

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

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## **Pensions Committee**

Friday 22 March 2024

**10:00**

Oak Room, County Buildings, Stafford

John Tradewell  
Deputy Chief Executive and Director for Corporate Services  
14 March 2024

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## **Agenda**

### **PART ONE**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 15 December 2023** (Pages 5 - 14)
4. **Minutes of the Pensions Panel held on:**
  - a) 5 December 2023 (Pages 15 - 18)
  - b) 5 March 2024 (Pages 19 - 24)
5. **Staffordshire Pension Fund Business Plan 2024/25** (Pages 25 - 44)

Report of the Director of Finance
6. **Staffordshire Pensions Committee and Local Pensions Board Training Needs Analysis & Training Policy 2024/25** (Pages 45 - 60)

Report of the Director of Finance

7. **Staffordshire Pension Fund - Annual Review of Funding Strategy Statement, and Investment Strategy Statement** (Pages 61 - 86)

Report of the Director of Finance

8. **LGPS Central Joint Committee held on 2 February 2024**

[LGPS-Central-Joint-Committee-Friday-2-February-2024-Agenda.pdf \(cheshirepensionfund.org\)](#)

Verbal update from the Chair and the Director of Finance

9. **DLUCH Consultation outcome on LGPS Next steps on Investments**

Presentation by Eversheds Sutherland

10. **Exclusion of the Public**

The Chairman to move:

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

## **PART TWO**

11. **Exempt minutes of the meeting held on 15 December 2023** (Pages 87 - 90)

12. **Exempt minutes of the Pensions Panel held on:**

a) 5 December 2023 (Pages 91 - 100)

b) 5 March 2024 (Pages 101 - 112)

13. **Local Government Pensions Scheme - Debt Write-off 2023/24 (Exemption paragraph 3)** (Pages 113 - 116)

Report of the Director of Finance

14. **Local Government Pension Scheme Regulations - Admission of New Employers to the Fund (Exemption paragraph 3)** (Pages 117 - 122)

Report of the Director of Finance

15. **LGPS Central Joint Committee and Shareholder Forum update including LGPS Central Strategic Business Plan and Budget 2024/25 (Exemption paragraph 3)** (Pages 123 - 146)

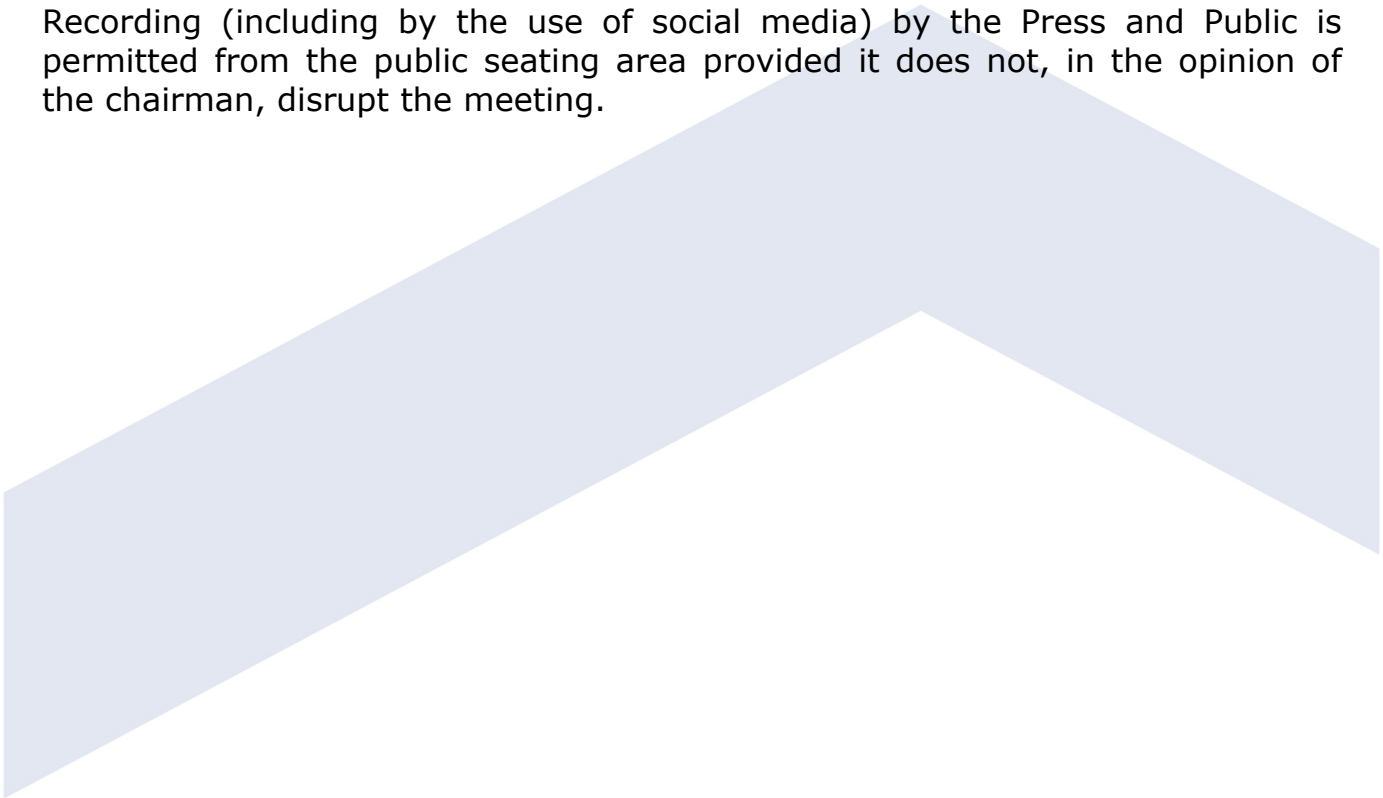
Verbal update from the Chair and the Director of Finance

<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 15 December 2023**

Present: Mike Sutherland (Chair)

<b>Attendance</b>	
Philip Atkins, OBE	Liz Staples
Nigel Caine (Co-Optee)	Stephen Sweeney
Mike Davies (Vice-Chair)	Mike Wilcox

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

**Apologies:** Colin Greatorex, Derrick Huckfield and Bob Spencer

**Part One**

**1. Declarations of Interest**

There were no declarations of interest made on this occasion.

**2. Minutes of the meeting held on 29 September 2023**

On 22 November 2023 DLUHC issued their response to the Consultation on asset pooling. Despite a number of responses from Pension Funds challenging the various proposals, DLUHC decided to progress with the ambition for Pension Funds to transfer Listed Assets into a Pool by March 2025. However, DLUHC had introduced a "Comply or Explain" aspect to this which, whilst demonstrating DLUHC's clear desire to see an increase in pooling, also recognised the challenges and did allow Funds a degree of flexibility. The Staffordshire Pension Fund had sufficient reasons to explain why it would continue with its current investment strategy, whilst continuing to consider future pooling opportunities.

DLUHC had also provided a response relating to the requirement for Funds to allocate 5% of assets to support Levelling Up in the UK. It was noted that DLUHC had initially required Funds to develop a plan to demonstrate how this would happen. Whilst it was still expected that the plan would be required, this was no longer mandatory and had instead been highlighted as an ambition. The same ambition had been proposed for the allocation of 10% to Private Equity.

**Resolved:** That the minutes of the meeting of the Pensions Committee held on 29 September 2023, be confirmed and signed by the Chairman.

### **3. Staffordshire Pension Fund Investment Cost Benchmarking 2022/23**

The Committee were informed that the Staffordshire Pension Fund had taken part in an annual investment benchmarking exercise with the international company CEM Benchmarking Inc. The Fund was compared on several cost and performance metrics to a global peer group of 41 pension funds that had a median size of £7.3bn versus the Fund's £6.6bn market value.

The benchmarking report provided an independent assessment of value-for-money, the results of the survey were attached at Appendix 2 of the report.

It was explained that a straightforward comparison of investment returns and costs, as publicly reported by pension funds would not produce a meaningful benchmarking exercise. There were several variables which would also need to be considered to obtain a like for like comparison, such as assets under management, strategic asset allocation and implementation style. The survey undertaken by CEM adjusted for these variables and provided the Pensions Committee with more clarity on investment return and cost.

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

#### **Cost**

- The Fund's investment cost of 51.0 bps was below the benchmark cost of 53.0 bps.
- In aggregate, the Fund had a higher cost implementation style.
- In aggregate, the Fund paid less than peers for similar assets.
- The Fund's pooled assets saved 0.3 bps relative to peers.

#### **Cost trend**

- The Fund's costs fell from 61.6 bps in 2018/19.

#### **Returns**

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

#### **Funding and Risk**

- The Fund's funding level of 128% on the standard SAB basis in 2022 was above the LGPS median of 124%.

- The Fund's strategic asset allocation suggests that it takes more risk relative to its liabilities than LGPS peers.

#### **Value added**

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

#### **Cost effectiveness / value-for-money**

- The Fund's 5-year performance placed it in the positive value added, high-cost quadrant of the Value for Money chart.

**Resolved:** That the information presented by CEM Benchmarking provided at Appendix 1 of the report, be noted.

#### **4. Staffordshire Pension Fund Audit Plan Update 2020/21 - 2022/23**

The Committee received a report from the Director of Finance providing an update on the Staffordshire Pension Fund Audit 2020/2021 to 2022/2023.

The Committee was reminded that at its meeting in December 2021, a draft Audit Results Report (ISA260) had been received from Ernst and Young (EY) in relation to the audit of the 2020/21 accounts of the Fund. However, it had not been possible to issue a final ISA260 and conclude the audit because of the delayed conclusion of the audit of the County Council Statement of Accounts in which the Pension Fund accounts were included.

The Committee was informed that at the meeting of the Audit and Standards Committee held in December 2023, the Audit Results Report for both the County Council and the Pension Fund accounts had been received which finally concluded the audit for 2020/21. This would allow the draft 2020/21 Annual Report and Accounts for the Staffordshire Pension Fund to be finalised and published on the Fund's website. The ISA260 for the Pension Fund was included for information at Appendix 1 to the report.

Although the audit of the Staffordshire Pension Fund's 2022/23 accounts had commenced in June 2023, and was substantially complete, a detailed Audit Plan had not been provided by EY prior to the start of the audit process. This document had now been received and, having been approved at the meeting of the Audit and Standards Committee in December 2023, was attached at Appendix 2 to the report for the Pension Committee's information. It was noted that once EY completed its external audit of the 2022/23 accounts and the County Council's Statement of Accounts were finalised, the Pension Fund would receive its concluding ISA260. It was highlighted that 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.

The Committee was also informed that KPMG had been appointed as the new auditor of the Council's, and consequently the Fund's accounts for 2023/24. Reassuringly they had already engaged with Fund officers in advance of the audit process of the 2023/24 accounts beginning.

Liz Staples commented that the national issue of auditors not completing audits of Pension Fund accounts in a timely fashion, had been raised by DLUHC representatives at a recent Pensions Fundamentals training session. It had also been suggested that DLUHC were advocating the separation of Pension and Council accounts to expedite the audit approval process. The Assistant Director of Treasury and Pensions confirmed her awareness of this but highlighted that the County Council's auditors had been appointed for a five-year period through a Public Sector framework, and as such KPMG had been appointed to take over from EY until the end of the next contract period. It was understood that consideration was to be given to separating the accounts of the Pension Fund from the Council and as a result the audit and approval of such but there was a large amount of Regulation that had to be considered before it was possible to do this.

In response to a request asking when the Borough and District Councils would receive the final assurance statements for the 2022/23 accounts, it was confirmed that this would be as soon as the County Council's accounts, and subsequently the Pension Fund's accounts, were finalised.

Notwithstanding the delay to the audit of the Pension Fund's accounts, the Chair of the Committee congratulated the Treasury and Pensions team on an excellent audit report.

**Resolved:** a. That 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 EY at Appendix 1, be noted.

b. That 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, be noted.

c. That the continuing delay in the conclusion of the 2021/22 and 2022/23 external audits of the Staffordshire Pension Fund accounts by EY, be noted.



## **5. Staffordshire Pension Fund - Governance Compliance Policy**

The Committee received a report from the Director of Finance relating to a Review of Governance Compliance Statement.

The Committee was reminded that Regulation 55 of the Local Government Pensions Scheme Regulations 2013 stated that a Pension Fund should have a range of written policies and procedures in place. Having such, and keeping them updated, not only proved regulatory compliance, but also demonstrated good governance.

The Committee heard that the Governance Compliance Statement had last been updated and approved by the Pensions Committee at their meeting in September 2018. A full review of the document had been delayed, pending the 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 – which, it appeared, had been delayed indefinitely. However, best practice dictated a minor review of the Governance Compliance Statement was required, to ensure the Fund still had a document which reflected current guidance and was as up to date as possible – although it was noted that the Fund still followed the 2014 versions of the guidance.

The revised and updated Governance Compliance Statement, attached as Appendix 1 to the report, was presented to the Committee for their approval. It was highlighted that some more recent versions of the schematics which had been included in draft document had been found after the document was shared with the Committee, and that these updated versions would be included in the final document.

It was also noted that no wider consultation was considered necessary as the Statement reflected the actual Governance arrangements already in place.

**Resolved:** That the revised and updated Governance Compliance Statement attached as Appendix 1 to the report, be approved.

## **6. Staffordshire Local Pensions Board - Constitution**

The Committee received a report from the Deputy Chief Executive and Director of Corporate Services regarding proposed amendments to the Pensions Board Constitution.

The Committee was reminded that in April 2015 Staffordshire County Council set up a Local Pensions Board ("the Board"), and when the Board was originally set up the membership consisted of a maximum of six members made up of three Scheme Employer Representatives and three

Scheme Member Representatives. It was noted that the Board Constitution stated 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. The Committee was made aware of the efforts made throughout 2022 and 2023, to find suitable nominees to appoint to these specific positions on the Board, without success.

Following discussions at the September 2023 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 include an Elected Local Authority Member and a Trade Union representative. It was made clear that this amendment did not mean that Elected Local Authority Members or Trade Union representatives could not become members of the Board, it simply removed the stipulation that there must be two such representatives. It was highlighted that the proposal remained consistent with Local Government Pensions Scheme Regulations 2013.

The Committee heard that Trade Unions had been informed of the proposals and were asked to provide feedback. One response was received, from Unison, which stated an appreciation of the issue. Given that they had no suitable candidate to put forward they confirmed that there was no objection to the proposal.

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 remained consistent with current appointment practices. It was noted that the constituted appointment process focussed on the selection process undertaken when the Board was originally established. Whilst it also included additional steps that concentrated on the recruitment of replacement Board members, the process no longer needed to consider the appointment of an original Board, and the proposed amendments meant that the process focussed on the appointment of replacement Board members only. It was also highlighted that the proposed appointment process was tried and tested as it followed the same appointment process that was used to recruit co-opted members to the Pensions Committee.

The Pensions Committee was also informed that the S151 Officer for Tamworth Borough Council had recently been recruited to join the Board as an Employer Representative, meaning that, with the approval of this report, the Pensions Board was now at full capacity membership.

**Resolved:** a. That the proposed amendments to the make-up of the Local Pensions Board Membership and the reduction in the number of members

that sit on the Board from six to four – two representing Scheme Employers and two representing Scheme Employees, be approved.

b. That the amendments to the Local Pensions Board Constitution reflecting the proposed changes to the make-up of the Local Pensions Board Membership, be approved.

c. That the changes to the Local Pensions Board Member Appointment Process, be approved.

## **7. Fund Actuaries' Update**

The Committee received a presentation from Douglas Green from Hymans Robertson updating Members on a range of Actuarial matters. The presentation covered the following:

- **Funding update**
  - The 2022 valuation
  - What's happened since 2022
  - Funding update as at 30 September 2023
    - Total investment return from 1 April 2022 to 30 September 2023
  - What's caused the improvement?
  - What does this mean for contributions?
    - 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 (e.g. use 2022 valuation conditions)
      - ii. Section 2.4 of Staffordshire Fund's Funding Strategy Statement (FSS)
- **Actuarial assumptions in the real world**
  - Beware of inflation
    - Higher inflation leads to higher liabilities. The Actuary allowed for this when setting contributions at the March 2022 valuation
  - Mortality: What happened in 2022?
    - 2022 excess mortality rates were surprisingly similar to 2021
- **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
  - 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
  - Interest Rates
    - Interest rates have increased significantly
    - This puts upwards pressure on expected future returns across asset classes
  - Morality
    - 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

**Resolved:** a. That the contents of the presentation, be noted.

b. That the representative of Hymans be thanked for his presentation and for taking the time to join the Pensions Committee meeting.

**8. 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.

**9. Exempt minutes of the meeting held on 29 September 2023**

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

**11. Enhancing Funding Strategy (Exemption paragraph 3)**

**Chair**



**Minutes of the Pensions Panel Meeting held on 5 December 2023**

Present: Mike Sutherland (Chair)

<b>Attendance</b>	
Philip Atkins, OBE Mike Davies	Colin Greatorex

**Also in attendance:** Carolan Dobson, Simon Humble and Iain Campbell (Hymans Robertson)

**Apologies:** Stephen Sweeney

**Part One**

**123. Declarations of Interest**

There were no declarations of interest on this occasion.

**124. Minutes of meeting held on 5 September 2023**

**Resolved:** that the minutes of the meeting of the Pensions Panel held on 5 September 2023 be confirmed and signed by the Chairman.

**125. Dates of Future Meetings**

- Tuesday 5 March 2024, 9:30am – Oak Room, County Buildings
- Tuesday 4 June 2024, 9:30am – Oak Room, County Buildings
- Tuesday 3 September 2024, 9:30am – Oak Room, County Buildings
- Tuesday 3 December 2024, 9:30am – Oak Room, County Buildings

Members were also reminded of the requirement to complete Hymans online LGPS Knowledge Progress Assessment 2023 by the 18 December 2023.

**Resolved:** That the dates of the future Pensions Panel meetings be noted.

**126. Pension Fund Performance and Portfolio of Investments as at 30 September 2023**

The Director of Finance submitted a summary of the performance of the Staffordshire Pension Fund (the Fund), together with a portfolio of the Fund’s investments as at 30 September 2023.

The Panel heard that over the quarter the Fund had generated a return of -0.46%, underperforming the strategic benchmark return of 0.42% by -0.88%.

Infrastructure was the highest performing asset class over the quarter, whilst Index Linked Gilts generated the largest negative return due to continuing high inflation and increasing interest rates.

The Fund had a market value of £6.744 billion as of 30 September 2023, a decrease of £0.002 billion since 30 June 2023.

A copy of the Staffordshire Pension Fund's portfolio of investments at 30 September 2023 was attached at Appendix 1 to the report.

**Resolved:** That the Pension Fund investment performance and the portfolio of investments for the quarter ended 30 September 2023 be noted.

## **127. Responsible Investment & Engagement (RI&E) Report Quarter 2 2023/24**

The Director of Finance submitted the Responsible Investment and Engagement Report to the Panel, which included the Climate Stewardship Plan for 2023/24, the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report, and the Local Government Pension Scheme Central (LGPS Central) Quarterly Stewardship update.

The Panel were informed that the Fund's Climate Change Strategy would be updated and presented at the Pensions Committee meeting taking place in March 2024. There had been some rebasing of data in the portfolio and additional work would be undertaken with LGPS Central to determine latest progress against the targets that had been set.

The Panel heard that, with regards the Climate Stewardship Plan, there had been very little engagement over the quarter which was highlighted as a source of disappointment - this had also been raised with LGPS Central directly. The Panel were told that LGPS Central had appointed a new Stewardship Manager, and, whilst it was acknowledged that engagement would always take time to generate positive results, the importance of having examples of the difference engagement had made had been highlighted, and it was hoped that improvements would be seen in the future.

Following a request from Councillor Greatorex at the September Pensions Panel meeting for more information relating to the application of the Transition Pathway Initiative (TPI) framework, it was explained that it was difficult to provide a succinct response due to the size and complexity of the TPI database. Following some research carried out by Fund Officers it had been determined that there were two elements: Management Quality,



where the score assigned to an organisation was derived following the completion of a number of questions and Carbon Performance which referenced public data around the organisation's alignment with the Paris alignment. Fund Officers were still trying to establish how LGPS Central used the information, and it was suggested that a training session be delivered in 2024 that focussed on stewardship and engagement and covered this subject.

LAPFF had continued to engage with several organisations regarding their human rights practices and had also established a new mining company engagement with Grupo Mexico. LAPFF had also met with the Chair of Severn Trent on the reputational risks from the use of storm overflow drains which were discharging sewage into waterways, and discussions had taken place with the Chair of house builder Taylor Wimpey to consider the company's approach to climate change.

During the last quarter LGPS Central had launched a proprietary tool for tracking engagement activities, including advocacy type engagements. The tool would track progress against engagement Key Performance Indicators. Examples of engagement from the last quarter included meetings with Société Générale and Ansell Ltd.

The Panel was informed that, at the request of Partner Funds, LGPS Central had undertaken a review of its Stewardship Themes, as the current Themes had been in place for several years. LGPS Central had proposed four 'macro' Stewardship Themes that incorporated several more detailed areas within them. It was explained that the four Themes were more aligned to those of wider industry engagement and would allow LGPS Central to work more collaboratively with other groups of investors. The four Stewardship Themes proposed by LGPS Central for 2024- 2027 were Climate, Natural Capital, Human Rights, and Controversial Activities, although it was noted that the title of the final theme was not considered appropriate and an amendment to 'contentious activities' had been suggested by Fund Officers.

Councillor Greatorex stated that he was supportive of the four Themes but felt it necessary that the "sub-themes" were considered thoroughly before being finalised to ensure they aligned with the targets the Fund (and other Partner Funds) was trying to achieve. He also stated that he did not like the title "Controversial Activities" and suggested "Current Hot Topics" as a more appropriate title.

In response to a query from Councillor Greatorex relating to the voting decisions highlighted in the LGPS Central report, specifically in relation to the c30% support of the proposals put to Nike and FedEx, and whether this meant that c70% were against the proposals, it was explained that 30% support for a proposal was very high and sent a clear message to the

organisations of the investors' concerns regarding the approaches they were currently adopting.

**Resolved:** a. That the content of the Responsible Investment and Engagement (RI&E) report, including the Climate Stewardship Plan (Appendix 1), the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2), and the LGPS Central Quarterly Stewardship Update (Appendix 3), be noted.

b. That the Stewardship Themes for 2024-2027, proposed by LGPS Central Limited for the LGPS Central asset pool be approved.

## **128. Exclusion of the Public**

**Resolved:** That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

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

### **129. Exempt Minutes of the Meeting held on 5 September 2023 (exemption paragraph 3)**

### **130. Economic and Market update (Exemption paragraph 3)**

### **131. Pension Fund Performance and Manager Monitoring for the quarter ended 30 September 2023 (Exemption Paragraph 3)**

### **132. Multi Asset Credit (Exemption paragraph 3)**

### **133. Strategic Asset Allocation - Quarterly Update (Exemption paragraph 3)**

### **134. Property Approvals (Exemption paragraph 3)**

### **135. Multi Asset Credit (Exemption paragraph 3)**

**Chair**

**Minutes of the Pensions Panel Meeting held on 5 March 2024**

Present: Mike Sutherland (Chair)

<b>Attendance</b>	
Philip Atkins, OBE Mike Davies	Colin Greatorex

**Also in attendance:** Simon Humble

**Apologies:** Stephen Sweeney

**Part One**

**136. Declarations of Interest**

There were no declarations of interest made on this occasion.

**137. Minutes of meeting held on 05 December 2023**

**In reference to Minute 127 (5 December 2023)** – in relation to the four stewardship themes proposed by LGPS Central, particularly the title of the “Controversial Activities” theme, the Panel were informed that, following comments made by Councillor Greatorex regarding this title, a conversation had taken place with LGPS Central, and it had been agreed that the title of this theme would be amended to “Topical and Sensitive”.

**Resolved:** That the minutes of the Meeting of the Pensions Panel held on 5 December 2023 be confirmed and signed by the Chairman.

**138. Dates of Future Meetings**

- Tuesday 4 June 2024
- Tuesday 3 September 2024
- Tuesday 3 December 2024

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

**139. Annual Investment Strategy for Pension Fund Cash 2024/25**

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

Panel members were reminded that the Fund held a small strategic asset

allocation to cash of 1.0%. This recognised that cash balances were needed for the day-to-day management of the Fund. The cash was managed by Officers in the County Council's Treasury and Pension Fund Team, to provide liquidity and meet the Fund's cash needs as they occurred. To allow for the practical management of operational treasury transactions each day, the choice over investments made was delegated to the Director of Finance. It was noted that most of the cash was invested in Money Market Funds (MMF), which were classed as standard investments in line with guidance issued by government.

In response to a query relating to the management of the cash allocation, and whether this could be transferred to LGPS Central Limited under the LGPS pooling agenda, it was explained that access to cash could be required at very short notice, and allowing LGPS Central to manage this would delay the time in being able to control and access the cash quickly. It was also highlighted that LGPS Central were not currently regulated to manage client cash.

**Resolved:** That the Staffordshire Pension Fund's Annual Investment Strategy for the investment of internally managed cash in 2024/25, be approved.

#### **140. Pension Fund Performance and Portfolio of Investments as at 31 December 2023**

The Director of Finance submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments, as at 31 December 2023.

Performance of the Fund for the quarter was at 5.63%, outperforming the benchmark by 0.35%. Year to date the performance of the Fund was at 6.78%, underperforming the benchmark by -1.03%. The Fund had a market value of £7.169 billion, an increase of £0.425 billion since 30 September 2023.

It was noted that UK equities rose over the quarter as they rebounded from weakness in the previous three-month period, although the strength of the pound and high exposure to energy stocks led to the UK equity market underperforming global markets.

It was highlighted that in a recent LAPF Investment publication, the growth of the Staffordshire Pension Fund had been ranked as the 6<sup>th</sup> highest across the Local Government Pension Scheme (LGPS) over the previous 3 years; the highest in the LGPS Central pool.

**Resolved:** That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 December 2023 be noted.

## **141. Responsible Investment & Engagement (RI&E) Report Quarter 3 2023/24**

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

The Panel was informed that the quarterly stewardship report normally received from LGPS Central, was to be included as part of its submission of the UK Stewardship Code Compliance Statement to the Financial Reporting Council (FRC). This report would be brought to the Pensions Panel meeting due to take place in June 2024.

The Panel was reminded that the Fund's 2022 Stewardship Report had been approved by the FRC in August 2023, and the Fund had been officially accepted as a signatory of the UK Stewardship Code. The significant amount of work undertaken to achieve this had been highlighted to the FRC, and a consultation was now being carried out by them to consider options to streamline the process, thus allowing more funds to take the opportunity to sign up to the code.

LGPS Central had set up a working group to focus on responding to the FRC UK Stewardship Consultation, and Staffordshire was represented. Updates would be provided to the Panel as necessary.

It was noted that the March 2024 Pensions Committee meeting would usually focus on the Climate Change Strategy and related Agenda items, but the full suite of information provided by LGPS Central had yet to be received. It was confirmed that this information would be brought to the June 2024 Pensions Committee. Early indications received from LGPS Central, who provide the Fund's data metrics, were that the Fund had made further good progress in reducing the carbon footprint of its portfolio in the last year.

There was limited new information to be shared with the Panel regarding the Climate Stewardship Plan and examples of positive outcomes from engagement. The Fund had fed its dissatisfaction about this situation back to LGPS Central.

The LAPFF Quarterly Engagement Report was presented to the Panel. Key areas highlighted included LAPFF's meeting with Nestlé where the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture, LAPFFs meeting with representatives from Persimmon about target setting which covered issues around embodied carbon. A notable article in the LAPFF report relating to the implementation of Artificial Intelligence technologies and the impact on

Human Rights was also highlighted.

In response to a question from Councillor Sutherland asking if it was possible to provide a breakdown of Legal & General's (LGIM) voting statistics, particularly in relation to the 3,532 votes against management or abstain figure, it was confirmed that 26% of the votes were against management and 2% of the votes were in abstention.

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

## **142. Investment Strategy Statement**

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

The Panel heard that the ISS had been reviewed and updated under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which required the ISS to be reviewed and updated at least every three years.

The April 2024 version of the ISS, attached at Appendix 1 to the report, contained some minor revisions. Principally these amendments reflected the progress made in the implementation of the Fund's 2022 Strategic Asset Allocation recommendations over the past 12 months (e.g., where benchmarks had changed in Appendix A and Appendix B of the ISS).

**Resolved:** a. That the minor updates to the Staffordshire Pension Fund's Investment Strategy Statement be approved, and that further approval of such be sought from the Pensions Committee.

b. That the possible requirement for changes to the structure of the Investment Strategy Statement in the future, as a result of the outcome of the Department for Levelling Up, Housing and Communities formal consultation - Local Government Pension Scheme (England and Wales): Next steps on investments, published in November 2023, be noted.

## **143. Exclusion of the Public**

**Resolved:** That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

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

**144. Exempt Minutes of the Meeting held on 05 December 2023  
(Exemption paragraph 3)**

**145. Economic and Market update (Exemption paragraph 3)**

**146. Pension Fund Performance and Manager Monitoring for the  
quarter ended 31 December 2023 (Exemption paragraph 3)**

**147. Strategic Asset Allocation - Quarterly update (Exemption  
paragraph 3)**

**148. Property (Exemption paragraph 3)**

**149. Property update (Exemption paragraph 3)**

a. Property update

b. Confirmation of action taken by the Director of Finance

**Chair**





**PENSIONS COMMITTEE – 22 MARCH 2024**

**Report of the Director of Finance**

**STAFFORDSHIRE PENSION FUND BUSINESS PLAN 2024/25**

**Recommendation of the Chair**

1. That the Pensions Committee approves the Staffordshire Pension Fund Business Plan for 2024/25 and notes the key challenges.

**Background**

2. For reasons of best practice and good governance, it is important for the Pensions Committee to consider and approve an annual Business Plan for the Pension Fund. This report reviews progress against the current financial year's Business Plan (Appendix 1 - 2023/24) and provides the proposed Business Plan for the following financial year (Appendix 2 – 2024/25).

**Pensions Business Plan 2023/24 – Progress Update**

3. As in previous years the Treasury & Pensions Service has made good progress against the current year's Business Plan. The detail on this is provided in Appendix 1.

Key achievements include:

- The successful implementation of Enhanced Admin to Pay, which means that from November 2023 approximately 90% of new pensioner payroll records are automatically set up as part of the benefit calculation process. This has resulted in significant efficiency savings from reduced manual input of data.
- The appointment of an Integrated Service Provider (ISP) ahead of the Fund's connection deadline to the national Pensions Dashboard.
- The appointment of Eversheds Sutherland as an external Legal Service provider to the Fund and the reappointment of Hymans Robertson as the Fund's provider of Actuarial Services.
- The appointment of Northern Trust as the Fund's new provider of Independent Performance Measurement Services.
- The Fund also continues to promote the use of My Pensions Portal (MPP) to all scheme members. Statistical information on registration and user activity is now reported monthly via Altair Insights. Scheme

employers are also being encouraged to promote the use of MPP to their employees.

4. Unfortunately, due to the impact of external factors, some key development activities were not achieved in 2023/24 and these have been carried forward into 2024/25. A few activities have also been redefined for 2024/25 and will tie into project work required for larger projects during the year, such as data readiness for the national Pensions Dashboard Program. Full details will be included in the final outturn report which will be presented to the Pensions Committee in June 2024.

#### **Performance Standards 2023/24**

5. Whilst the Teams continue to provide a high level of day-to-day service provision to the Fund's many stakeholders, the Committee have been made aware in previous year's reports of the ongoing challenges in administering the LGPS, since the introduction of the 2014 scheme and the regulatory complexity that brings with it. We consider ourselves well placed to provide a high quality and sustainable pension service to our Scheme Members going forward but that doesn't come without a range of old and new challenges, which means that there will always be more for us to do.
6. And there will always be room for improvement in performance. The Teams continue to look to develop efficiencies in our current processes, using tools such as process mapping and re-engineering, which overtime we anticipate will help to alleviate some of our resource pressures.
7. In terms of resource, the Fund has experienced a small increase in staffing levels over the last 12 months. Whilst this clearly helps us to deliver business as usual, it will also help with the demands of the ever-increasing large-scale projects we need to implement. We have successfully embedded our 5-pillar Team structure, which will future proof the service and allow for succession planning. Doing this also facilitated internal promotions for our more experienced team members and has created a new wider Treasury & Pensions Management Team. We continue to 'grow our own' and have increased the entry level roles from a Grade 5 to a Grade 6, reflecting the need to both recruit and retain team members.
8. A full set of performance statistics will be provided as part of the Outturn reporting for the June 2024 Committee.

#### **Staffordshire Pension Fund Business Plan 2024/25**

9. The Business Plan presented for 2024/25 focuses on several new Key Development Activities as well as those we have had to carry forward from 2023/24. We recognise this is somewhat ambitious and will be challenging to deliver given the pressure of doing so alongside our business-as-usual activity. There will be a need to prioritise and identify activities that need delivering in a timely fashion. Our focus can then be on the activities that will drive our Service forward over the long term.

## Pensions Administration – Key and Ongoing Development Activities

10. Several areas that the Treasury & Pensions Service have identified as Key Development Activities in 2024/25 include:
- Improving the quality of our Scheme Member Data - the Fund relies on accurate data to both keep in contact with our scheme members and accurately pay pension benefits at the correct time. The introduction of the National LGPS Member Data Services Framework in April 2024 will enable us to explore the most efficient and effective way to enhance our data and keep in touch with our scheme members.
  - The Pensions Regulators General Code of Practice – laid in Parliament in early 2024 this comes into force on 27 March 2024. Following an initial piece of work to identify any gaps, the Fund will need to formulate a plan to comply with the code within six months of it coming into force.
  - Improving our Engagement with Scheme Employers - developing a process for improved engagement with scheme employers will ensure that they are fully aware of their responsibilities to the Fund and to their employees. We have several thoughts about how to do this, including reintroducing an in-person Employer Training Day which was last held in 2019, pre-Covid.
  - Preparing for the 2025 Actuarial Valuation of the Fund – this will include reviewing the need for multiple investment strategies, reviewing the ongoing need for a stabilisation approach to contribution rate setting for Academies and delivering appropriate Pensions Committee Training.
11. One of the biggest projects that will take up a significant amount of time during 2024/25 has been in the planning for several years already:

### McCloud

- Amendments to the LGPS regulations came into force on 1 October 2023 to enable LGPS funds to deal with the pensions remedy.
- DLUHC have provided guidance on prioritising cases, communications, and calculations.
- As the McCloud remedy is a material change to the LGPS regulations all in scope members had to be informed within three months.

Operationally the Fund has now carried out the following;

- Identified circa 30,000 Scheme Members in scope for a McCloud underpin protection test.
- Carried out the required communication exercise in December 2023 contacting all in scope Scheme Members.

- Collected missing contractual hours and service breaks from Scheme Employers

Next steps in the project will be to load the missing data, bulk calculate rectification, recalculate past cases and plan how we produce the 2025 Annual Benefit Statements which must reflect any impact of McCloud.

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

12. This is another area of increased focus for the Teams in 2024/25, following the Government having to reset the clock for the Department for Work & Pensions' new national Pensions Dashboard Program. The expectation is that all public sector schemes, including the LGPS, will have until September 2025 to connect to the digital infrastructure.
13. Having successfully appointed Heywood's as the Fund's ISP, the next challenge is to undertake a 'Data Readiness' exercise ahead of the LGPS staging date. Due to the potential number of individuals likely to be accessing the Pensions Dashboard, there is a need to agree a set of 'matching criteria' e.g., National Insurance Number, Address etc. Whilst some of these will be in a consistent format, others will not, and the onus will be on the Fund to determine what constitutes a 'full' or a 'partial' match. Therefore, it is vitally important that our data is as clean, and as up to date, as possible. Whilst this is straightforward for active members of the Fund, who are still on a payroll and known to us, it is less so for a deferred member, for example, who may have moved jobs and address several times and failed to inform the Fund. A 'Data Readiness' project aims to assist with the quality of the Common Data, such as the NI Number, which is standard and the address, which is less so.

### **Pensions Investment – Key Development Activities**

#### Strategic Asset Allocation Review and Implementation

14. 2023/24 saw further progress in the implementation of the Fund's new Strategic Asset Allocation and Investment Strategy, which was approved by the Pensions Committee at its meeting in March 2022. Continuing with the high-level timetable agreed, one asset class at a time has been reviewed (equity, fixed income, property) allowing due consideration to be given to all aspects and elements of investing in each of them.
15. Whilst the focus for the Investment Team in 2024/25 will be the continuation of the implementation of the remaining actions from the Strategic Asset Allocation Review carried out in 2022, work will also begin on the next Strategic Asset Allocation review, in preparation for the 2025 Actuarial Valuation. This will be carried out in conjunction with the Fund's Investment Consultant and is not expected to result in any major changes, as a comprehensive review was carried out only two years ago. A review of the Fund's Climate Change metrics and targets will also be incorporated.

16. Finally, the Team will be integral to the review of the need for multiple investment strategies.

#### Appointment of a second Independent Investment Adviser to the Pensions Panel

17. The procurement to appoint a second Independent Investment Adviser to the Pensions Panel has almost concluded. The Fund has traditionally had two Independent Advisers but following a retirement in 2020 the second Independent Adviser was not initially replaced. It is anticipated that the procurement will be successful, and a second Independent Adviser will be in place in time for the June Pensions Panel. This will enable further challenge to be given to the current Investment Consultant / Adviser at Pensions Panel meetings.

#### **Cost and Resources**

18. The Pension Fund currently has six main areas of 'resource/cost':
  - Pension's administration and accounting (internal);
  - Governance (internal and external);
  - Advice from actuary and consultants/advisors (external);
  - Legal support (internal and external);
  - Investment management (external); and
  - Custody (external).
19. Several costs are very difficult to anticipate for example, costs for investment advice and legal support vary depending on the level of activity. Investment Management fees vary dependent of the value of assets under management (AUM) and the level of manager performance, impacting on the payment of performance related fees. Therefore, it is likely that there could be considerable variation in the final outturn position. The level of Investment Manager fees paid is also likely to increase, as the Fund's Strategic Asset Allocation moves away from more traditional asset classes e.g. equities into more expensive alternative asset classes e.g. Infrastructure, and this has been reflected in the budget estimates going forward.
20. CIPFA reporting guidance states it is good practice to produce a three-year budget and Table 1 illustrates our best estimate of the likely budget costs for the three years commencing 2024/25. Clearly, given the difficulty outlined in the previous paragraph these are indicative costs only and as such, will be subject to further variation with changes over time.
21. The indicative costs have been produced using the information we have available at the current time, with reasonable assumptions made about growth in AUM and levels of activity. However, even small changes in activity levels combined with other factors, such as increases in the governance and running costs of LGPS Central Limited or contra to that, reduced investment manager fees, as a direct or indirect result of asset pooling, could create significant variations from these figures.

Table 1 - Indicative Pension Fund Costs 2024-2027

<b>Cost Heading</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pensions Administration	3,170	3,230	3,330
Governance*	1,570	1,620	1,670
Audit	50	50	50
Actuarial Fees	180	240	180
Investment Oversight fees	670	690	700
Investment Advice	110	120	120
Investment Management Fees**	19,230	20,250	20,950
Property Expenses (ex-legal)	3,680	3,790	3,900
Monitoring and Custody	90	90	90
Other expenses	10	10	10
<b>Total</b>	<b>28,760</b>	<b>30,090</b>	<b>31,000</b>

\*Includes the running costs of LGPS Central

\*\* the above does not include the cost of transition which will be taken from the capital value of assets.

22. The LGPS Central Limited Strategic Business Plan and Budget for 2024/25, has not yet been approved by Shareholders and discussions between Partner Funds and the Company remain ongoing. However, within the Governance costs section in the table above, the proposed LGPS Central budget has been included for 2024/25 with assumptions about future increases included in 2025/26 onwards. Members will be updated via the outturn report presented at the June Pensions Committee, on any agreed position on Governance costs for 2024/25 onwards.
23. The LGPS Central costs included in Governance costs include an element of fixed cost that the Fund must pay by virtue of being a Shareholder of the company, (e.g. in relation to the governance and the operation of the Company). However, many other elements of cost will be dependent on a number of variables, including the services being provided to the Fund by the Company e.g. manager monitoring. This is in addition to the investment management fees payable for Fund assets invested in the sub-funds being offered by the Company.

24. Transition costs arising from changes in asset class or investment manager are not included in the table above, as these are deducted from the capital value of the assets being transitioned.
25. The ongoing increases in Investment Manager Fees is as a direct result of increasing the Fund's allocation to alternative asset classes, such as Infrastructure, Private Equity and Private Debt, as opposed to low fee passive equities. As always, net value for money from investment management is more important than simple minimisation of costs.
26. Due to the uncertainty around several costs, which have been highlighted in the previous paragraphs, it is not proposed to use these estimated costs for 'budget monitoring' purposes per-se but to use them as an indication. Whilst they will be compared to the budget forecast post 31 March, as part of the outturn report, the Committee is asked to consider them alongside cost comparisons, benchmarking, and trends to ensure that value for money is being delivered. A more detailed report on comparative outturn costs for 2023/24 will be presented to the Committee during 2024.

### Risks

27. The primary risks to the continued delivery of a pension's administration, accounting and investment monitoring service to maintain the high standards currently being achieved are;
  - having a team of staff, sufficiently resourced, with the right experience to cope with changes to Government Legislation e.g., McCloud and the Pensions Dashboard.
  - the ability to deal with an increasing number of Employers and the challenge and complexities their different requirements present.
  - the increasing fragmentation of payroll provision and the requirement for accurate and timely data.
  - the performance of investment markets generally and the Fund's investment managers, and ultimately
  - the need to ensure that the correct Pensioner Members are paid on time with the correct amount.

These, and other risks, are further analysed in the Pension Fund's Risk Register, the latest version of which will be presented in full to the June 2024 meeting of this Committee.

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

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Contact: Melanie Stokes,  
Assistant Director for Treasury & Pensions  
Telephone No: (01785) 276330

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

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

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

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

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

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



Area of Service	Key Development Activity	Progress
<p><b>LGPS Pensions Administration</b></p>	<p>Finalise implementation of recommended actions arising from the external review of Additional Voluntary Contribution (AVC) providers. This will include resolving outstanding issues with chosen provider; a review of the legacy AVC providers; and the setting up of a routine monitoring process across all AVC providers.</p>	<p><b>Partially Achieved – ongoing to 2024/25</b>                      The Member Election Form has been reviewed and the Fund’s website content updated to include a single AVC provider. Further progress inhibited by lack of engagement from AVC providers.</p> <p>A National LGPS Framework for AVC providers is due to go live in April 2024 and this will be considered as part of the Fund’s ongoing AVC offer.</p>
	<p>Retender for provider of an Existence Checking / Living as Stated Services</p>	<p><b>Carry forward to 2024/25 Business Plan</b>                      The National LGPS Member Data Services Framework has been delayed and is now expected to go live in April 2024.</p> <p>The Fund continues to use ATMOS for existence checking in the UK. And for overseas pensioners, existence checking is currently being carried out by Crown Agents Bank (Biometric checking).</p>

Area of Service	Key Development Activity	Progress
	<p>Undertake an Address Tracing Exercise to improve the accuracy of deferred pensioner &amp; pensioner membership data in readiness for the Pensions Dashboard</p>	<p><b>Carry forward to 2024/25 Business Plan</b>                      The National LGPS Member Data Services Framework has been delayed and is now expected to go live in April 2024.</p> <p>Some indirect address tracing has been undertaken with Scheme Member communications e.g. McCloud communications, InContact Pensioner newsletter, payslips.</p>
	<p>Following the collection of retrospective data from Employers, continue to plan and implement required remedial actions arising from the McCloud / Sergeant judgement including familiarisation with software provider update and recalculation offering.</p>	<p><b>Partially Achieved – ongoing to 2024/25</b>                      Regulations came into force with effect from 1 October 2023. Exercise to collect data from Employers was completed in December 2023. McCloud disclosure communications sent to affected members December 2023.</p> <p>Data loading and recalculations now in progress with aim to provide details on Annual Benefit Statements for 2024/25.</p>

Area of Service	Key Development Activity	Progress
<p><b>Pensions Administration System</b></p>	<p>Implement Enhanced Admin to Pay</p>	<p><b>ACHIEVED</b> Payroll software module fully implemented in November 2023.</p> <p>New Pensioner Payroll records automated resulting in significant efficiency savings from reduced manual input of data.</p>
	<p>Continue to review capabilities of Altair Insights for Service Standard reporting and Employer Compliance monitoring</p>	<p><b>Substantially Achieved - ongoing to 2024/25</b> Monthly KPIs now reported through Insights for Service Standards.</p> <p>Review of Breaches monitoring and reporting currently being undertaken to align with Pensions Administration Strategy.</p>
	<p>Appoint Integrated Service Provider (ISP) ahead of the Pensions Dashboard connection deadline and determine data matching criteria.</p>	<p><b>ACHIEVED</b> Heywood's have been appointed as the ISP as a variation to the Fund's existing software provider contract.</p> <p>Determination of data matching criteria to form part of 2024/25 Business Plan.</p>

Area of Service	Key Development Activity	Progress
<b>Governance &amp; Communications</b>	Following receipt of recommended guidance etc, implement actions from Scheme Advisory Board's Good Governance Project, as identified in September 2021 Gap Analysis	<b>Carry forward to 2024/25 Business Plan</b> Still awaiting guidance, expected 2024.
	Consider need for provider(s) of external Legal Services and Tender through the Norfolk Framework as required.	<b>ACHIEVED</b> Eversheds Sutherland appointed until November 2028.
	Promote and encourage the use of Member Self Service / My Pension Portal (MPP) by targeting Members based on demographics. E.g. rising 55s's, new retirees.	<b>ACHIEVED</b> Statistics on use / uptake are now available through Altair Insights. Scheme Employers encouraged to promote use of MPP to their employees via Employer Focus Newsletter and Peer Group. In December 2023, 2,446 scheme members were sent activation codes as part of wider McCloud communications.
	Develop and extend content of Scheme Member Webinars and/ or use of video format on website.	<b>Substantially Achieved - ongoing to 2024/25</b> Member Webinars delivered and well received. New branding Material in place for consistency.  Need to further understand technology for wider delivery.
	Review compliance with The Pensions Regulator (TPR) General Code of Practice as applicable to the LGPS.	<b>Carry forward to 2024/25 Business Plan</b> Guidance received January 2024. Code comes into force 27 March 2024. Gap analysis to be undertaken with compliance plan developed in 2024/25.

Area of Service	Key Development Activity	Progress
<p><b>Funding &amp; Actuarial</b></p>	<p>Implement initial changes to stabilisation approach to contribution rate setting for Academies and continue to review ahead of the 2025 Actuarial Valuation.</p>	<p><b>Carry forward to 2024/25 Business Plan</b>                      Hymans Robertson reappointed as provider of Actuarial Services from 1 May 2024.</p> <p>Review of approach on Hymans’ workplan and due to commence Q2 2024.</p>
	<p>Explore wider use of HEAT and its role in understanding Employers funding positions and cashflow profiles ahead of the 2025 Actuarial Valuation</p>	<p><b>Partially Achieved – ongoing to 2024/25</b>                      HEAT is fully up to date and being used for year-end actuarial reporting.</p> <p>FRM also being used but potential for wider use to be explored as Hymans Robertson have been reappointed as the provider of Actuarial Services.</p> <p>Use of Power bi also being considered.</p>
	<p>Tender for a provider of Actuarial Services</p>	<p><b>ACHIEVED</b>                      Hymans Robertson to be reappointed from 1 May 2024.</p>

Area of Service	Key Development Activity	Progress
<p><b>Pension Fund Investment</b></p>	<p>Implement recommendations from Strategic Asset Allocation Review across liquid Asset Classes (i.e. Equities and Bonds) focussing on any implications for the Climate Change Strategy</p>	<p><b>Substantially Achieved – ongoing to 2024/25</b>                      Refreshed Private Equity strategy agreed and allocation to LGPS Central PE fund agreed (Q423).</p> <p>Infrastructure strategy update presented to Pensions Panel and increased allocations to LGPS Central products agreed (Q323).</p> <p>Factor Based Investment (FBI) restructure complete. LGPS Central FTSE fund transition completed and benchmark change and increased investment in LGPS Central low carbon Sci-Beta fund actioned (Q423).</p> <p>First investment into LGPS Central Multi Asset Credit (MAC) fund agreed (Q423). Further investment into LGPS Central MAC fund and Property strategy reviewed and approved (Q124).</p>
	<p>Continue to monitor processes, reconcile data and report performance impact following asset transitions into LGPS Central e.g. Global Sustainable Equities, Multi-Asset Credit</p>	<p><b>Partially Achieved – ongoing to 2024/25</b>                      See comments above and below</p>

Area of Service	Key Development Activity	Progress
	Tender for Independent Performance Measurer	<p><b>ACHIEVED</b>                      Procurement and onboarding complete. Member training received in November 2023 from the new provider – Northern Trust</p>
	Consider and response to any actions arising from DLUCH Guidance on Asset Pooling in the LGPS	<p><b>Partially Achieved – ongoing to 2024/25</b>                      Response provided to the consultation. Awaiting DLUCH guidance to consider further actions required.</p>





Area of Service	Key Development Activity	Timetable
<b>Pensions Administration</b>	Consider review of Additional Voluntary Contribution (AVC) providers through the National LGPS Framework (expected to be available post April 2024).	31 March 2025
	Retender for provider of an Existence Checking / Living as Stated Service for Overseas Members. (National LGPS Member Data Services Framework due to go live April 2024).	31 March 2025
	Retender for provider of an Existence Checking / Living as Stated Service for UK Members. (National LGPS Member Data Services Framework due to go live April 2024).	31 March 2025

Area of Service	Key Development Activity	Timetable
<b>Systems &amp; Data</b>	Continue to review capabilities of Altair Insights for Employer Compliance including monitoring for breaches and alignment with the Fund's Pensions Administration Strategy.	31 March 2025
	Continue to review automation functionality within Altair workflow by automating tasking and classifying of cases.	31 December 2024

Area of Service	Key Development Activity	Timetable
	<p>Continue to Prepare for Pensions Dashboards Program (data quality and digital accessibility).</p> <p>Undertake review of the Data Readiness Report to carry out data cleansing exercise e.g. addresses.</p> <p>Develop Pensions Dashboards Delivery Plan with Integrated Service Provider to ensure all requirements and key actions are met before connection deadline (expected 30 September 2025).</p> <p>Determine matching criteria once data cleansing exercise complete.</p>	31 March 2025
	<p>Continue to promote the use of My Pensions Portal (MPP) to scheme members and develop functionality of MPP e.g. Death Grant Nomination Forms, Online retirement for Deferred Members.</p>	31 March 2025
	<p>Implement pensions remedy (McCloud):</p> <ul style="list-style-type: none"> <li>- Load data, where data missing or not provided follow Scheme Advisory Board (SAB) guidance.</li> <li>- Bulk calculate McCloud rectification for in scope members.</li> <li>- Recalculate past cases where required.</li> <li>- Prepare for 2025 Annual Benefit Statements.</li> <li>- Transition pensions remedy to business as usual.</li> </ul>	31 March 2025 (and ongoing)

Area of Service	Key Development Activity	Timetable
<b>Governance &amp; Communications</b>	Following receipt of recommended guidance etc, implement actions from Scheme Advisory Board's Good Governance Project, as identified in September 2021 Gap Analysis.	31 March 2025
	Review TPR General Code of Practice, where applicable to the LGPS, and develop plan to achieve full compliance.	30 September 2024
	Review compliance with CIPFA/SAB revised Annual Reporting Guidance – new KPI's.	31 March 2025
	Continue to develop and extend content of Member Webinars and use of video format on website.	31 March 2025 (and Ongoing)
	Review of documentation and process for Divorce and Transfers	31 March 2025
	Develop process for improved engagement with Scheme Employers.  Reintroduce Employer Training Day (Summer 2024)	31 August 2024

Area of Service	Key Development Activity	Timetable
<b>Actuarial, Employers and Funding</b>	Assess the need for multiple investment strategies and the ongoing performance monitoring via HEAT.	31 March 2025
	Implement initial changes to stabilisation approach to contribution rate setting for Academies and continue to review ahead of the 2025 Actuarial Valuation.	31 March 2025

Area of Service	Key Development Activity	Timetable
	Explore wider use of HEAT and its role in understanding Employers funding positions and cashflow profiles ahead of the 2025 Actuarial Valuation	31 March 2025
	Training for Pensions Committee and Board members ahead of 2025 Actuarial Valuation and contribution and assumption setting	31 March 2025

Area of Service	Key Development Activity	Timetable
<b>Pension Fund Investment</b>	Update Annual Report and Accounts in line with revised CIPFA guidance.	31 March 2025
	Begin Strategic Asset Allocation Review in advance of 2025 Actuarial Valuation and continue implementation of previous Strategic Asset Allocation Review	31 March 2025
	Review progress against the Climate Change Strategy and appropriateness of chosen metrics.	31 March 2025
	Respond to any actions arising from DLUCH Guidance on Asset Pooling in the LGPS E.g. Levelling Up, Private Equity.	31 March 2025
	Appoint a Second Independent Investment Adviser to the Pension Panel.	31 May 2024

### PENSIONS COMMITTEE – 22 MARCH 2024

#### Report of the Director of Finance

#### TRAINING NEEDS ANALYSIS & TRAINING POLICY 2024/25

##### Recommendation of the Chair

1. That the Pensions Committee:
  - (a) notes the results of the 2023 Knowledge Progress Assessment at Appendix 1 in relation to the requirements of the CIPFA Knowledge and Skills Framework (CIPFA KSF);
  - (b) approves the resultant 2024/25 Training Plan; and
  - (c) notes the Staffordshire Pension Fund's Training Policy, attached at Appendix 2.

##### Background

2. Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits.
3. In May 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated Knowledge and Skills Framework (KSF) for LGPS Committee Members and LGPS Officers, together with a separate Code of Practice (an electronic copy can be provided to Members on request). Whilst this was a recommendation from the Good Governance Project, the CIPFA KSF is something that the Staffordshire Pensions Committee has adopted for several years now, to demonstrate its own good governance and commitment to training.
4. The CIPFA KSF is designed to be used by LGPS Officers and the scheme's decision-making bodies (i.e. Pensions Committee) as a framework in the assessment of knowledge and skills, the delivery and recording of training, and ultimately the development of knowledge and understanding of all those with a responsibility to manage and administer an LGPS Fund.
5. The CIPFA KSF identifies eight core technical areas where Pensions Committee Members are expected to have a general awareness and understanding of the key elements in each area. Fund Officers are expected to have a greater depth of knowledge of the areas relevant to their role. The eight core areas are:
  - Pensions Legislation and Guidance
  - Pensions Governance
  - Funding Strategy and Actuarial Methods

- Pensions Administration and Communications
  - Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards
  - Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
  - Financial Markets and Products
  - Pension Services Procurement, Contract Management and Relationship Management.
6. Local Pensions Board Members still have a separate and mandatory CIPFA KSF, however, as the revised Pensions Committee and Senior Fund Officer CIPFA KSF is more detailed and granular, it makes sense for Board members to complete the same KPA and training.

### **2023/24 Training**

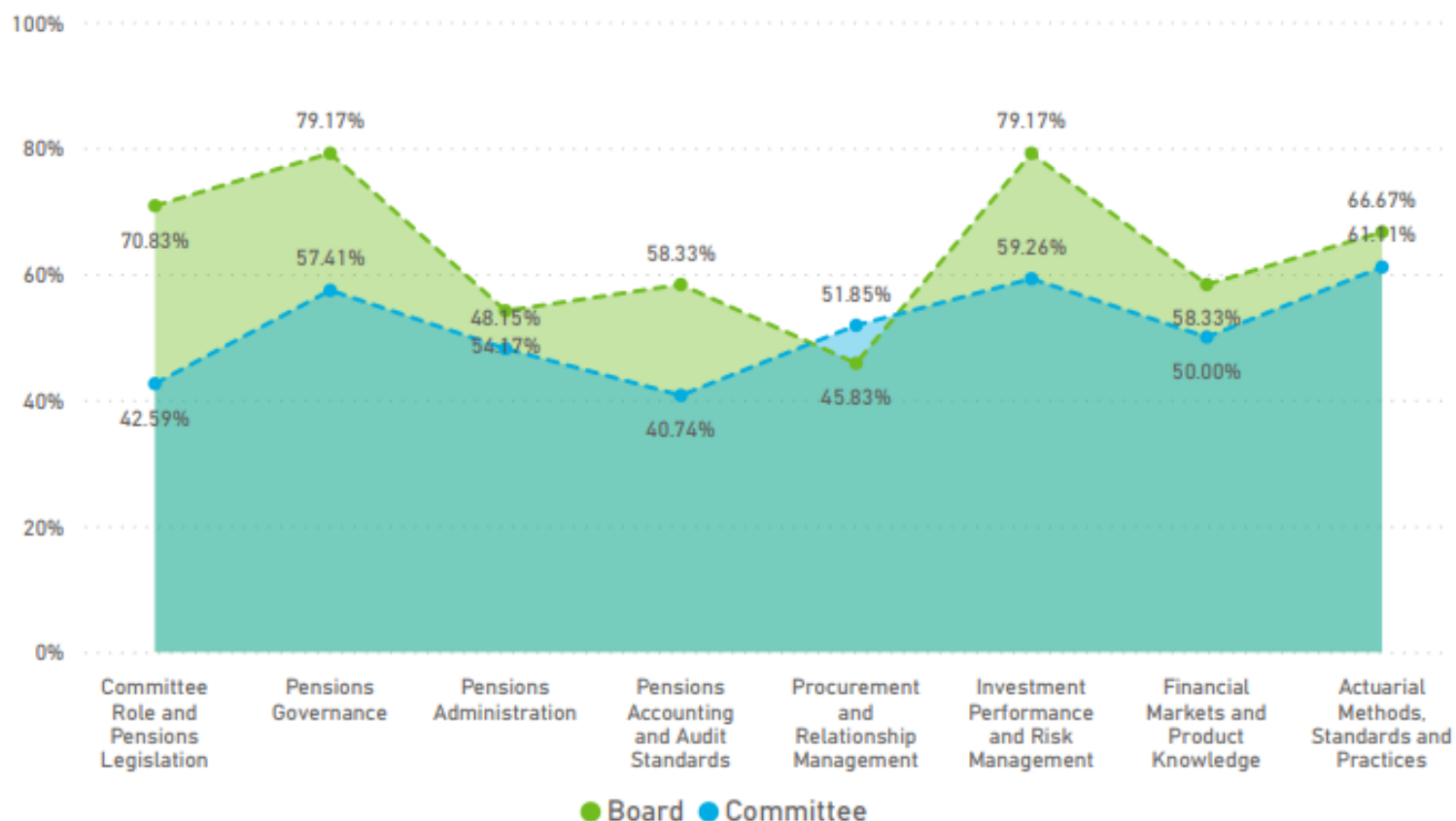
7. Throughout 2023/24, training continued to form part of Pensions Committee meetings covering topics relevant to agenda items covered on those days; Risk management, Cyber Security and Benchmarking were some of the areas covered in this way.
8. Two focussed joint training days with Pensions Committee and Pensions Board Members also took place, which covered: Strategic Asset Allocation, Public Sector Procurement Rules and Regulations, and Investment Performance Measurement and Analysis.
9. 1 new member of the Local Pensions Board attended the Local Government Association's Pensions Fundamentals Training in October through December 2023, which again acted as a useful introduction to the wide range of topics covered.
10. On-line access also continued to be provided to the Hymans Robertson's Aspire Training Platform and the Pension Regulators Toolkit.

### **2023 Knowledge Progress Assessment (KPA)**

11. Whilst in previous years knowledge assessments have been based on a self-assessment, in 2023 the Pensions Committee and Local Pensions Board agreed to take part in the external KPA offered by Hymans Robertson. The assessments were completed during December 2023 and January 2024 and assessment consisted of a series of multiple-choice questions across the 8 core areas. These 8 areas were broadly aligned with the 8 areas of the CIPFA KSF with some small differences in terminology.
12. The combined KPA response rate for the Pensions Committee and Local Pension Board was 76% (13 out of a possible 17). This overall response rate was encouraging and gives a good picture of the knowledge level of the Committee and Board.
13. The average overall score for the Pensions Committee was 51.4% whilst for the Local Pensions Board it was 64%. This is as expected given the Board are required to have a more detailed understanding of the Fund due to their scrutiny role.

14. The summary of the collective KPA results for the Pensions Committee and the Local Pensions Board are provided in the following chart and in more detail in Appendix 1. The full KPA report from Hymans has also been provided to all Committee and Board Members together with the detail of their individual results.

## Average Score for Board & Committee



15. In general, the Committee's results; averaging 51.4%, were in-line with the findings of the Hymans' 2022 National Knowledge Assessment where the average score for Committee participants was 51%. At 64%, the average Pension Board score for Staffordshire was above the average Pension Board member score in the Hymans' 2022 National Knowledge Assessment of 61%.
16. As well as the overall results, it can be seen from the detail that:
- The performance for the Committee and Board diverged the most in the Committee Role and Pensions Legislation section, where the Board were 28.2% higher than the Committee.
  - The Committee performed most strongly in the areas of Actuarial Methods, Standards and Practices and Investment Performance and Risk Management; and
  - The Board's areas of strongest knowledge were Pensions Governance and Investment Performance and Risk Management.

17. It is to be expected that there are differences in individual members' levels of knowledge and experience, however, as stated in the CIPFA KSF, it is the collective knowledge of the Pensions Committee and Local Pensions Board that should be relied upon.
18. Therefore, it is reassuring that there is a good level of collective knowledge across all 8 areas, given the complexity of some of the questions asked. It is also pleasing to see relatively higher scores for those areas where training was provided in 2023/24, such as Investment Performance and Pensions Governance.
19. The results of the KPA will be used to inform the delivery of general and specific, more targeted, training going forwards and will be reviewed again in late 2024. The specific areas with the lowest combined scores are shown in Appendix 1, and it is intended to incorporate these areas in training sessions during 2024/25.

### 2024/25 Training Plan

20. As with all training plans, some flexibility in terms of times and methods of delivery will be required. Where appropriate, training will be incorporated into scheduled Committee and Board meetings in June, September, December, and March and two dedicated training sessions for both Committee and Board members will be held in July and November. Joint training opportunities within the LGPS Central pool, and outside of scheduled training, may also be offered from time to time. Access to Hymans Robertson's online LGPS Learning Academy, called ASPIRE, will be maintained for all Committee and Board members.
21. Having considered the detailed results from the 2023 KPA, training proposed (and the area of the CIPFA KSF it relates to) for 2024/25 is likely to include the following:
  - July 2024 – **Pensions Legislation and Guidance** and **Pensions Governance**; Overview of the roles and responsibilities of the Pensions Committee and Pensions Board.
  - July 2024- **Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management** and **Financial Markets and Products**; Responsible Investment, Stewardship and Engagement, as Responsible Investors, how we can engage with companies in which the Fund invests to make a difference.
  - September 2024- Northern Trust Training & Presentation on Performance & AI, **Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management**.
  - December 2024 - CEM Benchmarking –refresher training at Committee on Performance Measurement, Cost Benchmarking and Risk Management; **Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management**.



- September / November / December 2024- Pensions Administration, Pensions Accounting & Audit Standards, The Pensions Regulators General Code of Practice, McCloud judgment, Pensions Scams. **Pensions Administration and Communications, Pensions Legislation and Guidance**
- October – December 2024 – Local Government Association offer 3-day **Pensions Fundamentals** training, which is routinely offered to all new Pensions Committee and Pensions Board members, but this can also be attended as a refresher.

### **Aspire Online Learning Academy**

22. As well as the free access to the Pensions Regulators Trustee Toolkit:

<https://trusteetoolkit.thepensionsregulator.gov.uk/>

Pensions Committee and Local Pensions Board Members, have been provided with access to Hymans Robertson's online LGPS Learning Academy, called ASPIRE, which covers all the key areas of the CIPFA KSF. This can be accessed by following the link below:

<https://aspire.hymanslearning.co.uk/learn>

23. Whilst it was pleasing to see many Pensions Committee and Local Pensions Board Members originally accessing the modules on Aspire, it is fair to say that continued take up and routine use could be significantly improved. Members who have not yet found the time to work through any of the ASPIRE modules are encouraged to do so, given it is a valuable and tailored LGPS training resource that can assist everyone in keeping up to date with topical issues whilst also enhancing their wider LGPS knowledge and understanding, in accordance with the Fund's Training Policy.
24. Hymans refreshed version of ASPIRE offers more, but shorter, learning modules, which align with the CIPFA KSF. They have also updated many of the videos, jargon busters and knowledge checks. Badges are also awarded to users depending on the number of questions correctly answered members are encouraged to use this resource to enhance their understanding.

### **Training Policy**

25. As with all areas of Pensions, it is best practice and further demonstrates good governance to set out the Pension Fund's approach to the Training of all individuals charged with the oversight of the Fund, by having a policy on such. The Staffordshire Pension Fund's Training Policy is attached at Appendix 2 for approval.
26. The policy incorporates the requirements of the latest CIPFA KSF and includes a set of seven statements which the Pensions Committee formally adopted at their meeting on 25 March 2022. These can be found on pages 2 and 3 of the Training Policy.

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

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Contact                      Melanie Stokes, Assistant Director for Treasury & Pensions  
Telephone No.              (01785) 276330

**Background Documents:**

CIPFA Knowledge and Skills Framework  
CIPFA Code of Practice on Knowledge and Skills  
Scheme Advisory Board Good Governance Report  
Hymans Robertson Online Learning Academy  
The Pensions Regulators Trustee Toolkit

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

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

**Resources and Value for Money Implications:** All Training Costs will be paid for by the Staffordshire Pension Fund

**Risk Implications:** There is a risk of inappropriate decisions being made if Pensions Committee members do not have an appropriate level of knowledge and understanding.

**Climate Change Implications:** There are no major climate change implications arising from this report.

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

## Appendix 1

### Staffordshire Pensions Committee and Staffordshire Local Pensions Board 2023 Knowledge Progress Assessment

#### Average Score for Committee & Board

Core Area of Knowledge	Committee & Co-optees	Board	Combined
1. Committee Role and Pensions Legislation	42.59%	70.83%	56.71%
2. Pensions Governance	57.41%	79.17%	68.29%
3. Pensions Administration	54.17%	48.15%	51.16%
4. Pensions Accounting and Audit Standards	40.74%	58.33%	49.54%
5. Procurement and Relationship Management	51.85%	45.83%	48.84%
6. Investment Performance and Risk Management	59.26%	79.17%	69.22%
7. Financial Markets and Product Knowledge	50.00%	58.33%	54.17%
8. Actuarial Methods, Standards and Practices	61.11%	66.67%	63.89%
<b>Average Overall Score</b>	<b>51.4%</b>	<b>64%</b>	<b>57.7%</b>
 Participants	 <b>9/13</b>	 <b>4/4</b>	 <b>13/17</b>
Participation Rate	<b>69.23%</b>	<b>100.00%</b>	<b>76.47%</b>



# **Staffordshire Pension Fund Training Policy**

**1 April 2024**

## **A. Introduction**

This policy provides details of the training strategy for the Staffordshire Pension Fund (the Fund).

It confirms the Training commitment of the Fund and sets out the arrangements for the training and development of:

- Members of the Staffordshire Pensions Committee (including co-opted members);
- Members of the Staffordshire Pensions Panel;
- The Local Pensions Board; and
- Senior Officers involved in the day-to-day management of the Staffordshire Pension Fund (“the Fund”)

This policy will be published and be made available to all stakeholders on the Fund’s website.

[www.staffspf.org.uk/Governance/Policies/Policies](http://www.staffspf.org.uk/Governance/Policies/Policies)

## **B. Legislation**

Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, requires that trustees of occupational pension Schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment and the management and administration of pension scheme benefits.

Whilst there is a legal requirement for a prescribed level of knowledge and understanding for members of a Local Pension Board, this legal requirement does not apply to members of a Pensions Committee and Pensions Panel; albeit there is a clear need for them to have knowledge and understanding to enable them to make informed and consistent decisions.

Accordingly, the Pensions Committee have agreed to adopt the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on LGPS Knowledge and Skills (the Code) and the Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers. (CIPFA KSF).

The CIPFA KSF therefore applies to all Members of the Pensions Committee, Pensions Panel and the Local Pensions Board. It also applies to Senior Officers of the Fund. Advisors are also expected to meet the objectives of the Fund’s policy.

## **C. Code of Practice on LGPS Knowledge and Skills 2021**

The Code of Practice and the CIPFA KSF were updated in May 2021 ‘...to embed the requirements for the adequacy, acquisition, retention and maintenance of the appropriate knowledge and skills...’ The Department of Levelling Up, Housing and Communities (DLUHC) is also expected to issue statutory guidance, following the conclusions of the Good Governance Review, with clearer expectations for all parties who have a role in the LGPS, or who are involved with the management of the LGPS.

The Staffordshire Pensions Committee originally approved this Training Policy at its meeting on 25 March 2022 and in doing so adopted the following statements, as recommended by the Code:

1. This LGPS administering authority adopts the key principles of the Code of Practice on LGPS knowledge and skills.
2. This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
3. This LGPS administering authority has in place formal and comprehensive objectives, policies and practices, strategies, and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA LGPS Knowledge and Skills Framework.
5. This LGPS administering authority will ensure that it has adequate resources in place to ensure all staff, Members, or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS, acquire and retain the necessary knowledge and skills.
6. This LGPS administering authority will report annually on how their knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.
7. This LGPS administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

#### **D. Aims and objectives**

Staffordshire County Council recognises its responsibilities as the Administering Authority to the Staffordshire Pension Fund on behalf of its stakeholders which include:

- Over 120,000 current and former Employee Members of the Fund;
- Over 500 Employers in the Fund; and
- Local taxpayers.

The Administering Authority's objectives in relation to this policy are to ensure that:

- Those persons charged with the financial management and decision-making about the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based; and

- Members of the Local Pensions Board have sufficient knowledge and understanding to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the LGPS and/or any failure to meet the standards and expectations set out the Regulators Codes of Practice.

All Members and Officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To achieve these objectives, the Fund will have regard to the following publications:

- CIPFA Technical Knowledge and Skills Framework for Local Pension Boards;
- CIPFA Code of Practice on LGPS Knowledge and Skills
- CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers
- Public Service Pensions Act 2013
- The Pensions Regulator's (TPR) General Code of Practice
- Local Government Pension Scheme (LGPS) Pension Board Guidance
- MIFID II
- DLUHC Statutory Guidance

Staffordshire County Council fully supports the use of the CIPFA KSF and the Pension Regulators Codes of Practice. These documents will form the basis of the training strategy using a rolling training plan together with regular monitoring and reporting.

The Director of Finance (Scheme Administrator) at Staffordshire County Council is the Fund's designated named individual responsible for ensuring that this Training Policy is implemented. However, the practical arrangements for organising and ensuring the delivery of timely and appropriate training has been delegated to the Assistant Director for Treasury and Pensions.

The Council's approach to training will be supportive in nature with the intention of providing Committee, Panel and Local Pension Board Members with regular sessions that will contribute to their level of skills and knowledge.

## **E. Areas of knowledge and understanding required**

There are eight core technical areas where appropriate knowledge and skills should be achieved and maintained. They are:

### **1. Pensions Legislation and Guidance**

A knowledge of the framework of legislation and guidance and the way in which it affects the management and operational aspects of the Local Government Pension Scheme.

### **2. Pensions Governance**

Understanding the requirements of the current and evolving governance framework for the LGPS as well as wider pensions industry frameworks that apply and impact the governance of the LGPS.

### **3. Funding Strategy and Actuarial Methods**

To understand the work of the Actuary and the way in which actuarial information



impacts both the finances of the Scheme and the Scheme Employers.

**4. Pensions Administration and Communications**

To understand the complex nature of administering scheme benefits and contributions and the industry wide requirements of disclosure and data quality, to ensure decisions made are in compliance with the regulations.

**5. Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards**

To understand the way LGPS pension funds are resourced, budgeted, and accounted for and the role internal and external auditors play in assuring the administering authority complies with statutory requirements.

**6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management**

To gain an understanding of investment risks (including emerging risks), asset allocation and its impact on investment performance, investment pooling arrangements (including the transition of assets into the pool.

**7. Financial Markets and Products**

An understanding of the workings of financial markets and the investment vehicles available in relation to the Fund's investment strategy and how these are utilised in investment pools.

**8. Pension Services Procurement, Contract Management and Relationship Management.**

An understanding of procurement requirements, including the availability of LGPS specific frameworks, to enable the appointment of third party providers that facilitate efficient and effective pensions operations.

**F. Degree of knowledge and understanding required.**

All Committee, Panel, Local Pension Board Members and Senior Fund Officers must have a knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to a level appropriate for them to be able to carry out their individual roles, responsibilities and duties and to exercise properly their delegated responsibility, on behalf of the Staffordshire Pension Fund.

The different degrees of knowledge and understanding are prescribed in the CIPFA KSF as:

**For Pensions Committee and Local Pension Board Members:**

- an *awareness*, i.e. recognition that the subject matter exists.
- a *general understanding*, i.e. understanding the basics in relation to the subject matter.
- a *strong understanding*, i.e. a good level of knowledge in relation to the subject matter (but not necessary at a detailed level).

**For Senior Fund Officers**

- a *strong understanding*, i.e. a good level of knowledge in relation to the subject matter (but not necessary at a detailed level).
- a *detailed level of knowledge* in relation to the subject matter.
- an *expert level of knowledge* in relation to the subject matter.

## **G. Acquiring, reviewing and updating knowledge and understanding**

Pensions Committee, Panel and Local Pension Board members should invest sufficient time in their learning and development alongside their other responsibilities and duties.

Newly appointed Pensions Committee, Panel and Local Pension Board members should be aware that their legal responsibilities and duties as a member of those bodies begin from the date they take up their post. They should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. The Pension Regulator's General Code of Practice: The Governing body Knowledge and Understanding early states these requirements.

Pensions Committee, Panel and Local Pension Board members should undertake personal responsibility to complete a Training Needs Analysis (TNA) and annually review their skills, competencies, and knowledge to identify any gaps or weaknesses.

## **H. Training Plan**

The Training Needs Analysis (TNA) will be the primary method of assessing the knowledge and skills of both the individual Member or Officer and more widely, the collective knowledge and skills of the Pensions Committee, Panel and Local Pensions Board and this will be used for an annual assessment. The TNA results will be used to help develop the training plan for the following year to ensure any knowledge gaps are removed as far as possible, given other areas of general training being provided.

Training will be delivered through a variety of methods including:

- In-house training provided by Officers or external trainers;
- Training as part of a formal meeting;
- External training events;
- Circulation of reading material;
- Shared training with other Funds or frameworks;
- Attendance at seminars and conferences;
- On-line training toolkit provided by the Pensions Regulator;
- Hymans Robertson ASPIRE on-line training portal; and
- Self-improvement and familiarisation with regulations and documents.

Where appropriate, training will be provided jointly for the Pensions Committee, Panel and Local Pensions Board members and Officers.

A training schedule will be developed by Officers in consultation with the Pensions Committee, Panel and Local Pensions Board to achieve the following:

- maintain a general awareness to ensure Members have an ongoing understanding and knowledge of developments and current issues in the pensions' arena;
- training is delivered to ensure appropriately timed training is provided in relation to "hot topics"; and
- individual and collective training needs are assessed and delivered.

To identify whether the objectives of this Training Policy are being met, the Administering Authority will maintain a Training Log which records any training delivered, as well as the attendance of Pensions Committee, Panel and Local Pensions Board members at training events and learning activities.

## I. Key risks

The key risks to the delivery of this Policy are outlined below. Pensions Committee members, with the assistance of the Local Pensions Board and Officers, will monitor these and other key risks and consider how to respond to them:

- Changes to the Committee, Panel and/or Local Pensions Board membership and/or Officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee and / or Panel and / or Local Pension Board members and/or other Officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.

## J. Reporting

A report will be presented to the Pensions Committee and the Local Pensions Board on an annual basis setting out:

- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the Training Plan; and
- any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts. The Fund's Pensions Committee, Panel and Local Pensions Board members will be provided with details of forthcoming seminars, conferences, and other relevant training events.

## K. Costs

All training costs will be met directly by the Staffordshire Pension Fund.

## Further Information

If you require further information about anything in, or related to, this Training Policy, please contact:

Melanie Stokes – Assistant Director for Treasury and Pensions,  
Staffordshire County Council, 1 Staffordshire Place, Tipping Street, Stafford, ST16 2DH

Email: [melanie.stokes@staffordshire.gov.uk](mailto:melanie.stokes@staffordshire.gov.uk)

Telephone: (01785) 276330



### **PENSIONS COMMITTEE – 22 MARCH 2024**

#### **Report of the Director of Finance**

#### **ANNUAL REVIEW OF FUNDING STRATEGY STATEMENT (FSS) & INVESTMENT STRATEGY STATEMENT (ISS)**

##### **Recommendations of the Chair**

1. That the Pensions Committee notes that following the full review of the Staffordshire Pension Fund's Funding Strategy Statement (FSS) in March 2023 and the further update in October 2023, which dealt with changes around Academy Guarantees, there are no further changes required as part of the annual review process.
2. That the Pensions Committee notes the recommendation of the Pensions Panel and approves the minor changes to the Staffordshire Pension Fund's Investment Strategy Statement (ISS) attached at Appendix 1.

##### **Background**

3. All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain, and publish FSS and ISS documents. The FSS must be formulated, maintained, and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained, and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Both documents must be kept under review and revised from time to time and at least every three years. The FSS must be issued for consultation during each triennial Actuarial Valuation and the Pensions Committee must also formally approve the FSS and ISS as part of the triennial Actuarial Valuation process.
4. In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The latest guidance for both documents was published in September 2016.

##### **Funding Strategy Statement (FSS)**

5. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded and how employers, or pools of employers, are admitted to the Fund and pay for their own liabilities.
6. As required by Regulation, a full review of the FSS was undertaken as part of the 2022 Actuarial Valuation and this was approved by the Pensions Committee at their meeting on 31 March 2023. In line with best practice, the FSS was updated in November 2023 to reflect changes in the financial guarantee for Academies being provided by the Department for Education.

7. Whilst there are no further changes required following this annual review of the FSS, we understand that, ahead of the 2025 Actuarial Valuation, CIPFA are due to publish updated FSS guidance. The Fund will review the implications of this guidance, together with the Fund Actuary, as part of the preparation for the valuation.
8. The latest version of the FSS is available on the Fund's website [Staffordshire Pension Fund - Funding Strategy Statement \(staffspf.org.uk\)](http://staffspf.org.uk)

### **Investment Strategy Statement (ISS)**

9. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the first ISS had to be published by 1 April 2017, kept under review, and revised from time to time and at least every three years.
10. The ISS documents how the investment strategy for the Fund is determined and implemented and is required to cover numerous areas, specifically:
  - The requirement to invest money across a wide range of investments;
  - An assessment of the suitability of particular investments and investment types;
  - The maximum percentage authorities deem should be allocated to different asset classes or types of investment;
  - The authority's attitude to risk, including the measurement and management of risk;
  - The authority's approach to investment pooling;
  - The authority's policy on social, environmental and corporate governance considerations; and
  - The authority's policy with regard to stewardship of assets, including the exercise of voting rights.
11. The last major review of the ISS was undertaken in 2023. This incorporated the outcome of the 2022 Strategic Asset Allocation review and the assumptions and outputs from the 2022 Actuarial Valuation. The annual review of the ISS has resulted in a few minor revisions, which reflect the progress made in the implementation of the Fund's 2022 Strategic Asset Allocation and the recommendations on such approved by the Pensions Panel over the past 12 months. Predominantly this has affected benchmark changes in Appendix A and Appendix B of the ISS; the latest version of which is attached at Appendix 1.
12. Following on from the Department for Levelling Up, Housing and Communities (DLUHC) response to their formal consultation - Local Government Pension Scheme (England and Wales): Next steps on investments, which was published in November 2023, we are also expecting to see revised guidance from CIPFA on the ISS. Once published, this will be reviewed and suitable amendments to the ISS will be made, or additional information incorporated.

13. Under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its ISS. Although the revisions to the ISS in 2024 are relatively minor, the Fund has consulted with its Investment Consultant – Hymans Robertson.
14. A full review of the ISS will be undertaken in 2026 at which point a wider consultation may be considered appropriate.

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

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

Background Documents:

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

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

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

**Resource and Value for money implications:** The triennial Actuarial Valuation is a significant cost to the Pension Fund but is a legal requirement. The direct cost of producing the FSS and ISS is relatively small; they are published only on the web site. The wider resource and value for money implications are included in the body of the reports.

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

**Climate Change implications:** There are no direct implications arising from this report.

**Health impact assessment screening:** There are no direct implications arising from this report.







**Staffordshire**  
**Pension Fund**  
Local Government Pension Scheme

# Investment Strategy Statement

**April 2024**



## **Investment Strategy Statement**

### **1. Introduction and Background**

1.1 This is the Investment Strategy Statement ('ISS') produced by Staffordshire County Council as the administering authority of the Staffordshire Pension Fund ('the Fund'), to comply with the regulatory requirements specified in Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ('the investment regulations'). The ISS is subject to annual review and within six months of any material change in investment policy or other matters as required by law.

1.2 The ISS was approved by the Pensions Committee in March 2024, following consultation with the Fund's Investment Adviser, Hymans Robertson. The Pensions Committee is the main decision-making body and comprises both elected Councillors and non-voting representatives from Trade Unions and from other employing bodies in the Fund. A full explanation of the governance arrangements setting out the respective roles of the Pensions Committee, Pensions Panel, and the Local Pensions Board can be found in the separate document entitled 'Governance Policy Statement' published on the Pension Fund website at the following link.

<https://www.staffspf.org.uk/Governance/Policies/Governance-policy-statement/Governance-policy-statement>

1.3 In preparing the ISS, the Pensions Committee has consulted with its Investment Advisers and the Fund Actuary, as there are close links between this statement and the separate Funding Strategy Statement ('FSS') which can also be found on the Pension Fund website at the following link.

[www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement](http://www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement)

### **2. The Fund's Objectives**

2.1 The Fund has several funding strategy objectives which are set out in the FSS. These are to;

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

- 2.2 The FSS sets out the main aims of the Fund and sets employers' contribution rates to achieve those aims based on a Strategic Asset Allocation ('SAA') that is predominantly invested in return-seeking assets. The FSS models the risks of this investment strategy and the link between assets and liabilities. It also sets out the likelihood of achieving the funding objective in the long term. The FSS has an explicit stabilisation mechanism to limit the annual increase in contribution rates for local authorities and other employing bodies with strong covenants.
- 2.3 The investment objective of the Fund is:
- To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding strategy objectives on an ongoing basis.

### **3. Investment Strategy and Beliefs**

- 3.1 The Fund has built up assets over many years and continues to receive contribution and investment income. Any money which is not needed immediately to make payments from the Fund must be invested in a suitable manner; the way in which this is done is referred to as the investment strategy. The Fund ensures it has parameters around its investment strategy by setting a SAA, which at a primary level indicates how much the Fund will allocate to each asset class (i.e., equities, fixed income, property, infrastructure, and cash). This primary level is often then sub-divided further by type of investment and manager allocations.
- 3.2 The Fund shares a set of common investment beliefs which it thinks about when setting its investment strategy. These were updated in 2019 to incorporate the Fund's beliefs about Responsible Investment (RI) and are listed below:
- A long-term approach to investment will deliver better returns and the long-term nature of LGPS liabilities allows for a long-term investment horizon.
  - Liabilities influence the asset structure. Funding levels, contribution and investment strategies are linked, and all should be considered together when making investment decisions.
  - Asset allocation is one of the most important factors in driving long term investment returns, but strategy implementation is becoming increasingly more important.
  - Diversification of investments across and within asset classes can improve the risk / return profile, but must be resilient through market crises, and the benefits are subject to diminishing returns.
  - Inefficient markets mean there is a place for active management, providing there is a realistic expectation of out-performance and has the potential to contribute to non-financial goals.

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- Risk premiums exist for certain investments, which together with secure and growing income streams can help to recover funding deficits and underpin the ability to meet the Fund's future pension liabilities.
  - The fees of investment managers should be aligned with the Fund's long-term interests. Value for money is more important than the minimisation of cost.
  - Responsible investment, which covers a wide range of environmental, social and governance issues, can enhance long-term investment performance across all asset classes and should be integrated into all investment processes.
  - A strategy of engagement, rather than exclusion, is more effective and supportive of responsible investment. The opportunity to influence through stewardship is waived with a divestment approach.
  - Financial markets could be materially affected by climate change. Responsible investors should proactively manage this risk through stewardship activities in partnership with like-minded investors where feasible.
  - Asset managers and investee companies with robust governance structures will be better positioned to handle future events. Decision making and performance are improved when there are diverse individuals involved.
- 3.3 The Pension Fund's SAA is formulated in consultation with the Fund's Investment Advisers, Hymans Robertson, with all the Fund's objectives in mind. A full SAA review was carried out alongside the work for the Actuarial Valuation as at 31 March 2022. It was determined with reference to:
- The likelihood that an SAA will deliver a return that, in conjunction with the contribution strategy, will achieve the Fund's long-term funding target; and
  - The likelihood that any shortfall from the funding target, in the event of adverse investment outcomes, will be within acceptable levels.
- 3.4 In order to do this, Hymans Robertson use Asset Liability Modelling (ALM) to assess a range of possible outcomes on numerous potential investment strategies. ALM uses 5,000 economic scenarios with various combinations of relevant data (e.g., asset class returns, inflation rates, interest rates, salary increases etc) to project forward the funding level for each investment strategy. From the distribution of outcomes, the probability of being fully funded at a particular point in time (20 years has been used for the Fund) and worst-case positions under adverse scenarios can be estimated.
- 3.5 ALM looks for a combination of investment and contribution rate strategies that gives the likelihood of achieving the desired funding level (i.e., 100%) with acceptable down-side risk. For the most recent SAA review, a total of 16

investment strategies were modelled prior to the most suitable being approved by the Pensions Committee.

- 3.6 The most recent Actuarial Valuation of the Fund at 31 March 2022, indicated a funding level of 120% (an increase from 99% at 31 March 2019). This means that at 31 March 2022, the Fund was more than fully funded. However, it should be acknowledged that this is a single point in time and that the long-term aim is for the Fund to remain fully funded for the next 20 years and beyond. In order to achieve this, the Fund still needs to ensure that the value of its assets, relative to its liabilities, continues to grow. The most recent SAA review aims to achieve this and reflected the current funding position by recommending a sizable switch from return-seeking assets such as equities to more income producing assets, such as property, private debt, infrastructure, and multi-asset credit.
- 3.7 This switch to more income producing assets will help the Fund as it matures, and more is paid out in pensions than is received in contributions from active members. The SAA review also looked at the Fund's liquidity and concluded that the income generated by the Fund's assets (e.g., interest and rental income) should be more than enough to cover any shortfall in contributions for the foreseeable future.
- 3.8 The SAA is reviewed and approved by the Pensions Committee every three years, as part the actuarial valuation process and to take account of developments in the investment environment. It is monitored more frequently, at quarterly meetings of the Pensions Panel.
- 3.9 The arrangements for the Fund's investments changed with the advent of LGPS asset pooling and LGPS Central Limited on 1 April 2018. Staffordshire is one of 8 Partner Funds (owners and clients) of LGPS Central Ltd and over recent years and going forwards, an increasing amount of the Fund's investments will be invested through LGPS Central Limited. However, the decision making around the Fund's SAA, which is recognised to be the primary driver of investment returns, still lies with the Pensions Committee.

**4. The requirement to invest money across a wide range of investments and an assessment of the suitability of particular investments and investment types.**

- 4.1 The Pensions Committee receives advice on investments from its appointed Investment Advisers. The issues that the Pensions Committee takes into account when considering different investments (or asset classes) include;
- Legality – is it excluded by any regulation?
  - The nature and type of return (e.g., is the asset 'real'?).
  - The expected level of return.
  - The expected variability of return (volatility).
  - The relationship of returns between asset classes.
  - The long-term track record of the asset class.
  - Liquidity.

- Credit Risk (i.e., risk of loss).
- Leverage.
- Currency risk.
- Complexity.
- Use of active management where it can add value.
- Responsible Investment.

4.2 Following the SAA review of the Fund, which took place alongside the Actuarial Valuation at 31 March 2022, the Pensions Committee agreed that the following asset classes were appropriate for the Fund to invest in.

<b>Return-seeking assets</b>	
Equity	Global Equity
	Private Equity
	*LGPS Central Limited
Property	
Infrastructure	
Fixed Income	Multi-Asset Credit
	Private Debt
<b>Defensive assets</b>	
Fixed Income	Investment-Grade Corporate Bonds
	Index-Linked Gilts
	*LGPS Central Limited
Cash	

\*The Fund invests in this asset class via investing in the regulatory capital of LGPS Central Limited.

- 4.3 The Fund’s SAA is set to ensure that the Fund invests in a wide range of asset classes. This diversification of assets reduces risk and aims to help meet the Fund’s funding objectives. Whilst the SAA sets the framework for the Fund’s portfolio of assets over the long-term, many more detailed decisions have to be taken to build the portfolio of assets; these include considerations such as the type of investment management (e.g., passive vs active management,), the choice of investment vehicle (e.g. LGPS Central Limited or an alternative where no investment vehicle is provided or suitable) and the geographic spread (e.g., UK vs global investment).
- 4.4 These ‘structural’ aspects are the subject of ongoing monitoring by Officers and Advisers and a ‘Strategic Asset Allocation’ report is presented quarterly to the Pensions Panel for its consideration. From time to time, when markets dislocate, ‘tactical’ moves between asset classes may be deemed appropriate. However, the Pensions Panel will only agree to make any such switches, following clear advice and recommendations from their Advisers.
- 4.5 Furthermore, to ensure that ‘tactical’ switches are not made unnecessarily, the Pensions Panel monitors the actual SAA of the Fund, subject to tolerances, versus the target SAA of the Fund. The current and long-term target SAA target, with permitted tolerance ranges, are provided in Appendix A.

- 4.6 The Fund categorises assets between return-seeking assets and defensive assets, with the defensive assets being those which aim to remove some of the volatility and risk in the investment strategy (e.g., if equity markets fall in value, other asset classes may rise in value). The balance between return-seeking assets and defensive assets must be such that volatility can be managed, but that the investment strategy is still capable of returning the level of growth required in the long term, in line with the assumptions made by the Actuary in the actuarial valuation.

**Expected Return on Investments**

- 4.7 In carrying out the 2022 Actuarial Valuation of the Fund, the Fund's Actuary agreed several financial assumptions with the Pensions Committee. One of these related to the likely level of investment returns the Fund could expect to achieve over the long term.
- 4.8 Considering the output from the ALM exercise and the Fund's current SAA, the Actuary determined that the likely total (net) investment return for the Fund over the next 20 years was estimated to be 4.4%. This rate was then used for the purposes of calculating a funding level as part of the 2022 Actuarial Valuation (the discount rate).
- 4.9 The discount rate of 4.4% is a calculation at a single point in time and a number that the Actuary estimates, best represents the likelihood of the Fund achieving a 100% funding level in 20 years' time. The following table details the assumptions made about the expected long-term returns (net of fees) for each of the main asset classes, which were used in the ALM exercise and the 2022 Actuarial Valuation. The table also provides the annual expected volatility of those returns as at 31 March 2022 and will be updated the next time the Fund undergoes a ALM review and SAA review.

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		<b>Expected net Rate of Return (p.a.) (20 years)</b>	<b>Volatility of Return in Year 1 (p.a.)</b>
<b>Return-seeking assets</b>		<b>31 March 2022</b>	<b>31 March 2022</b>
Equity	Global	6.1%	20.0%
	Private Equity	10.0%	31.0%
Property		5.0%	15.0%
Infrastructure		6.5%	15.0%
Fixed-Income	Multi-Asset Credit	4.4%	7.0%
	Private Debt	4.3%	9.0%
<b>Defensive assets</b>			
Fixed-Income	Investment-Grade Corporate Bonds	2.1%	8.0%
	Index-linked Gilts	0.1%	7.0%
Cash		2.4%	0.0%

4.10 For investment return assumptions for time periods after the end of the funding horizon (i.e., more than 20 years); the rate set by the actuary is set at a margin above the risk-free rate (i.e., a UK Government Fixed-Interest Gilt). This outperformance assumption represents the excess return the Fund might get for investing in riskier assets (i.e., equities) over the long-term. The level of the margin set depends on the funding objective, but when looking at employers who are expected to be members of the Fund on an ongoing basis, the margin is +1.6%. More details on the assumptions used in the 2022 Actuarial Valuation can be found in the Fund's Funding Strategy Statement available at the following link.

[www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement](http://www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement)

4.11 Any asset class / investment is assessed on its individual merits and on the potential, it offers to improve the overall balance of risk and return for the Fund as a whole. The numbers provided in the previous table are indicative of the characteristics sought. The expected return from defensive assets (e.g., Index-Linked Gilts) is not required to match those of return seeking assets



(e.g., equities), if they offer a more stable pattern of returns and a degree of diversification.

- 4.12 The portfolios making up the Fund's assets are managed on both an active and a passive basis with the active portfolios expected to outperform their respective benchmarks over the long term. As a result, the investment return achieved by the Fund is expected to exceed the expected return on UK Government Fixed-Interest Gilts (a proxy for the expected growth in liabilities). Details of the investment managers/vehicles, their respective benchmarks and performance targets are included in Appendix B for information.
- 4.13 The Fund's SAA is monitored quarterly by the Pensions Panel, who receive a report on performance. The performance report covers the total Fund performance, in terms of returns received compared to the benchmark, the performance of individual asset classes and the performance of individual investment managers and LGPS Central Limited pooled products, versus their benchmarks. The Pensions Panel and its Advisers use this information to help assess the ongoing suitability of the Fund's investment strategy and SAA.

#### **Realisation of investments**

- 4.14 The Fund may need to realise cash at short notice to pay pensions benefits or to fund investments that have been committed to. The majority of the Fund's assets held by Investment Managers or in pooled vehicles (e.g., equities and fixed-income assets), are quoted on major markets and may be realised quickly if required. Property, Private Equity, Private Debt and Infrastructure investments, which are relatively illiquid, make up a smaller proportion of the Fund's assets.

#### **Stock Lending**

- 4.15 Since May 1999, the Pension Fund has been part of its Custodian's stock lending arrangement, whereby securities held by the Pension Fund are loaned to a third party in return for a fee.
- 4.16 There are risks in stock lending, but the Pensions Panel considers that these are well managed by the custodian through its lending program with appropriate collateral arrangements in place, reflecting current market practice. Overall, the Pensions Panel considers that the income from stock lending is beneficial to the Fund and that the risks are understood and well managed.
- 4.17 The manager(s) of pooled funds (including LGPS Central Limited) may undertake stock lending on behalf of unit holders. Where a pooled fund engages in stock lending, the extent to which it does so should be disclosed by the manager. Although the Pensions Panel has no direct control over stock lending in pooled funds, it is comfortable with the nature of the activity and that the return is appropriate to the risk being taken.

## **Pension Fund Cash**

- 4.18 Cash management in the Pension Fund comprises two elements;
- cash held centrally in Pension Fund cash accounts (i.e., bank accounts and money market funds); and
  - cash held in the Custodian's bank account.
- 4.19 The Pension Fund has a 1.0% strategic allocation to cash which is primarily used for fulfilling the daily liquidity needs of the Fund. The cash is managed by Staffordshire County Council's Treasury and Pension Fund Team in accordance with the Pension Fund's Annual Investment Strategy for cash, approved by the Pensions Panel before 31 March each year.
- 4.20 Each investment manager in the Fund with a segregated mandate will have a cash account with the Pension Fund's Custodian for GBP Sterling and foreign currency. The cash in these accounts is held primarily for the managers day to day liquidity needs but can fluctuate (e.g., timing issues of trade settlement, dividend income etc) and a maximum cash limit is agreed with each manager as part of their Investment Management Agreement.
- 4.21 All cash balances held with the Custodian are swept on an overnight basis into highly credit rated (AAA) money market funds, attracting an appropriate rate of interest.
5. **The Fund's attitude to risk, including the measurement and management of risk.**
- 5.1 The main risk to the Fund is not meeting the strategic objectives set out in section 2. This risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring through ALM (see paragraph 3.4). The primary reason for the high variability (risk) in outcomes from ALM is due to the long-term nature of the Fund's investment horizon (e.g., 20 years) and the high proportion of the Fund invested in return seeking assets (e.g., equities). The Fund relies upon the strong covenant of the major employing bodies for it to take a long-term investment perspective, and the expected returns on the Fund's return-seeking assets are considered to be commensurate with the risk being taken, which helps keep employer contributions lower than they otherwise would be.
- 5.2 Risks are inherently reported to the Pensions Committee and Pensions Panel as part of routine reporting. Also, there is a separate Risk Register, which has been developed to categorise risk across 4 main areas of focus: **Funding, Administration, Governance and Investment**. The Fund's Risk Register has a set of high-level objectives, which cover all key aspects of the Fund under each area. The greatest risks are therefore those associated with not meeting the high-level objectives. The Risk Register details the risks associated with not achieving the Fund's objectives as a series of sub risks against the high-level objectives. This ensures a comprehensive coverage of all areas of the Fund. Some key risks from each of the areas, and the way in which they are mitigated, are highlighted in the following paragraphs.

## **Funding**

- 5.3 **Inflation** - future payments the Fund must make to pensioners are linked to inflation. Therefore, increases in the rate of inflation will increase the value of payments to pensioners. The Fund invests in assets, such as Index-Linked Gilts, which are linked to inflation. This reduces risk as it matches the return on these assets to actual increases in inflation.
- 5.4 **Longevity** - future life expectancy is an area which is difficult to forecast accurately but, as people are living longer, the cost to the Fund increases. The Fund has made assumptions on longevity with allowances for future increases. The Fund Actuary also has access to information on the experiences of other local authority pension funds. A substantial portion of this risk has been transferred to employees under the LGPS 2014 scheme regulations, which links the scheme retirement age to the state pension age.
- 5.5 **Changes in the maturity profile of the Fund** - the Fund will mature as the ratio of pensioners and deferred pensioners to active employees increases. This issue has grown over recent years because of structural changes affecting employers in the Fund and to manage this risk, the Fund has looked to invest more in income producing investments to help pay for the increasing number of pensioners.

## **Administration**

- 5.6 **Maintaining an appropriate level of staffing and resources** – risks are mitigated through monitoring workloads, or backlogs and benchmarking staff numbers. Management also has regular conversations with staff about workloads and how processes can be made more efficient, as well as monitoring customer feedback results and complaints.
- 5.7 **Maintaining complete and accurate records** – risks are mitigated by using internal contribution control and financial systems. Other controls include actuarial data checks, schemes of delegation, record keeping checks and actuarial calculations. The increased use of technology and direct access portals for members and employers is also helping to reduce this risk.

## **Governance**

- 5.8 **Structure** - the Fund must demonstrate the key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure. To manage this, the Fund's objectives are defined, reviewed annually, and approved by the Pensions Committee as part of a comprehensive performance management framework. This includes key performance indicators (KPI's) and a frequent review of the Risk Register. Reports on governance arrangements are presented at the Pensions Committee and the Local Pensions Board regularly.
- 5.9 **Training** - elected Members and Officers need to have the required skills and qualifications to perform their function effectively and be supported by an ongoing programme of training. This is promoted by the adoption of the CIPFA Knowledge and Skills Framework and the use of a Training Policy and

Training Log. Assurance is given by reviewing the Training Log, the Local Pensions Board, the qualifications and the experience of senior Officers, and performance meetings with staff.

- 5.10 **Advisers** – the Fund needs to have proper arrangements to receive appropriate financial, investment and actuarial advice to make the best possible decisions. This risk is managed by procuring the services of several advisers who attend and report to the Pensions Committee, Pensions Panel and Local Pensions Board, advising them on key decisions.

### **Investments**

- 5.11 **Investment in equities** – a significant proportion of the Fund is invested in equities, although this is reducing as an outcome of the latest SAA review. Equities are expected to provide better returns than fixed interest over the long term. The risk with this strategy is that equity values fall significantly in the short-term and they fail to outperform fixed-interest assets in the long term. This risk is managed through reliance on the funding strategy which monitors the positive cash flows of the Fund and the long-term covenant of the main employing bodies. This then allows the Fund to take a long-term investment perspective and maintain a relatively high exposure to equities which, over time are expected to deliver better financial returns.
- 5.12 **Interest rates** - Changes in interest rates will affect the level of the Fund's liabilities and the value of the Fund's investment in fixed income. Little can be done in relation to the change in liabilities; this is a fundamental part of the Fund. To mitigate the risk of capital loss on fixed income assets from interest rate changes, the Fund's SAA allows scope to adjust the exposure to fixed income, should it be necessary.
- 5.13 **Pension Fund investment managers underperform their target benchmarks** – The majority of the Fund is invested through external investment managers; this risk is partially managed by keeping a substantial share of the Fund invested passively and by ensuring that the active managers have complementary styles. Each manager has an investment management agreement in place which sets out the relevant investment benchmark, investment performance target, asset allocation ranges and any investment restrictions. This constrains the investment managers from deviating significantly from the intended approach, while permitting sufficient flexibility to allow the manager to reach their investment performance target. All of this is allied to regular monitoring. Where investments are made through LGPS Central Limited they are also held with external managers. These managers are not directly employed by the Fund therefore the Fund does not have the same control over monitoring their performance. However, the Fund works closely with LGPS Central Limited in monitoring investment manager performance.
- 5.14 In terms of investment risks, the Pensions Committee receives an annual report from the Fund's independent performance measurer to show both performance and risk, where risk is measured as the variability of returns against SAA benchmarks. The Pensions Panel receives reports which monitor such risks quarterly.

- 5.15 Most of the Fund is invested in liquid investments. Risks are also managed through diversification. For example;
- across asset classes e.g., equities, fixed-income, property, infrastructure and cash;
  - across managers, investment styles and geographical areas e.g., investing globally; and
  - through ensuring managers maintain a diversified portfolio of investments within their mandate.
- 5.16 Foreign currency risk is predominantly not hedged by the Fund. The long-term open nature of the Fund means that it can accept volatility from foreign currency movements, and the impact this has on market valuations in the short term. Foreign currency hedging can also be expensive and complex to manage. The Fund has documented its views on currency hedging, asset class by asset class, in a separate Currency Hedging Policy, alongside the ISS at the following link.
- [www.staffspf.org.uk/Finance-and-Investments/Statement-of-Investment-Principles/Investment-Strategy-Statement](http://www.staffspf.org.uk/Finance-and-Investments/Statement-of-Investment-Principles/Investment-Strategy-Statement)
- 5.17 The risks associated with asset pooling and the creation of LGPS Central Limited, are addressed in the Fund's Risk Register. As a company regulated by the Financial Conduct Authority (FCA), LGPS Central Limited is required to have a professional risk and compliance function which reports directly to the Company's Audit, Risk and Compliance Committee. LGPS Central Limited also provides its Partner Funds with an AAF Internal Controls Report annually.

## **6. The authority's approach to investment pooling**

- 6.1 Staffordshire County Council, as the administering authority of the Staffordshire Pension Fund, is one of 8 shareholders in LGPS Central Limited (the Company); the other 7 shareholders being the Local Authority Pension Schemes managed by Cheshire West and Chester Council, Derbyshire County Council, Leicestershire County Council, Nottinghamshire County Council, Shropshire Council, Wolverhampton City Council and Worcestershire County Council.
- 6.2 The 8 Partner Funds have a regional identity but welcome wider collaboration with other LGPS pools. Whilst, one fund, one vote, is an overriding principle of the pooling arrangement, LGPS Central Limited recognises that each fund have different funding levels and deficit recovery profiles and will aim to meet each Fund's needs.
- 6.3 The 8 Partner Funds of LGPS Central Limited outlined their key characteristics in forming the company, whereby:
- Assets will be managed by both internal and external investment managers with the split between internal and external management varying over time, as the internal investment resource and resilience is developed;

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- Knowledge and expertise will be shared and Partner Funds will be open to challenge and change;
  - Partner Funds will listen and be constructive;
  - Strong governance, based on openness and transparency, between the Partner Funds and the company will be paramount;
  - Costs will be actively managed, be transparent and will be shared fairly between Partner Funds;
  - Responsible investment will be an integral part of the investment process.
- 6.4 LGPS Central Limited was approved by the FCA as an Alternative Investment Fund Manager (AIFM) in December 2017. There is a robust governance structure in place which will provide the 8 Partner Funds and their stakeholders with assurance around the management of their investments and the investment process.
- 6.5 A Shareholders Forum, comprising one elected Member from each of the 8 Partner Funds acts as the supervisory body of LGPS Central Limited and fulfils the shareholders' role in ensuring that the company is managed efficiently and effectively. A Joint Committee, set up in accordance with the provisions of the Local Government Act 1972, is the forum for dealing with common investor issues and the collective monitoring of the performance of LGPS Central Limited against its objectives. To support the Joint Committee and the Shareholders' Forum, there is also a Practitioners Advisory Forum, consisting of Officers from each of the 8 Partner Funds. This Forum (and its sub-groups) provides day to day oversight of the company and monitors its investment performance and investment costs. The Forum also acts as the customer, monitoring levels of customer service and the delivery of wider investor services such as responsible investment and voting.
- 6.6 With the exception of a working cash balance, to ensure liabilities can be paid as they fall due, a significant and increasing proportion of the Fund's assets, will be invested through LGPS Central Limited. The movement of assets into LGPS Central Limited will continue to take several years to achieve but the Fund has made progress, with several key asset transitions taking place into the LGPS Central Authorised Contractual Scheme (ACS) since the first transition in February 2019. More recently, LGPS Central Limited along with the Fund and other Partner Funds have been working on private market vehicles (i.e., private debt, infrastructure), which have been successful in gaining significant commitments from Partner Funds.
7. **The Fund's policy on social, environmental and corporate governance considerations.**
- 7.1 Responsible Investment (RI) is the belief that, over the long term, financial performance can be enhanced through the integration of environmental, social and corporate governance (ESG) considerations into the investment management process and active ownership practices.

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- 7.2 The Pensions Committee and Pensions Panel seeks to ensure that, as far as possible, RI is incorporated, together with financial factors, into the investment process across all relevant asset classes. Non-financial factors are considered as part of investments to the extent that they are not detrimental to the investment returns. Social impact may be considered, but financial return is the primary concern.
- 7.3 As outlined in section 3, the Fund updated its investment beliefs in 2019 to specifically incorporate RI beliefs, underlining the importance of RI to the Fund.
- 7.4 As shown in paragraph 3.2, the Fund states that it believes RI can enhance long-term investment performance and supports a strategy of engagement rather than exclusion with companies it is invested in.
- 7.5 The Fund endorses the United Nations Principles of Responsible Investing (UNPRI) and seeks to encourage its investment managers (where applicable), to sign up to them to fully incorporate RI issues into their investment process.

The 6 principles are;

- we will incorporate environmental social and governance issues into investment analysis and decision-making processes.
- we will be active owners and incorporate environmental social and governance issues into our ownership policies and practices.
- we will seek appropriate disclosure on environmental social and governance issues by the entities in which we invest.
- we will promote acceptance and implementation of the principles within the investment industry.
- we will work together to enhance our effectiveness in implementing the principles.
- we will each report on our activities and progress towards implementing the principles.

As at March 2024, all the Fund's active equity managers (including those appointed by LGPS Central Limited) were signed up to the UNPRI.

- 7.6 The Fund has been a member of the Local Authority Pension Fund Forum (LAPFF) since 1 April 2013. LAPFF is a voluntary association representing the majority of LGPS Funds and LGPS Pools, who collectively have over £350bn of assets under management. Formed in 1990 LAPFF exists to promote the investment interests of LGPS investors, and to maximise their influence as shareholders while promoting the highest standards of corporate governance and corporate responsibility at the companies in which their members invest. LGPS Central Limited is also a member of LAPFF, alongside all its 8 Partner Funds.

7.7 The Fund has delegated voting and day to day engagement with investee companies to its investment managers. With LGPS asset pooling, the responsibility for the selection of investment managers has been transferred to LGPS Central Limited, and agreements between LGPS Central Limited and investment managers set out how RI factors are taken into account. LGPS Central Limited has its own Responsible Investment & Engagement Framework, which all 8 Partner Funds were involved in creating and is available on their website at [www.lgpscentral.co.uk/responsible-investment/](http://www.lgpscentral.co.uk/responsible-investment/).

7.8 More details of the Fund's individual investment managers' responsible investment policies, as well as the UK Stewardship Code and UNPRI are available at the Staffordshire Pension Fund website at the following link.

[www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement](http://www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement)

### **Climate Change**

7.9 In February 2022, the Pensions Committee approved the Fund's first Climate Change Strategy which sets out the Fund's approach to managing the risks and opportunities presented by climate change. The Climate Change Strategy expands on the Fund's RI beliefs, (as detailed in section 3) by including specific climate change beliefs.

7.10 The overarching aim of the Fund's Climate Change Strategy is to achieve a portfolio of assets with net zero carbon emissions by 2050. To guide and monitor the Fund's decarbonisation roadmap, a series of 2030 targets have been included in the Climate Change Strategy against a March 2020 baseline, with progress reported annually.

7.11 To align with best practice on the communication of how climate-related risks are managed, the Fund also publishes an annual Taskforce on Climate-Related Financial Disclosures (TCFD) report. The TCFD recommendations are based on the financial materiality of climate change across four areas of disclosures (Governance, Strategy, Risk Management and Metrics and Targets). The Fund's TCFD report and Climate Change Strategy are available on the Fund's website at the following link.

[www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement](http://www.staffspf.org.uk/Finance-and-Investments/Corporate-Governance-and-Responsible-Investment/Responsible-Investment-and-Engagement)

7.12 Based on the output of annual climate risk work undertaken by LGPS Central, and in line with the Fund's Climate Change Strategy objectives, the Fund also produces an annual Climate Stewardship Plan. The Climate Stewardship Plan aims to focus the Fund's engagement on the investments in companies which have the most impact on the Fund's climate risk.

7.13 The Fund's Climate Stewardship Plan is a live working document which is updated as engagement with companies occurs. The Climate Stewardship Plan is presented to the Pensions Committee annually and updates are provided quarterly to the Pensions Panel, as part of a Responsible Investment and Engagement Report.



- 8. The Fund's policy with regard to stewardship of assets, including the exercise of voting rights.**
- 8.1 The Fund believes that voting is an integral part of Responsible Investment and delegates much of the stewardship of assets and the exercise of voting rights to its investment managers and LGPS Central Limited. Details of resolutions investment managers have voted on and any engagement they have had with companies, is noted in the quarterly reports the investment managers and LGPS Central produce for the Fund.
- 8.2 The Pensions Panel receives regular updates from investment managers on details of votes cast on corporate resolutions as part of a quarterly RI report, where any points of interest are also highlighted. The Fund also publishes a report on the voting activities carried out by Managers on its behalf, as part of its annual report. This can be found on the Pension Fund website at the following link.
- [www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/Reports-and-Accounts](http://www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/Reports-and-Accounts)
- 8.3 Where assets are managed by LGPS Central Limited, the exercising of voting rights is undertaken in accordance with their Voting Principles Strategy. Voting is a core component of LGPS Central Limited's approach to investment stewardship, which is within their wider Responsible Investment and Engagement Framework. Voting decisions are executed by third party provider(s), who also offer analysis and advice. All LGPS Central Limited's RI documents can be found on their website at [www.lgpscentral.co.uk/responsible-investment/](http://www.lgpscentral.co.uk/responsible-investment/).
- 8.4 Where LGPS Central Limited invests in externally managed pooled funds, the suitability of the manager's voting policy is assessed during due diligence, and ongoing disclosure is required. The Company may also seek to co-file shareholder resolutions which it believes are beneficial to clients' long-term interests and they have a procedure to recall lent stock, in order to vote on significant issues.
- 8.5 In 2020, the Financial Reporting Council launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aims to improve stewardship practices by setting a substantially higher standard than previously. Under the 2016 Regulations, the Fund was accepted as a Tier 1 signatory and in 2023, the Fund was accepted as a signatory to the more recent UK Stewardship Code
- 8.6 LGPS Central Limited is a signatory of the Financial Reporting Council's current UK Stewardship Code.

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***If you have any comments on this Investment Strategy Statement or require any more information on the subjects contained within it, please contact:***

***Melanie Stokes***

***Assistant Director for Treasury & Pensions***

***Phone: 01785 276330***

***Email: [melanie.stokes@staffordshire.gov.uk](mailto:melanie.stokes@staffordshire.gov.uk)***

**Staffordshire Pension Fund  
Investment Strategy Statement**

**Appendix A – Strategic Asset Allocation – 1 April 2024**

		<b>Current Benchmark Target %</b>	<b>Long-Term Benchmark Target %</b>	<b>Permitted Tolerance</b>
<b>Return- seeking assets</b>	Global Equity	57.5	44.0	
	Private Equity	5.0	5.0	
	<b>Total Equity</b>	<b>62.5</b>	<b>49.0</b>	<b>+/- 3%</b>
	Property	10.0	12.5	<b>+/- 3%</b>
	Infrastructure	5.0	10.0	<b>+/- 3%</b>
	Multi-Asset Credit	1.5	5.0	
	Private Debt	5.0	7.5	
<b>Defensive assets</b>	Investment-Grade Corporate Bonds	7.5	7.5	
	Index-linked Gilts	7.5	7.5	
	<b>Total Fixed Income</b>	<b>21.5</b>	<b>27.5</b>	<b>+/- 3%</b>
	Cash	1.0	1.0	<b>3% maximum</b>
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

Notes:

The return seeking portfolio consists of total equity, property, infrastructure, private debt and multi-asset credit. This equates to 84.0% under the current and long-term benchmark.

The defensive portfolio consists of total fixed-income (excluding private debt and multi-asset credit) and cash. This equates to 16% under the current and long-term benchmark.

**Staffordshire Pension Fund  
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**Appendix B - Investment Managers Benchmark Indices and Investment Targets**

**Active Portfolios**

<b>Investment manager/fund</b>	<b>Asset class</b>	<b>Benchmark</b>	<b>Outperformance target</b>
JP Morgan Asset Management	Global Equities	MSCI All Countries World Index Net	2.0% above benchmark p.a. over rolling 3-year periods
Longview Partners	Global Equities	MSCI All Countries World Index Net	2.0% above benchmark p.a. over rolling 3-year periods
LGPS Central Limited (Global Equity Active Multi Manager Fund)	Global Equities	FTSE All World Index (Sterling)	1.5% above benchmark (net of costs) over rolling 5-year periods
Impax Asset Management Limited	Global Sustainable Equities	MSCI All Countries World Index	1.5% above benchmark (net of fees) over rolling 3-year periods
LGPS Central Limited (Global Sustainable Equity Active Targeted Fund)	Global Sustainable Equities	FTSE All World Total Return Index (Sterling)	2%-3% p.a. above benchmark (net of fees) over a rolling three-year period
LGPS Central Limited (All World Equity Climate Multi Factor Fund)	Global Equities – Factor Based	FTSE All-World Climate Balanced Comprehensive Factor Index (Net Total Return)	Match benchmark
LGPS Central Limited (Global Multi Factor Fund)	Global Equities – Factor Based	Scientific Beta Global Low-Carbon iHFI Diversified Multi-Beta Multi-Strategy Six Factor Equal-Weight Index	Match benchmark
LGPS Central Limited	Multi-Asset Credit	SONIA 3 Month + 4.0%	Outperform the benchmark over rolling 3-year periods
LGPS Central Limited (Global Active Investment Grade Corporate Bond Multi Manager Fund)	UK/Global Corporate Bonds	50% ICE BofAML Sterling Non-Gilt Index (ex EM)/50% ICE BofAML Global Corporate Index (ex GBP and EM),hedged to GBP	Outperform the benchmark (total return, in sterling) by 0.8% per annum (net of costs) over rolling 3-year periods

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Colliers CRE	Property	MSCI UK Quarterly Property Index (Direct)	To match or outperform the benchmark
Various	Infrastructure	CPI + 4.5%	To match or outperform the benchmark
Various	Private Debt	SONIA 3 Month + 5.0%	To match or outperform the benchmark
Various	Private Equity	MSCI World Index + 2.0% (lagged by one quarter)	To match or outperform the benchmark
Various	Cash	SONIA	To match or outperform the benchmark

**Indexed (Passive) Portfolios**

Legal & General Investment Management	Global Equities	Solactive L&G Low Carbon Transition Global Index	Match benchmark
Legal & General Investment Management	Global Equities	FTSE All World Index	Match benchmark
Legal & General Investment Management	Index-Linked Bonds	FTSE-A Over 5 years Index-Linked Gilts Index	Match benchmark



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