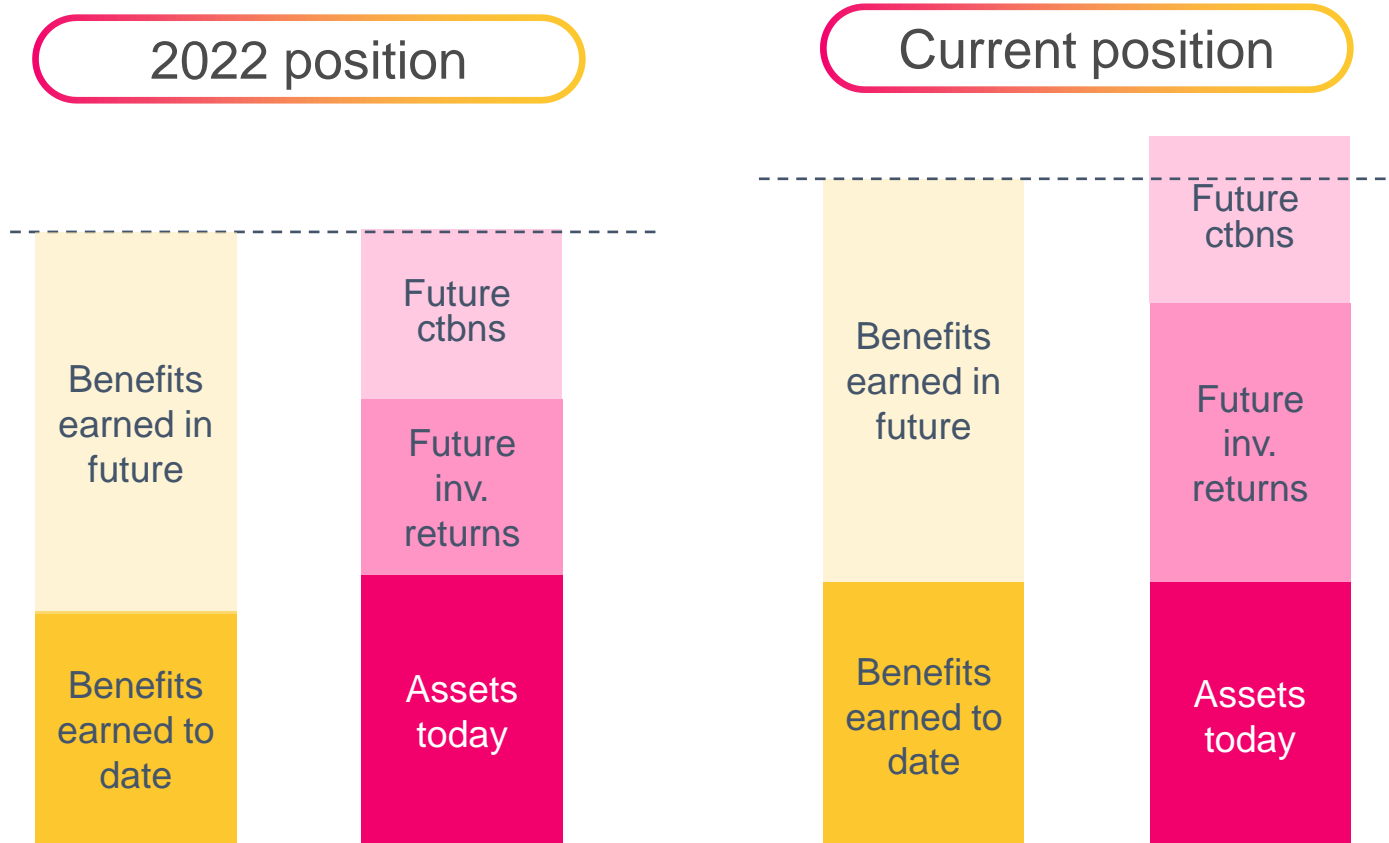
# What does this mean for contributions?

At 2025

2022 position

Current position

Page 172



- Benefit costs **higher** due to inflation (10.1% and 6.7% increases in 2023 & 2024)
- Assets **broadly same** as 2022
- **Higher** future investment return expectations
- Potentially **lower** contributions **BUT** will need to factor in
  - market uncertainty/volatility
  - desire for long-term stability
  - long-term nature of Fund

Fully considered as part of 2025 funding strategy review

# What we will cover today

1. Funding update

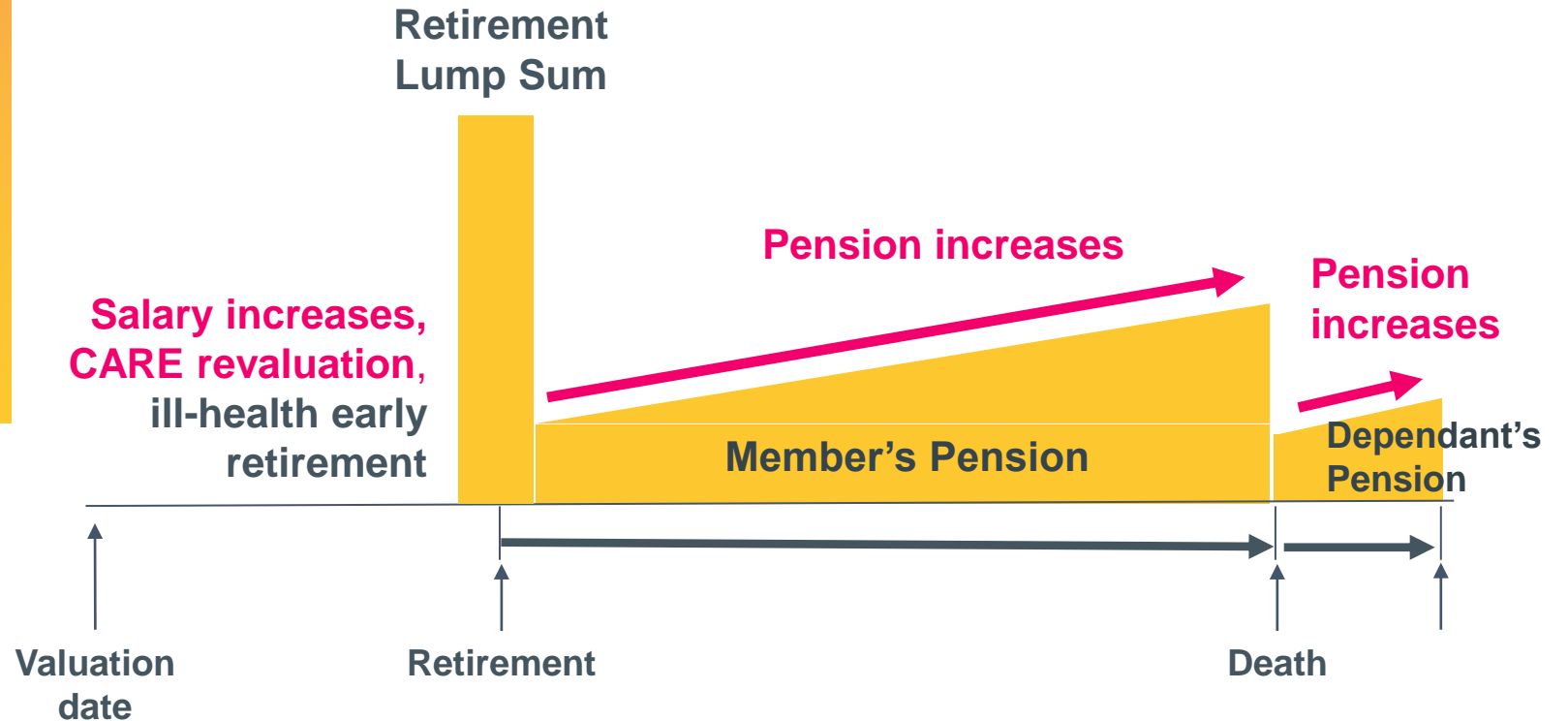
2. Actuarial assumptions in the real world

3. Wider outlook & summary

# Beware of inflation

- 2023 benefit increase was 10.1%
- 2024 benefit increase expected to be 6.7%

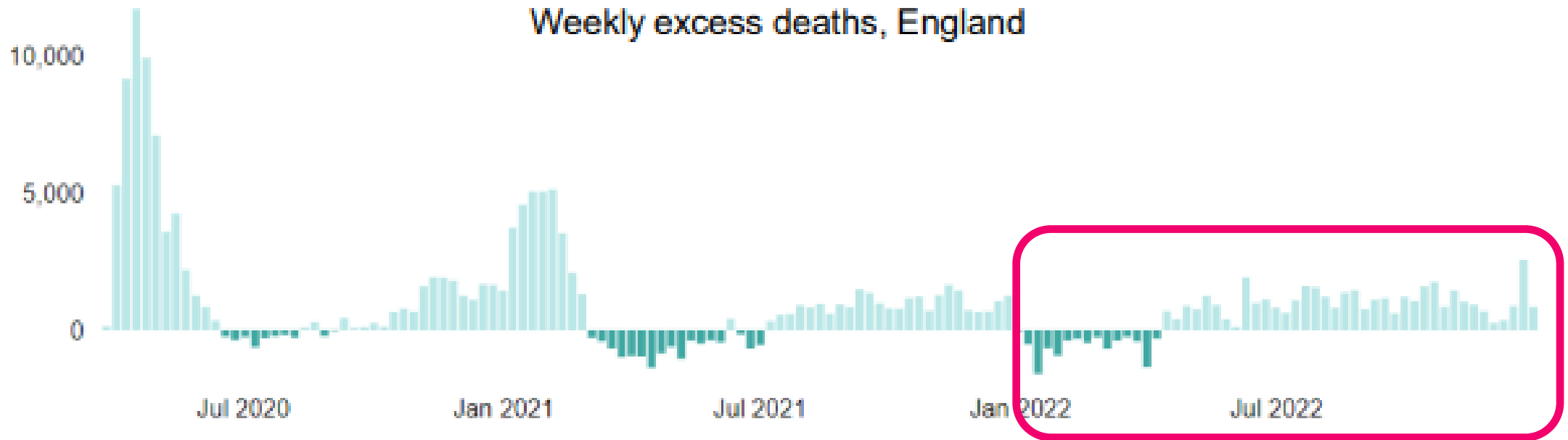
Page 174



**Higher inflation leads to higher liabilities**  
**We allowed for this when setting contributions at the March 2022 valuation**

# Mortality: What happened in 2022?

Page 175



# What we will cover today

1. Funding update

2. Actuarial assumptions in the real world

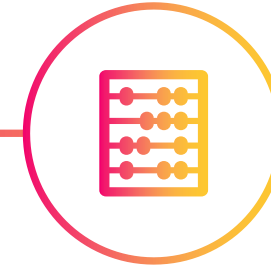
3. Wider outlook & summary



# Wider outlook



- **Pooling Consultation** - comply or explain by 2025, ambitions to invest 5% “Levelling Up” and 10% private equity
- **McCloud Regulations** - big admin task, minimal impact on LGPS benefits for most members or employers
- **Pensions dashboard** - connection deadline delayed, now possibly 2025
- **Goodwin case** - govt expected to consult on remedy in 2024



- **LGPS Cost Sharing Valuations** are unlikely to result in changes in member benefits.
- **Other Public Sector Valuations** (Police, Fire, Teachers etc.) are likely to result in increased employer contributions.

# Summary

## INVESTMENTS

- Markets have struggled
- Returns have been less than anticipated

## INTEREST RATES

- Interest rates have increased significantly
- This puts upwards pressure on expected future returns across asset classes

## INFLATION

- Benefit increases have been greater than long term assumption (2023 increase was 10.1%, 2024 increase expected to be 6.7%)
- Partly anticipated at 2022 funding valuation

## MORTALITY

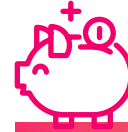
- Life expectancy improvement rates remaining lower than previous levels

# What does it mean for employers?



## Funding positions

- Higher than at 2022 valuation
- Increased volatility and uncertainty, especially around inflation



## Contribution rates

- Not reviewed until the 2025 valuation
- Past service funding position is a small element of the total rate
- Stability of contributions is key

**Situation will be monitored in lead up to 2025 valuation**

Page 180

# Thank you

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