

County Buildings, Stafford
DDI 01785 276150
Please ask for Chantelle Denham
Email: chantelle.denham@staffordshire.gov.uk

Pensions Board

Friday 30 June 2023

13:00

Oak Room, County Buildings, Stafford

John Tradewell
Deputy Chief Executive and Director for Corporate Services
22 June 2023

Agenda

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on Friday 31 March 2023** (Pages 1 - 4)
4. **Matters arising from:**
 - a) Pensions Committee - Minutes of the meeting held on 31 March 2023 (Pages 5 - 14)
 - b) Pensions Committee - held on 30 June 2023
5. **Local Pensions Board Annual Report 2022/23** (Pages 15 - 24)
Report of the Director of Finance
6. **Staffordshire Pension Fund Risk Register and Risk Management Policy** (Pages 25 - 56)
Report of the Director of Finance
7. **Staffordshire Pension Fund Risk Register - Administration** (Pages 57 - 62)

Report of the Director of Finance

8. **Dates of Future Meetings**

- Friday 29 September 2023
- Friday 15 December 2023
- Friday 24 March 2024

9. **Exclusion of the Public**

The Chairman to move:-

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

PART TWO

10. **Exempt Minutes from the meeting held on 31 March 2023** (Pages 63 - 64)
11. **Exempt Matters arising from:**
- a) Pensions Committee - Minutes of the meeting held on 31 March 2023 (Pages 65 - 70)
- b) Pensions Committee - held on 30 June 2023
12. **Internal Audit Reports**
- Report of the Director of Finance
- a) Staffordshire Pension Fund Investment Audit on Responsible Investment and Engagement (Pages 71 - 80)
- b) Internal Audit Recommendations Progress Log (Pages 81 - 82)
- Reports of the Staffordshire Chief Internal Auditor and the Director of Finance
13. **LGPS Central Pool - Local Pensions Board Chairs Meeting of 28 March 2023** (Pages 83 - 88)

Notes of the meeting attached for information

Membership	
Rob Birch (Chair) Corrina Bradley	John Mayhew

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 Board Meeting held on 31 March 2023

Present: Rob Birch (Chair)

Attendance	
Corrina Bradley	John Mayhew

Also in attendance:

Apologies:

Part One

170. Appointment of Chairman and Vice Chairman of the Pensions Board

Resolved – That Robert Birch be appointed as the Chairman of the Pensions Board and that Corrina Bradley be appointed as the Vice Chairman of the Pensions Board.

171. Declarations of Interest

There were no declarations of interest on this occasion.

172. Minutes of the meeting held on 16 December 2022

Resolved – That the minutes of the meeting held on 16 December 2022 be confirmed and signed by the Chairman.

173. Matters arising from:

- a) Pensions Committee - Minutes of the meeting held on 16 December 2022

There were no comments on the minutes from 16 December 2022.

- b) Pensions Committee - held on 31 March 2023

The Board received an update on the Pensions Committee held on the 31 March 2023. Observations from the meeting included the Climate Change Strategy and Climate Stewardship Plan which showed progress was being made, although it was acknowledged there were still a number of areas of learning on the subject. A question had been asked at the meeting regarding monitoring of pollution issues and other concerns.

A general discussion was held about Environmental, Social and Governance (ESG) issues and the understanding from the online training that the purpose of ESG was to not invest in any companies that were falling foul of ESG. However the take away from the meeting was the reverse and instead demonstrated how ESG is about taking an active part in the ownership of those companies and engaging with them to try and change their behaviours.

174. Data Quality Scores and Data Improvement Plan

The Board received a report from the Director of Finance on the Fund's Data Quality Scores and a resulting Data Improvement Plan.

It was reported that in 2015 the Pensions Regulator (TPR) assumed responsibility for all Public Sector Pension Schemes and set specific targets for two types of Scheme Member data, Common and Scheme Specific Data.

The Fund, in conjunction with its software provider Heywoods Ltd, have completed a review of the "Common and Scheme Specific Data" in line with TPR guidelines. The results are reported as:

- a Common Data Score of 96.8% (97.1% in 2021); and
- a Scheme Specific Data Score of 96.35% (96.3% in 2021).

The Board were advised that the marginal increase in the "Scheme Specific Data" score was a result of improvements in the quality of data received from Scheme Employers and data cleansing exercises for the Fund's 2022 valuation project. There has been a slight decrease in the "Common Data" score mainly because of an increased number of addresses held now being incorrect. The rectification of this will be considered as part of the Fund's wider project to comply with onboarding to the national Pensions Dashboard Program.

Resolved – That (a) the Staffordshire Pension Fund's Data Quality Scores for 2022 and the comparison of both to 2021 be noted. These are reported as:

- a Common Data Score of 96.8% (97.1% in 2021); and
- a Scheme Specific Data Score of 96.35% (96.3% in 2021).

(b) the existence of a detailed Data Improvement Plan be noted.

175. Staffordshire Pension Fund Risk Register - Investments

The Board were presented with the Staffordshire Pension Fund Risk Register. The Board were advised that at their meeting in June 2022, the

Pensions Committee requested that the Local Pension Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register and report back to the Committee with any areas of concern.

At a meeting on 10 February 2023, the officer working group, reviewed the risk area of Investment. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered.

Investment risks had been heightened generally this year due to the impact of the high inflation/high interest rate economic environment. A review of the Fund's Strategic Asset Allocation in tandem with the Actuarial Valuation of the Fund on 31 March 2022 also resulted in a range of changes to the Fund's investment structure and these present a range of risks, as assets are transferred from one asset class or investment manager to another. However, post control, Fund Officers believed there are only two areas of high risk and thirteen areas of medium risk although these are generally well managed.

RESOLVED – That (a) the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented to the Pensions Committee at their meeting of 31 March 2023 be noted.

176. Dates of Future Meetings

The following dates for the meetings of the Pensions Board were provided.

- Friday 30 June 2023
- Friday 29 September 2023
- Friday 15 December 2023

Resolved – that the dates for the meetings of the Pensions Board be noted.

177. Exclusion of the Public

178. Exempt Minutes from the meeting held on 16 December 2022

179. Exempt matters arising from

- a) Pensions Committee - Minutes of the meeting held on 16 December 2022
- b) Pensions Committee - held on 31 March 2023

180. Internal Audit Reports - Recommendations Progress Log

181. LGPS Central Pool - Local Pensions Board Chairs meeting of 27 March 2023

Chair

Minutes of the Pensions Committee Meeting held on 31 March 2023

Present:

Attendance	
Philip Atkins, OBE	Phil Jones (Co-Optee)
Mike Davies (Vice-Chair)	Bob Spencer
Colin Greatorex	Stephen Sweeney
Derrick Huckfield	Mike Wilcox
Syed Hussain	

Also in attendance: Rob Birch, Corrina Bradley (Employer Representative) and John Mayhew

Part One

11. Apologies: Mike Allen, Nigel Caine, Mike Sutherland and Michael Vaughan

12. Declarations of Interest

There were no declarations of interest made on this occasion.

13. Minutes of the meeting held on 16 December 2022

Resolved: That the minutes of the meeting of the Pensions Committee held on 16 December 2022 be confirmed and signed by the Chairman.

14. Minutes of the Pensions Panel held on:

a) 6 December 2022

Resolved: That the minutes of the meeting of the Pensions Panel held on 6 December 2022 be received.

b) 7 March 2023

Resolved: That the minutes of the meeting of the Pensions Panel held on 7 March 2023 be received.

15. Staffordshire Pension Fund Climate Change Strategy

The Committee received a report of the Director of Finance relating to the Climate Change Strategy for the Staffordshire Pension Fund ('the Fund').

Climate Risk Report 2022

The Committee received a presentation from Basyar Salleh and Alex Galbraith from LGPS Central, relating to the Fund's third Climate Risk Report.

The presentation supported the 2023 Climate Risk report which assessed the Fund's exposure to climate-related risks and opportunities, and allowed the Fund to identify further means to manage its material climate risks. The presentation also highlighted the report's key findings and provided an overview of the Fund's progress in managing climate risk. The presentation focused on the following areas:

- Holdings, Metrics & Analysis
- Carbon Intensity
- Financed Emissions
- Weight in Clean Tech and Fossil Fuel Reserves
- Top 5 Contributors
- Climate Scenario Analysis
- Climate Stewardship Plan

The presentation concluded that the Fund had made significant progress in its responsible investment and climate change practice. The key recommendations suggested that the Fund should:

- Continue with the development of the net zero strategy;
- Continue to report against the Task Force on Climate Related Financial Disclosures Recommendations;
- Work with fund managers to understand how they assess, monitor and mitigate key climate change risks; and
- Repeat the Carbon Risk Metrics annually and the Climate Scenario Analysis every 2-3 years.

A concern was raised about the validity of the metrics being measured and how they helped the Fund to achieve the target of Net Zero. It was suggested that it would be better to compare against a portfolio of comparable companies. LGPS Central acknowledged that, whilst there would be some merit in comparing against other portfolios, they did not have the tools in place to do so at this time. LGPS Central did compare the 40-year projection of the current asset allocation under different scenarios and some further analysis was included in the full report. It was noted that there was only a limited number of ways in which metrics could be measured currently, but new processes and technologies were constantly being introduced which might help the Fund achieve its target.

It was acknowledged that whilst the LGPS Central pool was a powerful resource, there seemed to be an issue with engagement with the smaller companies within the portfolio, and it was suggested that LGPS Central should focus on the smaller companies that weren't supporting the Fund in achieving its targets. In response it was explained that within the portfolio 20% of companies created 80% of emissions, and the organisations that had been identified and engaged with were considered to be the largest polluters. It was clarified that, no matter the size of the organisation, if companies didn't meet the expectations of LGPS Central, they would be engaged with and any concerns would be escalated and, if necessary, directors and resolutions would be voted against.

In response to a question asking if there were any plans to measure other polluting actions other than carbon, it was explained that this was considered in the analysis and some information about this was included in the full report.

Task Force on Climate Related Financial Disclosures (TCFD) Report

The Committee was informed that the Taskforce on Climate-Related Financial Disclosures (TCFD) was commissioned in 2015. In 2017, the TCFD released its recommendations for improved transparency, and the TCFD Report was considered a best practice document for asset owners and institutional investors to report on climate risks. The Fund's latest TCFD Report, which presented the latest Carbon Risk Metrics Analysis, was attached at Appendix 2 to the report. The TCFD Report also described the way in which climate-related risks were currently managed by the Fund.

Climate Change Strategy

The Staffordshire Pension Fund's Climate Change Strategy (CCS) was approved by the Pensions Committee at its meeting on 11 February 2022 and set out the Fund's approach to managing the risks and opportunities presented by climate change. The CCS had no structural changes from the original version approved in February 2022 but had been updated with the latest performance against the 2030 targets. This was based on data from the 2022 Climate Risk Report and demonstrated good progress towards the 2030 targets.

In response to a query raised about developing a plan to help the Fund achieve its 2050 targets by using forward focussed data, rather than improvements made against past targets, it was confirmed that plans were in place to support this, such as the climate risk scenarios modelled by LGPS Central. LGPS Central also acknowledged that, whilst the current data was focussed on performance against historic figures, investment was being made to provide forward looking data. It was the intention that LGPS Central would be able to provide forward focussed data in the 2024 Climate Risk Report.

Climate Stewardship Plan 2023/24

The Committee was informed that the Climate Stewardship Plan aimed to focus the Fund's engagement on the investments in companies which had the most impact on the Fund's climate risk metrics. The Fund's Climate Risk Report for 2022 contained recommendations to update the Fund's current Climate Stewardship Plan (presented at Appendix 4 to the report), with the addition of one utility company. The Climate Stewardship Plan was a working document which would be updated as engagement with companies occurred, via the Fund's external partners. This activity would continue to be reported quarterly to the Pensions Panel, as part of the Responsible Investment and Engagement Report.

Resolved:

- a. That the presentation from LGPS Central Limited on the 2022 Staffordshire Pension Fund Climate Risk Report, be noted, and Messrs Salleh and Galbraith be thanked for their presentation.
- b. That the Task Force for Climate Related Disclosures Report, be noted
- c. That the Climate Change Strategy, be noted

d. That the Staffordshire Pension Fund's Climate Stewardship Plan 2023/24, be noted.

16. Staffordshire Pension Fund 2022 Annual Stewardship Report

A report of the Director of Finance relating to the Staffordshire Pension Fund 2022 Annual Stewardship Report was presented for approval by the Pensions Committee prior to submission to the Financial Reporting Council (FRC).

The Committee was reminded that in 2020 the FRC launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aimed to improve stewardship practices by setting substantially higher standards. The Fund was accepted as a Tier 1 signatory to the previous UK Stewardship Code, but signatories were required to submit a report annually that met the FRC's reporting expectations.

The UK Stewardship Code 2020 was a voluntary set of principles that set high expectations for how investors, and those that supported them, invested and managed money on behalf of UK savers and pensioners, and how this led to sustainable benefits for the economy, the environment and society. There were 12 principles for asset owners and asset managers. Those principles covered the policies, processes, activities, and outcomes of effective stewardship.

It was stipulated that the report must be reviewed and approved by the applicant's governing body, and signed by the Chair, Chief Executive or Chief Investment Officer, or equivalent, before its submission for consideration by the FRC.

Fund officer Helen Wilson and colleagues from LGPS Central were thanked for the hard work and effort that had gone into developing the Fund's 2022 Annual Stewardship Report.

Resolved: That the Staffordshire Pension Fund 2022 Annual Stewardship Report be approved, signed by the Chair (electronically) and submitted to the FRC.

17. Staffordshire Pension Fund Business Plan 2023/24

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund Business Plan 2023/24.

Progress on 2022/23 Business Plan

The disruptive impact of the Covid-19 pandemic no longer affected the service provision. The hybrid working arrangements allow officers to continue to embrace the developments that have been made in technology, and the impact these had on operational activities.

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

- The successful collection and provision of data to the Scheme Actuary to facilitate the 2022 Actuarial Valuation at 31 March 2022 and the dissemination of results schedules to the Fund's 500+ Employers.
- The successful completion of the first Digital Proof of Life exercise. This was a new process that replaced the paper process with a digital biometric facial recognition process to confirm identity from a computer or mobile phone.
- Work undertaken between Fund officers, Investment Consultant and Pensions Panel to consider how best to implement the strategy across the various asset classes. Whilst the focus in 2022 had predominantly been on Equities, the pace of investment into Private Markets had been maintained and opportunities to invest in several funds had also been taken.

Performance Standards 2022/23

The Committee was made aware of the challenges implicit in administering the LGPS, and the regulatory complexity that brought with it. Planning for a wide range of new and changing legislation meant that there would always be more to do.

The Fund had experienced a small increase in staff turnover over the last 12 months which had not been helped by a challenging recruitment environment; a problem echoed nationally across other LGPS. However, the recruitment program had continued and whilst the level of applicants had fallen, several successful appointments had been made. The Fund had finally been able to introduce a new five pillar team structure, which would future proof the service and allow for succession planning. This had facilitated internal promotions, to a new wider Management Team.

Key Developments for 2023/24

Several areas that the Treasury & Pensions Team had identified as Key Development Activities in 2023/24 included:

- Continuing to collect retrospective data from Employers and planning for the implementation of remedial action arising from the McCloud / Sergeant judgement;
- Appointing an ISP and the undertaking of a 'data readiness' exercise ahead of the LGPS staging date for the DWP new national Pensions Dashboard;
- Tendering for a provider of Actuarial Services; and
- Continuing with the implementation of the new Investment Strategy following the review of Fund's Strategic Asset Allocation.
- Pensions Dashboard – Integrated Service Provider (ISP) and Data Readiness

Cost and Resources

The Pension Committee heard that the Fund had 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).

The most expensive area was highlighted as the Investment Management Fees. Whilst this figure appeared high the return on investment demonstrated that the Fund was receiving value for money in this area.

In response to a question asking what was included in the “other expenses” costs, the Committee was informed that the cost was predominantly associated with the independent performance management fees. It was confirmed that a more detailed breakdown would be brought to the June 2023 Committee meeting.

In response to a question asking how many Fund officers worked from home, it was confirmed that 100% of the team were offered a hybrid working option, meaning they were able to work both from home and in the office at various times throughout the working week. The Committee was also informed that specific “team days” had been arranged to ensure officers were able to spend time together on a regular basis.

Resolved: That the Staffordshire Pension Fund Business Plan for 2023/24 be approved, and the key challenges, be noted.

18. Staffordshire Pension Fund 2022 Actuarial Valuation Report, Funding Strategy Statement, and Investment Strategy Statement

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund 2022 Actuarial Valuation Report, Funding Strategy Statement, and Investment Strategy Statement.

2022 Actuarial Valuation Report

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

The Report on the Actuarial Valuation at 31 March 2022, attached at Appendix 1 of the report, fulfilled the requirements of Regulation 62(3) and 62(4) of the Local Government Pension Scheme Regulations 2013, in providing a document of record. It contained no fundamentally new information to that already presented by Hymans to the Pensions Committee at their meetings in September and December 2022.

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

Following each triennial Actuarial Valuation, the Public Service Pensions Act required the Government Actuaries Department (GAD) to publish a report on the health of the LGPS. Using a common set of assumptions determined by the Scheme Advisory Board

(SAB), to enable consistent comparison, Hymans had recalculated the Fund's 2022 Funding position on a local funding basis (120%) which had resulted in a funding position of 128% on an SAB basis; an increase of 16% since the last valuation in 2019.

It was confirmed that the full Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022 would be published on the Pension Fund's website.

Funding Strategy Statement (FSS)

The draft FSS was published on the Fund's website and was made available to Employers and other interested parties for a period of consultation that ran from 16 December 2022 to 31 January 2023. Feedback and questions arising from the consultation were received which resulted in some changes being made to the draft FSS presented to Pensions Committee previously. The changes centred around the Fund permitting all individual academies within the same Multi Academy Trust (MAT) to be considered as pooled for contribution rate setting purposes. This would be dependent on certain criteria being met and would only be considered at the request of the MAT and agreed at the discretion of the Fund. Minor amendments to allow for this were made in Section 2 of the FSS. The final version of the FSS, incorporating the changes, was attached for the approval of the Pensions Committee at Appendix 2 to the report.

In line with best practice, once the FSS had been approved and published, it would be maintained and updated periodically as Regulation and good governance dictated.

Investment Strategy Statement (ISS)

The Committee was informed that the published ISS was kept under review, and revised from time to time, and at least every three years. The last major review of the ISS was undertaken in April 2020. This incorporated the outcome and outputs from the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation. Whilst similar in structure, the April 2023 version of the ISS, attached at Appendix 3 of the report, contained major revisions as it reflected the outcome and outputs from the 2022 Strategic Asset Allocation review and 2022 Actuarial Valuation. The April 2023 ISS also included detail about the arrangements for the Fund's transfer of assets into LGPS Central Ltd and it incorporated the Fund's Climate Change Strategy.

Members were informed that the Pensions Panel had reviewed the document at its meeting held on the 7 March 2023 and had recommended it for approval by the Pensions Committee.

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

Resolved:

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

- b. That the Staffordshire Pension Fund's Funding Strategy Statement, as amended post consultation, be approved, but that the potential for further updates, as and when regulatory change is effective and requires implementation, be noted.
- c. That the Staffordshire Pension Fund's Investment Strategy Statement be approved, but that the potential requirement for further updates, once the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) further consultation on Asset Pooling in the LGPS is known, be noted.

19. Training Needs Analysis & Training Policy 2023/24

A report relating to the Staffordshire Pensions Committee Training Needs Analysis (TNA) and Training Policy 2023/24 was presented to the Pension Committee for consideration and approval.

The Fund was required to ensure 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. 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. The CIPFA KSF was something that the Staffordshire Pensions Committee had adopted for several years to demonstrate good governance and commitment to training.

The CIPFA KSF identified eight core technical areas where Pensions Committee Members were expected to have a general awareness and understanding. The Fund TNA measured against the same eight core areas of:

- 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.

All Pensions Committee Members, Local Pensions Board Members and Senior Fund Officers were asked to complete a TNA during February 2023. The response rate for the Pensions Committee was 67% (8 out of 12), for the Pensions Board it was 67% (2 out of 3) and for Senior Fund Officers it was 75% (3 out of 4).

2023/24 Training Plan

Where appropriate, training would 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 would be held in July and November.

Based on the output of the February 2023 TNA, the training proposed for 2023/24 was planned to include the following:

- June / September 2023 - Portfolio Evaluation Limited and CEM Benchmarking – refresher training at Committee on Performance Measurement, Cost Benchmarking and Risk Management;
- July / September / November 2023 - Procurement, Contract Management and Relationship Management;
- September / November / December 2023 and March 2024 – Strategic Asset Allocation, including Investment Structure implementation, Pooling, and Financial Markets and Products; and
- October – December 2023 – Local Government Association offer 3-day Pensions Fundamentals training.

Aspire Online Learning Academy

Pensions Committee and Local Pensions Board Members had been provided with access to Hymans Robertson's online LGPS Learning Academy, ASPIRE, which covered all key areas of the CIPFA KSF. Hymans had recently refreshed ASPIRE so that it offers more but shorter learning modules.

Training Policy

The Fund's Training Policy was shared with the Committee for approval. The policy incorporated the requirements of the latest CIPFA KSF and also included a set of seven statements which the Pensions Committee formally adopted at the meeting on 25 March 2022.

Resolved:

- a. That the results of the 2023/24 Training Needs Analysis in relation to the requirements of the CIPFA Knowledge and Skills Framework, be noted.
- b. That the resultant 2023/24 Training Plan, be approved.
- c. That the Staffordshire Pension Fund's Training Policy, be approved.

20. Exclusion of the Public

Resolved: That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below.

21. Exempt minutes of the meeting held on 16 December 2022

22. Exempt minutes of the Pensions Panel held on:

- a) 6 December 2022
- b) 7 March 2023

23. **LGPS Regulations - Debt Write-off 2022/23
(Exemption paragraph 3)**
24. **LGPS Regulations - Admission of New Employers to the Fund
(Exemption paragraph 3)**
25. **LGPS Central Limited 2023/24 Business Plan & Budget
(Exemption paragraph 3)**

Chair



Local Pension Board

Annual Report for 2022/2023



Introduction

This is the eighth annual report from the Staffordshire Local Pension Board (“the Board”), the Board having been established by Staffordshire County Council Pensions Committee during spring 2015.

The Board is required by The Public Service Pensions Act 2013 to assist the Administering Authority, to secure compliance with the LGPS Regulations and help ensure that the Staffordshire Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

Executive Summary

The opinion of the Board is that we do not have any concerns about the Staffordshire Pension Fund or its administration. The Board feel that the Fund is administered in line with regulations and is well managed in the best interest of scheme members and participating employers.

Board Members

The Board currently consists of seats for six members: three representing employee members and three representing employers drawn from employer organisations.

Despite multiple attempts to reach out across the employee and employer membership during 2022, there have only been three representatives on the Board for much of the year. There is still a need to fill vacancies for two Employer Representatives and one Scheme Member Representative and the Board will continue to seek nominations for these roles.

Employer Representatives

Corrina Bradley – Vice Chair of the Board, Staffordshire Police (appointed 26 March 2021)

Rachel Bailye - Staffordshire University Academies Trust (appointed 27 Sept 2019 resigned 6 June 2022)

Scheme Member Representatives

Rob Birch - Active Scheme member – Current Chair of the Board (appointed 27 Sept 2019)

John Mayhew – Active Scheme Member (appointed 24 September 2021)

James Mika – Trade Union Representative (appointed 26 March 2021 – resigned 13 December 2022)

Meeting Attendance

The Board has met on four occasions during the year and also attended joint training events and briefing events with the Pensions Committee. Meetings took place face to face in line with the Board rules. In addition to Board meetings, one or more of the members have attended Pensions Committee and Pensions Panel meetings to ensure that there is a full understanding of the decisions made and discussions undertaken. Board members have also been involved in the risk assessment and review process, with the Officer Working Group, which takes place periodically throughout the year to provide a scrutiny function of that process.

Pensions Board Meeting attendance in 2022/23

Meeting	24 June 2022	23 September 2022	16 December 2022	31 March 2023
Rob Birch	Present	Apologies	Present	Present
Corina Bradley	Present	Present	Apologies	Absent
John Mayhew	Present	Present	Present	Present
James Mika	Apologies	Absent	n/a	n/a
2 x Vacant	n/a	n/a	n/a	n/a

Although Board attendance has been lower than would be hoped, due to the vacancies for the seats on the Board, there was only one meeting where late apologies resulted in the meeting on 16 December 2022 being inquorate. However, as there were no decisions to be made, the judgement was made to continue with the meeting.

The Board Chairs from the 8 LGPS Central Pool Partner Funds also hold collaborative meetings in March and October each year. Whilst these are attended by the Chair of the Board, there is an open invitation to other Board members to attend. Matters and any actions arising from these meetings are discussed routinely with Fund Officers at Board meetings.

Work Programme

During the year Board members have continued to monitor the Fund's compliance with the Regulations, the Risk Register, and the development of the LGPS Central Pool arrangements.

In addition, Board members review Internal and External Audit Reports to ensure that there are no significant or high-level recommendations being made and that all other recommendations are being acted upon within a reasonable timeframe.

Board members attend the quarterly risk register assessment meetings with Fund Officers and are actively involved in the discussions and scrutiny involved in identifying and reviewing the wide range of risks faced by the Staffordshire Pension Fund. Emerging risks are of particular concern to the Board, who have taken an interest in the impact of the global economic challenges and the Fund's approach to sustainability and ethical investment, which includes issues such as carbon emissions, pesticides, slavery and human rights and energy. Also of interest is the ongoing threat of cyber security and the approach to mitigating this risk is monitored by the Board.

Board members have noted the content of the Climate Change Strategy and the Climate Stewardship Plan, which seeks to ensure the Fund's responsible investment beliefs are incorporated into the Fund's investment decision making process and as a result, investments support long term sustainable benefits for the economy, environment, and society, as well as for pensions members. The Board is supportive and endorses the plan, what it seeks to achieve and how it will do so.

The ongoing uncertainty in relation to the McCloud judgement has continued over the past year. The Board will monitor progress on this issue as new guidance and legislation comes forward later in 2023.

Breaches

The Board has a responsibility to report upon any matter that appears to be materially significant. And it is pleasing to report that there were no significant issues of concern raised with or by the Board during the year.

However, it was noted, as in previous years, that there are still some scheme members for whom incorrect address details are held. Scheme member data is subject to specific targets set by the Pensions Regulator. Data scores have improved significantly over recent years though it was noted that there are still some members details that are incorrect. The Board accepts that this is an issue that predominantly remains outside the control of the Fund, largely due to deferred members who have not updated their personal details. The Board will continue to monitor the compliance with data targets set by the Regulator and ensure that issues within the control of the Fund are addressed appropriately.

Risk Register

The Pensions Committee at its meeting of 24 June 2022, once again, accepted the content and recommendations of the Board's review of the Pension Fund's Risk Register carried out during 2021/22 and requested the Board to continue to play an active role in the ongoing review process.

This work has been carried out by individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register is discussed in line-by-line detail.

The view of the Board is that the Risk Register is robust, comprehensive and provides an appropriate approach to risk management. The risk rating through RAG colour coding (a 'traffic light' indicator) is an understandable way to identify and categorise the risks and assess the impact of suitable mitigations where applicable.

The Board considers that the Officer Working Group manages the whole process through an appropriate procedure, has ownership of both the individual risks and the whole register and takes their responsibility seriously.

It is reassuring to note that the members of the Officer Working Group take a proactive approach to identifying emerging risks and are realistic about their assessment of the level of risk and the ability to mitigate against issues which are at times unknown or uncertain. This enables them to identify where risks remain high and ensure there is a higher level of vigilance in monitoring the risks as they develop.

Online governance arrangements

Following the pandemic all meetings, with the exception of some training events, have taken place as face-to-face meetings. This is in line with the County Council constitution and although the Scheme Advisory Board guidance does permit meetings of Pensions Boards to be held online, Board meetings will continue to take place in person.

All information is readily accessible prior to meetings of the Board. Training, both in person and online or hybrid, has been accessible and well attended by Board members. The Board are also pleased to note that Committee members also benefit from the full range of training that is made available.

LGPS Central Pool arrangements

The costs of running LGPS Central Ltd continue to be an ongoing concern with regards to value for money. LGPS Central Ltd recently reported that they anticipate

the pool will make £333 million worth of savings by 2033/2034. These savings are expected to be delivered on £30 billion of investments. Whilst these savings would be welcome in the longer term, Board members will watch with interest to see that these savings are delivered as soon as possible and in a way that continues to see investments made in a responsible way.

It is not within the Board's remit to engage directly on the subject of LGPS Central Ltd.'s costs, but the Board does note, and is reassured by, the efforts of the Pensions Committee and Fund Officers to ensure the pool delivers on our expectations. We see evidence that they continue to engage effectively and challenge the LGPS Central pool when needed, in order to ensure value for money is delivered by LGPS Central Ltd.

Audit Report

The Board receives and monitors internal Audit Reports. It was noted at the Pensions Committee meeting of the 24 June 2022 that several audits had taken place and had all been awarded a "substantial assurance" rating. This was noted by the Board members as an excellent result. Board members would like to add their own thanks and appreciation to Fund Officers and their teams, echoing that given by the Pensions Committee, for their professional and competent management of the Fund that resulted in this assessment.

Other Matters

The global economic uncertainty and concerns around the continuing war in Ukraine, will remain for the foreseeable future. Board members are content with the approach being taken by the Fund's governance mechanisms to ensure this is managed and global economic circumstances are appropriately considered.

These concerns should be seen in the context of this years' Actuarial Valuation, which was reported by Hymans Robertson in March 2023, and which showed a significantly improved funding position for the Fund; the Fund being 120% funded as of 31 March 2022. This is predominantly as a result of the investment performance of the Fund exceeding that required to ensure it is fully funded. This is excellent news and is particularly welcomed by many of the Fund's employer members, who have seen their contribution rates adjusted favourably as a result. The Board understands that this is a short-term valuation as part of a longer term strategy and will continue to monitor the ongoing performance over the coming years.

The Board also take an interest on the sustainability aspects of the Fund and is pleased with the plans for responsible and sustainable investment as outlined in the Climate Stewardship Plan. The Board note that there is a real focus on ensuring the investments do more than deliver financial security. Although paying benefits

remains the primary function of the Fund, it also seeks to ensure a sustainable future is supported through responsible and carefully considered investment in such a way that supports environmental and social sustainability.

The Board will continue to monitor the performance of the Fund over the coming year.

Matters Reported to the Board

The Board has a responsibility to report upon any matter that appears to be materially significant.

Nothing has come to the Board's attention during the year.

Conflicts of Interest

Declarations of interest are recorded on a declaration form completed by Board members which should be regularly reviewed and updated as appropriate. There may also be conflicts of interest with regards to items under discussion. Any conflicts that arise during the year are shown in the minutes.

No conflicts of interest have arisen during the meetings over the year 2022/2023.

Training

The Board has a duty to monitor its own training needs to ensure that each member has the knowledge required to exercise their responsibilities. The Board, individually, undertake training through the Pension Regulators Public Service Toolkit and has adopted the CIPFA Knowledge and Skills Framework to audit their understanding. The Board's members have also been working through training provided online by Hymans Robertson. This training is made available to all Board members, as well as members of the Pensions Committee. This training is regularly updated as new issues emerge that Board Members need to be aware of. This helps to ensure that those responsible for governance of the Fund have the required skills and knowledge to be both compliant with regulations and competent in the oversight of the management of the Fund.

Training needs of Board members are shown in Appendix A. Training will continue to be targeted to the developing needs of the Board and its work programme. The training needs analysis will be used to inform and identify where knowledge gaps need to be addressed.

Costs and Expenses

The costs and expenses of the Board are met as part of the administration costs of the Fund. The total costs during the financial year 2022/23 were as follows:

Board Costs and Expenses	£
Training and Conference Expenses	195.00
Travel Expenses	239.00
Total	434.00

Expenses this year are relatively minor and also comparable to previous years.

Robert Birch

Chair of the Staffordshire Pension Board
June 2023

Pension Board Training 2022/23

In 2015 CIPFA produced the 'Local Pensions Boards: A Technical Knowledge and Skills Framework'. This covered the knowledge and skills requirements for members of local pensions boards and this still remains in force.

In 2021 CIPFA published an updated LGPS Knowledge and Skills Framework (KSF) for officers and elected members/non-executives involved in the administration of public service pension schemes. This is more detailed than the version for the Pensions Board, so the Fund have deemed it appropriate to adopt this framework for measuring the knowledge and skills of Board members as well.

Following the publication of the new and enhanced KSF, Staffordshire Pension Fund Officers carried out a training needs assessment (TNA) of the Senior Officers, Pensions Committee and Pensions Board members in February 2023, to discover what each individual member felt that their understanding was of the key knowledge areas that had been identified by CIPFA. In turn this was to feed into the Training Plan for the coming 12 months.

The objective of the KSF, and accordingly the TNA, is to improve knowledge and skills in all the relevant areas of activity of a Pension Board and to assist Board Members in achieving the degree of knowledge appropriate for the purposes of enabling them, both as individuals and as a collective, to properly exercise the functions of being a member of the Pensions Board, as required under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

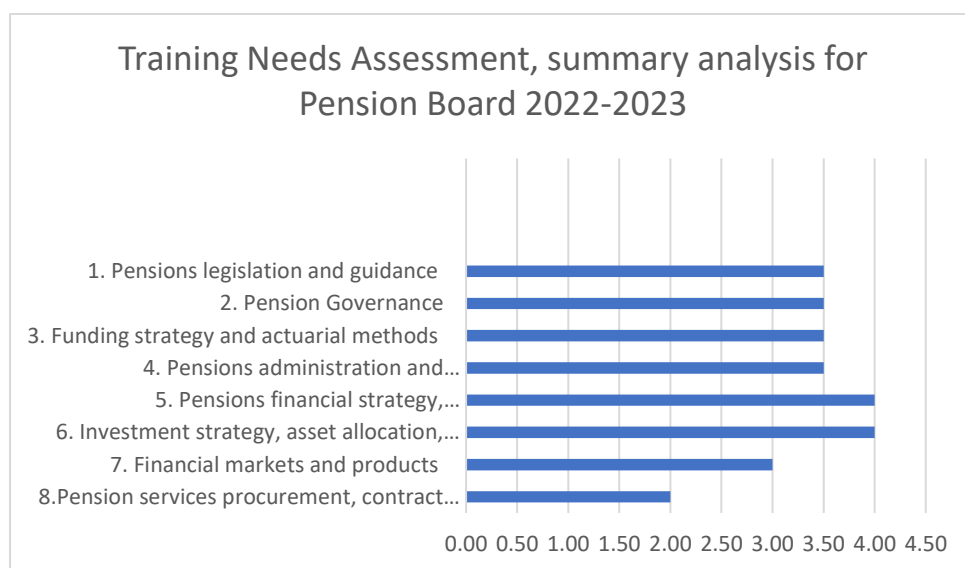
The 8 key skills areas are as follows:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communication
- Pensions financial strategy, management, accounting, reporting and auditing standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

The graph below shows the 'collective' competence self-assessment of the whole Board, following the TNA carried out in February 2023.

- 1 = No knowledge
- 2 = Limited knowledge and understanding
- 3 = Basic understanding
- 4 = Broad ability to comprehend and apply knowledge
- 5 = Sound understanding and ability to ask challenging questions

The competence score is slightly lower overall than previous years due to there being some relatively new members of the Board. The Training Plan for 2023/24 will be guided by this analysis and focus on those areas with the lowest collective scores as being areas for improvement.



LOCAL PENSIONS BOARD – 30 JUNE 2023

Report of the Director of Finance

**STAFFORDSHIRE PENSION FUND RISK REGISTER
& RISK MANAGEMENT POLICY**

Recommendations of the Chairman

1. That the Local Pensions Board notes the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented to the Pensions Committee at their meeting of 30 June 2023. (Appendices 2 and 3 respectively of the Pensions Committee report attached).
2. That the Local Pensions Board notes the Risk Management Policy of the Staffordshire Pension Fund, as presented to the Pensions Committee at their meeting of 30 June 2023. (Appendix 4 of the Pensions Committee report attached).
3. That the Local Pensions Board considers any request of the Pensions Committee, to continue to play an active role in the ongoing review process of the Staffordshire Pension Fund Risk Register.

Background

4. At their meeting in June 2022, the Pensions Committee noted the contents of the Staffordshire Pension Fund Risk Register at that time and asked the Local Pension Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back on any areas of concern.
5. To do this, Local Pensions Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the working group, on a quarterly basis. Working through the detail of the individual risks, they collectively determine individual risk scores by considering the potential impact any one risk might have, together with the likelihood of that risk occurring.
6. At the meeting of the Pensions Committee, due to take place on 30 June 2023, the Committee will consider whether they wish the Local Pensions Board to continue to undertake this active review role.

Rob Salmon
Director of Finance

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

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

Legal implications: The legal implications are considered in the body of the Pensions Committee report attached.

Resource and Value for money implications: The main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

Risk implications: The main topic of this report is risk assessment.

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.

PENSIONS COMMITTEE – 30 JUNE 2023

Report of the Director of Finance

STAFFORDSHIRE PENSION FUND RISK REGISTER & RISK MANAGEMENT POLICY

Recommendations of the Chairman

1. That the Pensions Committee notes the summary of the high-level risks and emerging risks from the current Staffordshire Pension Fund Risk Register, as presented in Appendices 2 and 3 respectively.
2. That the Pensions Committee notes the content and recommendations of the Local Pensions Board review of the Staffordshire Pension Fund Risk Register, attached at Appendix 1, and considers asking the Local Pensions Board to continue to play an active role in the ongoing review process.
3. That the Pensions Committee approves the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 4.

Background

4. CIPFA Guidance recommends the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management is being increasingly recognised as an element of good corporate governance and it is widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund. The Risk Register also forms a key part of the Pension Fund's Risk Management Policy attached for approval by the Pensions Committee at Appendix 4.
5. At their meeting in June 2022, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and asked the Local Pension Board to continue to undertake a regular detailed review of the identified risks and the process for maintaining the Risk Register and report back on any areas of concern. It was also agreed that the Pensions Committee would continue to carry out an annual review of the high level and emerging risks identified from the Fund's Risk Register.

Risk Register

6. Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in several key documents, such as the Funding Strategy Statement and the Investment Strategy Statement.
7. The Risk Register brings together all the Fund's risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration, and Investment.

8. The detailed risk register matches high-level risks, under each of the 4 areas of activity, to the Fund's high-level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a Red – Amber - Green (RAG) rating.
9. Controls that are currently in place to mitigate risks and additional sources of assurance are then considered to provide a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.
10. Officers review the risk register every quarter, focusing in on the detail of one of the 4 areas, along with a review of any emerging risks. As part of their review, Members of the Local Pensions Board have attended the review meetings and taken an active role in the discussions. The Board's comments on the Risk Register and the review process are attached at Appendix 1. The Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

Summary and review of high-level risks

11. A summary of the high-level risks associated with the objectives is attached at Appendix 2. This summarises the highest score of the detailed risks associated with each of the high-level risks and provides a summary of the controls and sources of assurance currently in place. This is intended to give the Committee an overview of the main risks the Pension Fund needs to consider and the controls in place to mitigate them.

Emerging risks

12. As part of the annual review it was agreed that the Pensions Committee would review emerging risks to the Fund. It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. Several transitional areas are reflected in Appendix 3; this provides more detail on the emerging risks perceived to be faced by the Pension Fund. The same scoring process and assignment of RAG ratings has been applied.

Risk Management Policy

13. The Pension Regulator's Code of Practice recommends that a Pension Fund has a Risk Management Policy in place and that this is reviewed periodically. The risk management policy covers key areas such as:
 - The Fund's attitudes to, and appetite for risk;
 - Aims;
 - Risk measurement and management; and
 - Responsibility

The updated Risk Management Policy for the Staffordshire Pension Fund is attached for approval at Appendix 4.

Rob Salmon
Director of Finance

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

Background Documents:

CIPFA-Managing Risk in the Local Government Pension Scheme,
The Pensions Regulator Code of Practice,
Staffordshire Pension Fund Investment Strategy Statement
Staffordshire Pension Fund Funding Strategy Statement
[Staffordshire Pension Fund - Finance and investments \(staffspf.org.uk\)](http://staffspf.org.uk)

Equalities implications: There are no direct 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 main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

Risk implications: The main topic of this report is risk assessment.

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 Risk Register

Report by the Local Pensions Board to the Pensions Committee

30 June 2023

Observations of the Local Pensions Board

1. The Risk Register is a robust and comprehensive register of risks that faces the Pension Fund.
2. The procedure for reviewing the Register is carried out regularly with each risk being evaluated and updated as required.
3. The Officer Working Group that conduct these reviews have ownership of the individual risks and the whole Register and take their responsibility seriously.
4. The Board considers that there is value in continuing to attend meetings of the Officer Working Group.

Background

The Pensions Committee at its meeting on 7 July 2017 decided to ask the Local Pensions Board “to undertake a more detailed review of the Pension Fund Risk Register and report back to the Pensions Committee on any issues or areas of concern arising from the review.” The Board has continued to carry out that task and reports as follows.

‘The Pensions Board agreed to continue to conduct its review through individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register was discussed in line-by-line detail. They observed each risk being evaluated on both a qualitative and quantitative basis and the RAG rating either being amended or maintained.

The Pensions Committee at its meeting in June 2022, accepted the content and recommendations of the Board’s review of the Pension Fund Risk Register carried out during 2021/22 and requested the Board to continue to play an active role in the ongoing review process.

The Board continues to believe that the Officer Working Group manages the whole process through an appropriate procedure, has ownership of both the individual risks and the whole register and take their responsibility seriously’.

Appendix 2

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Governance					
1 To meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure	Failure to meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting	12	Fund objectives are defined, reviewed annually and approved by Pensions Committee as part of a comprehensive Performance Management Framework which includes KPI's and Risk Register	Reports to Pensions Committee and Pensions Board, Total Performance Management Framework	9
1.1 To ensure the Fund has an appropriate governance structure	Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest	16	Governance is implemented in accordance with the Governance Policy Statement which sets out the roles and responsibilities of all parties. Officers monitor and are aware of changes to regulations.	Governance Policy Statement, Pensions Board, DCLG.	12
1.2 To ensure that all Elected Members and officers have appropriate Knowledge and skills	Failure to ensure that Elected Members and Senior Managers have the required skills or qualifications to perform their function effectively, and are supported by an ongoing programme of training	16	Adoption of CIPFA Training and Skills Framework, Training policy, Training Log	Training records log, Pension Board, Qualifications and experience of senior officers, MPCs, appointment process.	6
1.3 To ensure the Fund has appropriate financial, investment and actuarial advice	Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisors	16	Services of several advisors are procured, contracts in place and performance monitored.	Attendance and reports to Pensions Committee, Panel and Board. Procurement team and regulations.	9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
1.4 To ensure assets are safeguarded and properly accounted for and reported upon.	Failure to have appropriate custody arrangements in place for liquid markets and illiquid investments (Inc. property)	12	Custodians with high credit ratings are in place, their records monitored against managers records. Stocklending subject to strict controls and reported to pensions panel.	Custodian agreements, Audit assurance, Collateral in place for all stocklending. Legal Services hold records (Property).	10
1.5 To ensure that the Fund makes all information it is required to make available to stakeholders and that the information is easy to understand. To meet best practice standards wherever possible	Failure to publish all documents required by legislation including statutory accounts and annual report and key documents comprising Governance Strategy, ISS, FSS. Communications Policy	12	Key documents list is maintained and all key documents are completed, reviewed regularly and published	Documents published, regulations, CIPFA guidance, TPR codes of practice, Pensions Board, Pensions Committee, Internal Audit, external audit	9
1.6 To comply with all legislation relating to Local Government Pensions.	Failure to adhere to relevant statutory regulations including updates to LGPS	20	Regular review and reporting of changes, training of staff and implementation of changes.	Pensions Board, Pensions Committee, Audit and Audit report and LGA	15
1.7 To ensure the Fund has a risk register that is comprehensive, linked to objectives and regularly reported and reviewed	Failure to have comprehensive risk management arrangements, including a Fund risk register in place; failure to regularly review, update, and identify controls to mitigate significant risks, including risk of fraud, and management assurance arrangements to ensure key controls are operating effectively and consistently	16	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.)	Risk register exists and is regularly reviewed and updated. Pension Committee report. Pension Board	9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
1.8 Participation in LGPS Central Pool of Funds	Failure of Pool to have proper Governance arrangements in place.	12	Joint Committee, Shareholders Forum and Practitioners advisory forum exist, have clear terms of reference and defined membership. CIPFA guidelines. FCA regulation. Company law. LGPS Central company and pool risk register exist - LGPS Central Joint Committee review company risk register	Staffordshire members regularly attend meetings of Joint Committee, Shareholders Forum and Practitioners Advisory Forum, and that decisions are reported back to Pensions Committee. Audit Assurance Framework	4

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Investment					
<p>2.1 The <u>actual</u> return of the Funds 'neutral' and / or 'tactical' Strategic Asset Allocation is capable of exceeding the return assumption (i.e. the Discount Rate / AOA) of the Actuary used in the triennial valuation.</p>	<p>Failure of the Strategic Asset Allocation (SAA) to meet the level of return underpinning the setting of contribution rates as determined in the valuation OR to take more risk than the level of risk assumed by the Actuary in setting contribution rates</p>	<p>15</p>	<p>Strategic Asset Allocation is set to meet the assumptions used by the actuary. Ensuring the Actuary and Investment Consultant understand each others assumptions. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy. Use of Stabilisation policy</p>	<p>Pensions committee reports from Actuary and consultant. Pensions Board</p>	<p>8</p>
<p>2.2 The return of the 'actual / tactical' Strategic Asset Allocation (determined by the Pensions Panel) exceeds the return of the 'neutral' Strategic Asset Allocation</p>	<p>The actual/ tactical investment strategy (determined by the Panel) fails to exceed the return of the neutral SAA</p>	<p>12</p>	<p>Actual/ tactical SAA position is monitored, updated and reported to Pension Panel quarterly. Performance measurer reports.</p>	<p>Pensions Panel receives quarterly SAA report/ Valuation. Pensions Board. Fund Performance report.</p>	<p>8</p>

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.	Failure of active managers to deliver outperformance (net of fees)	20	Active managers are appointed through robust competitive process. Their performance is regularly reviewed and reported to the Pension Panel and in the Annual Report. Termination of managers contracts is carefully considered and reported to Pensions Panel. Asset class correlation, Managers strategies are understood to ensure overlap is minimised. This is understood by those responsible for the strategic asset allocation.	Consultant advice, manager meetings, Performance measurer, Panel reports, manager presentations.	15
2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	Failure to understand the relationships between asset classes, managers and their correlations to each other.	20	FRC UK Stewardship Code complied with. All fund managers signed up to UNPRI. RI report to Panel each quarter detailing managers voting and company engagement. Member of LAPFF and LGPS Central	Quarterly strategic review, Consultant comments, Pension Panel, Pension Board	12
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	Failure to take account of RI factors in investment decisions	12		Policy in ISS, Pension Board. Manager reports. Member of LAPFF	10

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
2.6 To minimise fee levels and total expense ratios consistent with performance targets i.e. active / passive	Failure to minimise manager fees and expenses commensurate with performance target	9	Competitive tender process, monitoring and benchmarking of fees. Transparent reporting of fees.	CEM benchmarking, Total expense ratio, Peer Benchmarking, CIPFA rules, Audit, Pension Committee, Pension Board, advisors views taken account of.	6
2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly	12	Cash flows of the fund are monitored and understood. The fund operates on a liability aware basis.	Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel.	9
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	20	Budgets in place and monitored, cost sharing mechanism in place, other members of staff aware how to do all roles and are aware of work of LGPS central. Transition plans, senior management of LGPS Central, Shareholders Forum, Joint Committee and Practitioner Forum.	Programme Board, Staff Strategy and planning meetings, Shareholders Forum, Joint committee and Practitioners Forum. Reports to Pensions Committee	16

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Funding					
<p>3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term</p>	<p>Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term</p>	<p>15</p>	<p>Plan and monitor cashflows regularly, Appropriate Treasury management strategy, Treasury staff are qualified and trained, review of cashflows from actuarial valuation.</p>	<p>Cashflows exist and are monitored, Treasury Management Strategy report to Pension Panel, Audit, Actuarial valuation report to Pensions Committee</p>	<p>10</p>
<p>3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)</p>	<p>Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)</p>	<p>16</p>	<p>Actuarial Valuation by an independent Actuary, using prudent assumptions, monitoring of funding level in between valuations, Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions.</p>	<p>Actuarial report, No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis, Report to Committee, Pension Board, Pension Fund Annual Accounts, Funding Strategy.</p>	<p>16</p>
<p>3.3 To ensure the long term cost efficiency of the scheme</p>	<p>Failure to set contribution rates that ensure the long term cost efficiency of the scheme</p>	<p>16</p>	<p>Stochastic modelling of various financial scenarios demonstrates improved funding outcome from the valuation, Actuary certified funding strategy.</p>	<p>No issues identified by GAD, Funding Strategy Statement, Pension Board</p>	<p>12</p>

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
3.4 It is desirable that contributions are as stable as possible	Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency)	16	Use of Stochastic models to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers;	12
3.5 It is desirable that contribution rates are affordable commensurate with risk and meeting the funding objective	Failure to set contribution rates that are affordable to employing bodies such that it disrupts their services or pushes them into receivership (commensurate with achieving solvency and long term cost efficiency)	16	Funding Strategy and Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions), Consultation with Employing bodies	Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Responses from employers to consultation on Funding Strategy.	12
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	Failure to identify, monitor and reflect the unique characteristics of employer's liabilities, for example maturity in setting contribution rates, including those employing bodies getting close to having no active members	20	Monitor data to ensure Actuary receives accurate scheme data, Report from the Actuary takes account employer characteristics	Reports produced for the Pensions Regulator, Actuarial statement of data quality and club VITA report, Acceptable Audit reports, Outcome and consistency of valuation reports	15
3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the Fund	Failure to protect the fund from an employer failing to pay any amounts due including contributions or cessation payments	15	Valuation identification, Covenant reviews, Bonds/Guarantees in admission agreements, Cessation valuations carried out whenever an employing body leaves the fund	Valuation risk analysis, Active member numbers reviewed annually, Standard Admission agreements include requirements for bonds/guarantees, Cessation valuation completed by Actuary.	12

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
3.8 To ensure ceding employers are protected from transfers	Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers	12	FSS includes appropriate policy on transfers out taking account of the existing funding level and amends transfer values accordingly	Documented in the Funding Strategy Statement	8
3.9 To ensure that the Strategic Investment Strategy meets the actuarial assumptions	Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term	0	SEE SEPARATE INVESTMENT SECTION	n/a	0

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Administration					
4.1 Deliver a consistently high level of performance and customer service	Failure to deliver a consistently high level of performance and customer service	20	Performance reports presented to Pensions Committee and in the Annual Report and compared with benchmarking comparisons, internal control systems, schemes of delegation, Appropriate staffing levels, internal data checks, Actuarial data checks, Finance system. Aquilla Heywood AXIS / Altair system, Structured ICT control procedures, ICT control processes and mirror backup, schemes of delegation.	Pensions Committee, Pension Board, Internal and external Audit reports, Management review, Actuarial certification. ICT audit reviews, Internal testing, Audit.	16
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	20	I here is a Communication strategy in place, Regular communications with employees, Web site for employers Employees, publicly available	Pensions Board / Committee reports Communications Strategy and regular review, All major communications subject to accessibility checks, Internal management review.	16
4.3 To Communicate to our key stakeholders in a clear informative style	Failure to Communicate to our key stakeholders in a clear informative style	12			9

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	Failure to comply with regulatory codes of practice and legislation.	20	Internal technical specialists, guidance from professional advisers, local and national working group, Staff Training, leadership and management, Administration strategy, TPR requirements	Audit, Regular Altair software updates encompass most regulatory changes, Employer sanction process and TPR breach reporting, Management controls.	15

Appendix 3

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Governance						
1.1 To ensure the Fund has an appropriate governance structure	1.1 Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest	Failure to review Governance standards against suitable benchmark (Government guidance e.g. Code of practice 14)	16	Officers monitor and are aware of various governance standards and changes within them.	DLUHC, tPR, SAB, LGA,	12
1.6 To comply with all legislation relating to Local Government Pensions.	1.6 Failure to adhere to relevant statutory regulations including updates to LGPS	Failure to know about legislative change	20	Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisors	Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds, Heywoods. Monthly reviews of LGA bulletins	15

1.6 To comply with all legislation relating to Local Government Pensions.

1.6 Failure to adhere to relevant statutory regulations including updates to LGPS

Failure to train staff as required by the legislative change

Ensure staff are trained in changes as required.

Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training.

16

12

Investment

2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure of SPF/LGPS Central to ensure managers in the same asset class are complimentary

Active managers in the same asset class are complimentary. Investment advisors review managers/funds in each asset class periodically.

Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee. Investment advisors produce a suitability report prior to investment. Performance measurer report. LGPSC 3 yearly reviews.

16

12

2.3 To achieve performance above the return of the ‘neutral / tactical’ strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure of SPF/LGPS Central to consider whether active managers can add value and whether the benchmark and target level of performance allows sufficient scope to deliver their target

16

Active managers are appointed where it is clear they can add value and their benchmark and performance target allow them scope to deliver

Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee/Pensions Panel/Pensions Board. LGPSC 3 yearly reviews.

12

2.3 To achieve performance above the return of the ‘neutral / tactical’ strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure to report asset manager performance to the Pension Panel or to include annual (and longer term) performance in the Annual Report

16

Asset manager performance is reported regularly to the Pension Panel and in the Annual Report

LGPS Central performance reports, Performance measurer, Pension Panel reports, Pension Board. Audit. Investment Consultants.

12

2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other

2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.

Failure of SPF/LGPS Central to consider and address the impact of manager correlation

16

Managers strategies are understood to ensure any strategy overlap is minimised

Manager fit is understood on appointment, Manager monitoring, Consultant comments, Performance measurement, Joint Committee, PAF-IWG, Investment advisors, 3 year review of LGPS central products

12

2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.	Failure to consider and address any systemic risk factors across the fund	20	Macroeconomic factors are understood, Manager awareness of global trends and potential risk areas, The fund has a long term investment strategy, diversification of investments	Quarterly strategic review, meetings with managers, Consultant comments, LGPS Central/Manager presentations to Pension Panel, Pension Board. PAF IWG.	12
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	2.5 Failure to take account of RI factors in investment decisions	Failure to comply with the FRC UK Stewardship Code	10	FRC UK Stewardship Code (Tier 1 signatory to 2016 code), as are all fund managers, working towards becoming signatory of 2020 revised code	2016 Investment regulations, ISS, LGPS Central, managers contracts contain clause.	10
2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	2.7 Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly	Impact of changes in inflation and its effect on liabilities is not taken into account when setting 'neutral' SAA	12	Cash flows of the fund are monitored quarterly and understood. The fund operates on a liability aware basis.	Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel. Considered as part of the SAA. Asset Liability Modelling. Regular strategy and	9
2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Risk of SPF/LGPS Central losing key personnel and knowledge.	16	Ensure other members of staff know how to do all roles and are aware of work on going, including within LGPS Central	planning meetings to schedule work and priorities, generic job descriptions, succession planning, PAF-IWG	12

<p>2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central</p>	<p>2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance</p>	<p>Failure to have appropriate transition arrangements in place to ensure the continued security of assets and efficient and cost effective transfer of assets into LGPS Central.</p>	<p>20</p>	<p>Transition manager is appointed by LGPS central/SPF</p>	<p>Procurement through LGPS transition framework. Assistance of Transition Advisor if appointed. Custody records and investment team reconciliations and LGPS Central Custodian. PDLG. External and internal audit working group assurance of transitions.</p>	<p>12</p>
<p>2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central</p>	<p>2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance</p>	<p>Regulatory Changes in relation to asset pooling impacting LGPS Central or SPF</p>	<p>10</p>	<p>Regulatory change is monitored and consultations are responded to.</p>	<p>DLUHC, Pensions Committee, Hymans, cross pool working groups.</p>	<p>10</p>
<p>Funding</p>			<p></p>	<p>Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.</p>	<p>Actuarial report produced by independent actuary, Pension Board, GAD. Current Actuary appointed until 2024.</p>	<p>12</p>
<p>3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)</p>	<p>3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)</p>	<p>Failure to procure an Actuary to carry out an independent valuation of the Fund in accordance with regulations</p>	<p>15</p>	<p>Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.</p>	<p>Actuarial report produced by independent actuary, Pension Board, GAD. Current Actuary appointed until 2024.</p>	<p>12</p>

3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)

3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)

Failure to monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities

16

Consider monitoring funding position during the inter valuation period, on a desktop basis or commission interim valuation for certain employers. Actuary statement in Annual Accounts.

Report to Committee, Pension Board, Pension Fund Annual Accounts, External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Acces to hymans online funding tool and internal covenant monitoring system.

16

Administration

4.1 Deliver a consistently high level of performance and customer service

4.1 Failure to deliver a consistently high level of performance and customer service

Non payment of payroll, payrolls not updated correctly for annual revaluations. Potential impact on up to 40,000 pensioners

20

Internal monthly process controls for Altair and BACS.

Internal and external audit

16

4.1 Deliver a consistently high level of performance and customer service

4.1 Failure to deliver a consistently high level of performance and customer service

Failure to monitor workloads, or backlogs or benchmark staff numbers

Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers

Review of KPIs by Pensions Committee / Board, Review of published benchmark returns. Implementation of new management structure in Jan 23

20
20

16

4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times

4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times

Failure to protect against increased physical or cyber threats

SCC and partner ICT policies and procedures, Mirror server operation, special environmental controls SCC ICT Policies, internal access controls and Altair security roles Firewall and anti virus controls. Business Contingency and DR Plans

ICT Audit, DR Testing reviews. GDPR Impact assesment statement for MPP, evidence of current security arrangements held by software provider and security certification levels. Cyber framework and policy being developed

15

4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times

4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times

Failure of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes.

16

Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement.

Software reporting. Regulation amend and SAB guidance. Software changes for calculations developed by Heywoods to match relevant regulatory requirements as currently in place.

16

Failure to appoint an intergrated service provider (ISP) and supply quality information to the National Pensions Dashboard Programme

16

Data Quality checks, Actuarial assesment of data quality, software solution.

Club Vita, CIPFA Benchmarking, NFI

9

4.4 Ensure administration compliance with regulatory codes of practice and legislation.

4.4 Failure to comply with regulatory codes of practice and legislation.

LGPS regulation changes in relation to fair deal, McCloud & Goodwin. Processing and funding issues (see duplicated on funding tab)

20

Systems updated and adequate staff resouce and training in place

KPIs maintained at previous levels

15



Staffordshire Pension Fund

Risk Management

Policy

Issue Date 1 July 2023



Risk Management Policy

Introduction

This is the Risk Management Policy for the Staffordshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Staffordshire County Council ("the Administering Authority").

Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Investment Strategy Statement. It is an essential element of good governance in the LGPS. The Fund will aim to comply with the CIPFA Managing Risk publication and the Pensions Act and Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Risk Management Policy details the risk management strategy for the Fund, including the following key areas:

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

The Fund's attitudes to, and appetite for, risk

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance;
- improve financial management of the Fund;
- better manage change programmes and projects;
- minimise the risk and effect of adverse conditions on the Fund;
- identify and maximise opportunities that might arise;
- minimise threats; and
- support innovation and continual improvement in a changing environment.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund, at a strategic and operational level.

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Some risks can be mitigated by putting in place a simple control process whereas other risks will remain at a high level, despite any mitigating controls being put in place. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the

action to be taken in relation to any risk will be its potential impact on the Fund's objectives, considering the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to emerging risks; and
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided.

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring and the way in which the contribution rate strategy and the investment strategy combine to deliver those outcomes (the method used by the Fund's Actuary is sometimes referred to as stochastic modelling, but there are others). The primary reason for the high variability (risk) in outcomes derives from the high proportion of the Fund invested in growth assets, in particular equities. However, in the long term this is expected to deliver returns that are commensurate with the risk, and this helps to keep employer contributions lower than they would otherwise be. It also relies upon the strong covenant of the major employing bodies in the Fund which allows for a long-term perspective to be taken.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

Aims

In relation to understanding and monitoring risk, the Administering Authority aims to:

- raise awareness of the need for risk management by all those connected with the management and administration of the Fund (including Officers, Pensions Committee Members and the Local Pensions Board);
- integrate risk management into the culture and day-to-day activities of the Fund;
- anticipate and respond positively to change and emerging risks;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- identify control and review sources of assurance already in place to mitigate against risk and highlight areas requiring improvement; and
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk.

Risk measurement and management

Identifying Risks

Risks to the Fund are identified in a number of ways:

- Monitoring performance against the Fund's Annual Business Plan;
- Recommendation and findings of auditors and other professional advisors;
- Feedback from Local Pensions Board, employers and other stakeholders;
- Meetings of senior officers and staff involved in the management of the Fund; and
- Meetings with other organisations, regional and national associations and professional groups.

Risks are regularly reported to the Pensions Committee / Panel as part of routine quarterly reporting. There is a separate Risk Register, which has been developed to categorise risk across 4 main areas of focus:

- Funding
- Administration
- Governance
- Investment.

The Pension Fund has a set of high-level objectives which cover all key aspects of the Fund under each of these areas. The greatest risks to the Fund 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 those high-level objectives. This ensures a comprehensive coverage of all areas of the Fund.

The detailed Risk Register matches high level risks, under each of the 4 areas of activity, to the Fund's high-level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a **Red – Amber - Green (RAG) rating**.

Controls that are currently in place to mitigate risks, together with additional sources of assurance are listed and these are then taken into account to give a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.

Management and reporting of Risk Management

Officers review emerging risks and one of each of the four distinct areas quarterly, together with risks where the review date is imminent. These reviews allow current controls to be assessed and analysed to ensure they are still in place and relevant. It also gives the opportunity to identify areas for improvement and additional controls

required. New and emerging risks are also discussed at these reviews and added into the Risk register.

The Pensions Committee have requested that the Local Pensions Board (LPB) take an active role in reviewing the Risk Register alongside Officers. Members of the LPB work with Officers, at the quarterly meetings, to drill down into the detailed risks and gain an understanding of the controls in place and the various sources of assurance. Any areas of concern are brought to the attention of the Committee at their next meeting. An annual review of high-level risks is undertaken by the Pensions Committee, irrespective of the work of the LPB.

It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. The consideration of emerging risks will also form part of the Pensions Committee's annual review.

In addition to looking at the risks on the Risk Register, the LPB reviews the Fund's risk management process. It reports as part of its annual statement if it is satisfied that the Fund is adequately monitoring and managing risk. The LPB reports suggested improvements and areas of concern in the risk management of the Fund.

Risks associated with specific areas of the Fund are discussed as part of relevant Officers regular team meetings. Emerging risks in particular are highlighted as part of this process.

The Administering Authority's Internal Audit Service review the Fund's processes, including Governance, Administration and Investments, considering the associated risks and analysing the controls in place. They give an opinion to Officers of the Fund as to the effectiveness of current controls and advise on any improvements required.

Responsibility

This Risk Management Policy applies to all members of the Pensions Committee, Pensions Panel and the Local Pensions Board, including both scheme member and employer representatives. It also applies to the Director of Finance / S151 Officer and all other Officers involved in the management of the Fund.

Advisers and suppliers to the Fund are expected to be aware of this Policy, and assist the Officers, Committee and Local Board members as required, in meeting the objectives of this Policy. Responsibilities of the Pension Fund are detailed in the County Council's Constitution and Scheme of Delegation. This details in full the powers and responsibilities delegated to the Pensions Committee, Pensions Panel, Local Pensions Board, Director of Finance and to other Officers of the Fund.

Further Information

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

Melanie Stokes – Assistant Director for Treasury and Pensions

Email: melanie.stokes@staffordshire.gov.uk

Telephone: (01785) 276330

LOCAL PENSIONS BOARD – 30 JUNE 2023

Report of the Director of Finance

STAFFORDSHIRE PENSION FUND RISK REGISTER

Recommendations of the Chairman

1. That the Local Pensions Board ('Board') notes the risks, relating to Administration from the current Staffordshire Pension Fund Risk Register, as presented in Appendix 1.

Background

2. At their meeting in June 2022, the Pensions Committee noted the high-level risks identified within the Staffordshire Pension Fund Risk Register. The Committee also asked the Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back to the Committee on any areas of concern.
3. To assist with their review, the Board requested that one of the four main risk areas (Governance, Funding, Administration, and Investment), be presented to them at each meeting, for their consideration. This was to align with the risk area considered by the Officer working group that quarter.
4. Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the Officer working group, on a quarterly basis. Working through the detail of the individual risks, they collectively determine individual risk scores by considering the potential impact any one risk might have, together with the likelihood of that risk occurring. Members of the Board are invited to continue to attend these working groups if they so wish.
5. At a meeting on 19 May 2023, the Officer working group, together with a member of the Local Pensions Board, reviewed the risk area of Administration. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered. Post control, Fund Officers believe there are three areas of high risk and ten areas of medium risk.
6. The three high-level risk areas relate to staffing resource levels, the provision of the data required from scheme employers in relation to the McCloud remedy and the payment of payroll, in light of the implementation of the enhanced admin to pay process.
7. The thirteen areas of medium risk relate to several matters including:
 - i) Performance standards and their consistency;
 - ii) Pay levels, staff retention and succession planning;
 - iii) Breaches reporting;
 - iv) System failures, and cyber or fraud attacks;

- v) Accuracy of information from Employers; and
- vi) Implementation of regulation.

Whilst all the medium risk areas are deemed to be well managed and have appropriate controls in place, the scores have increased predominantly due to the likelihood of an event happening. E.g. implementation of changes in regulations.

8. The full list of the current Administration Risks is presented in Appendix 1 for the Board to discuss and / or note at today's meeting.

Rob Salmon
Director of Finance

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

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

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

Resource and Value for money implications: The main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

Risk implications: The main topic of this report is risk assessment and management.

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.

Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Change Description	Outcome of Review /Changes made and date	Owner	
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Failure to set performance standards; failure to achieve performance standards; failure to monitor performance standards; failure to report performance against performance standards	4	4	16	Performance reports presented to Pensions Committee and in the Annual Report and compared with benchmarking comparisons published nationally as part of the CIPFA process. Internal management reporting	Pensions Committee/Pension Board review	3	4	12			CEM Benchmarking proposed to be used long-term. Alternative benchmarks to be considered for reporting. Work needed on Insights in order to utilise these reports effectively. Development work will be required		
		Non payment of payroll, payrolls not updated correctly for annual revaluations. Potential impact on up to 40,000 pensioners	5	4	20	Internal monthly process controls for Altair and BACS.	Internal and external audit	4	4	16	Monthly	Internal service standards potential to be below target due to recruitment and retention issues.	Increased due to implementation of enhanced admin to pay as we switch between the systems, long term should help to reduce this risk.	SJ/VE/LS	
		Individual benefit calculations may be under or overstated. Impact on scheme members and scheme employers. Possible reputation damage	4	4	16	Scheme of delegation, workflow authorisations, appropriately trained staff	Internal section management and audit	3	3	9	ongoing		slight increase in likelihood due to staffing issues	SJ/LS	
		Incomplete or inaccurate data input, processing or output in accordance with relevant legislation or policies. i.e. Details of scheme members, their pension history and status are not entered or incorrectly entered onto the system or are not supported by appropriate documentation	3	4	12	Workflow control systems with seniority based checking requirements. Scheme of delegation, system security roles,	Audit reports, Altair security parameters TPR compliance reporting, GDPR training and compliance. Members ability to cross check and update records through MSS, I-Connect where implemented. Data Clense project.	3	2	6			I-Connect will be an additional source of assurance once fully implemented, subject to appropriate review of data integrity.	Increase in resources in systems and data team.	SJ/VE
		Data matching exercises (e.g. National Fraud Initiative, mortality tracing etc..) identifying potential discrepancies are not acted upon	3	4	12	Internal Project control and Altair workflow processes Mortality monthly checking, National Fraud Initiative, BACS payment return monitoring, Child pension review, overseas pensioner existence checking	Atmos output produced by Data and Systems Team and processed by the Payroll team on a set monthly timetable. Club Vita data, Tell us Once check, NFI bi-annual report, overseas existence testing, project plan following outputs.	3	3	9			Review need for more address and mortality tracing as identified in business plan. Looking at electronic proof of life.		SJ/VE
		Failure to minimise cost commensurate with achieving agreed performance standards	3	3	9	Internal review of expenditure and budgets linked to business plan, regular benchmarking (SF3, CIPFA, PSLA) and reporting to Pensions Committee	Pensions Committee/Pension Board Audit. Review by section management. Actions taken as appropriate	2	3	6	May-24				
		Failure to monitor workloads, or backlogs or benchmark staff numbers	4	5	20	Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers	Review of KPIs by Pensions Committee / Board, Review of published benchmark returns. Implementation of new management structure in Jan 23	4	4	16	ongoing, Mar 24		Consider CEM/alternative benchmarking or regulatory change and factor changes and the need to implement such, may impact wider service delivery, increased further by delays in software updates and systems, leading to increased manual calculations. In addition to recruitment and retention issues.	Ongoing recruitment process to maintain current establishment and increase for additional work from McCloud.	SJ/VE/LS
		Failure to have appropriate pay levels or to monitor and understand turnover resulting in an insufficient number of experienced staff and failure to plan succession	4	3	12	Staffing numbers are appropriate - pay levels are sufficient to recruit staff - turnover is not too high. The organisational structure is appropriate	Continual review Management review of turnover and market pay levels via benchmarking results, monitor equivalent advertised positions	4	3	12			Review section performance following CIPFA benchmark return and pending full section staffing and structure review. Pay awards less than inflation, adding to staffing pressures. Review entry level job grading.		SJ/VE/LS
		Failure to have appropriate structures with progression and regular "We Talk" conversations. Skill sets not monitored and staff not appropriately trained	4	4	16	Staff are motivated through career progression and regular feedback. Skills are monitored and staff are trained appropriately. Structure allows for succession planning	Continual Management review following we talk conversations, customer feedback results and complaints monitoring	3	3	9	ongoing		Identify staff development needs from we talk process.		SJ/VE/LS

Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Change Description	Outcome of Review /Changes made and date	Owner
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Fraud, by scheme members or staff.	4	2	8	Altair Workflow controls, internal checking process, NFI, Altair security roles, separation of duties	Audit and management controls, continued substantive assurance on internal audit report, cyber security and GDPR training.	4	2	8	ongoing	Review following change TRP code of practice making cyber security responsibility of their fund. Increased use of MPP and potential Audit of	Substantial assurance audit report received for administration.	SJ/VE/LS
		Ongoing employer structure changes which may impact on the sections service delivery capability	4	3	12	Identify priorities and schedule work as appropriate. Staff recruitment, consider bulk projects	Actuarial and legal advice, appropriate funding arrangements, staff are aware of changes. Employer communication process now well established.	3	3	9	May-24	MPP. Consider technology solutions as they become available and enhanced resources for dedicated employer work. Monitor academies for changes in DFE guidance for admissions, pass through etc, Accademy fund transfers and LEA MATs		SJ/VE/LS/LI
		Failure to maintain and monitor a breaches log	3	5	15	Breaches log exists and regular monitoring processed are in place and reviewed.	Pensions board monitor and Pensions officers review meetings	3	5	15	Sep-23	Maintenance and monitoring not fully implemented due to lack of resource and reporting tools. Input required from CIPFA, TPR and software providers. Altair insights now available which will improve reporting in this area.		SJ/VE/LS/LI
		Failure to resouce and implement AVC provider review, Pensions Nudge and Shared cost AVC arrangement.	2	4	8	Correct Scheme documentation, procedure in place, review process, reconciliation of employer AVC statements, guidance form LGA	Online access and statements for members, which are checked, data flow from employers, compliance with guidance from LGA	2	4	8	Dec-23	Working through the AVC review project and monitoring impact on resources		SJ/ME
		Failure to provide a robust and reliable administration system to facilitate the delivery of performance standards	5	3	15	Using Aquilla Heywood AXIS / Altair system and bespoke SCC calculation software, developed over many years on a collaborative basis with other LGPS schemes; regular updates; input to national developments; tendered from time to time	External hosting of system. ICT audit reviews. Class User Group, JPG and Testing working party and other user groups	4	2	8	May-24			SJ/VE
		Failure to have appropriate processes in place for system updates	4	4	16	Key procedures library updated by specialists in relevant areas, documents regularly reviewed	Audit reports and internal document control (ICT), KPIs, Actuary review. System upgrades now completed by supplier.	2	3	6	May-24	Review following 2023 Audit report and internal reviews and ongoing rollout of Iconnect		SJ/VE
		Failure to provide appropriate contingency arrangements for failure of the system	4	3	12	Structured ICT control procedures published DR plan for SPF & Heywoods, annual DR testing by Heywoods.	Annual DR / Period Testing results, up to date business continuity plan, scenario testing.	4	3	12	annual	Review and alignment of SPF and Heywood DR plans following move to a hosted system		SJ/VE
		Failure to ensure that contract(s) for key suppliers are adequate and performance is monitored	4	1	4	Error reports review, Regional User Groups, Consortium Management Team, Trained Staff, Procurement reviews	Audit reports, Internal Testing, Market Testing	4	1	4	May-24			SJ/VE/LS
		System processing schedules, backups, periodic testing not in place, to monitor outputs, identify exceptions and take corrective action where necessary. Failure to adequately test System changes.	4	3	12	Documented processing schedules, Heywood release guides and housekeeping guidance	Upgrade procedure in place - User Acceptance Test	4	2	8	Every release upgrade	New internal release sign off to be documented for hosted environment.		SJ/VE

Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Change Description	Outcome of Review /Changes made and date	Owner
		Failure to use authentication controls (including "strong" / complex passwords, regular password changes, account lockout after three failed login attempts, robust user administration procedures) -	3	2	6	Staffs ICT and Altair system parameters / controls, including ping, 12 character passwords, 2FA	Audit (ICT)	2	1	2				
		Amendments to admin. and systems procedures are not authorised by section managers.	3	4	12	Scheme of delegation Altair security roles restrict who can change system parameters	Audit	2	2	4	May-24	check TPR guidance to ensure current controls are sufficient.		SJ/VE
		Failure to protect against increased physical or cyber threats	5	4	20	SCC and partner ICT policies and procedures, Mirror server operation, special environmental controls SCC ICT Policies, internal access controls and Altair security roles Firewall and anti virus controls. Business Contingency and DR Plans	ICT Audit, DR Testing reviews.GDPR Impact assesment statement for MPP, evidence of current security arrangements held by software provider and security certification levels. Cyber framework and policy being developed	5	3	15			Complete Cyber Framework exercise and complete Cyber Policy. Review assurance in this area. Heywoods, Staffs	
		Failure of SCC finance system to have correctly working functionality and set up for SPF, causing issues for accounts closure, payments, VAT and intercompany reimbursements.	4	3	12	Finance team, access to historical records are maintained. Finance staff monitoring accounts closure process	Finance team and Internal Audit	3	2	6	May-24	May-24 ICT and Experian.		SJ/VE/LS/M
		General data Protection Regulation, not being fully followed in the administration of the Staffordshire Pension Fund.	4	3	12	Fund Officers continue to undertake annual training and along with the assistance of the Information Governance Team ensure that the Fund is following Data Protection Regulations.	Privacy statements and policies are in place. Ongoing staff training on GDPR and cyber security, and staff aware of key risks and sanctions (fines for breaches). GDPR review forms part of internal audit of pensions administration.	4	2	8				
		Failure of scheme employers to correctly use the i-Connect monthly upload or system failure of i-Connect	4	4	16	i-Connect self tests data before submission accepted. The Pensions Section will also carries out tolerance checks on data received. System failure is covered by the potential to reverse and retro load data if required.	Audit, inbuilt controls and tolerance checking.	4	3	12	May-24			SJ/VE/LS
		Failure of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes.	4	4	16	Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement.	Software reporting. Regulation amend and SAB guidance. Software changes for calcaultions developed by Heywoods to match relevant regulatory requirements as currently in place.	4	4	16			Seeking more resource on May-24 this team	SJ/VE
		Failure to appoint an intergrated service provider (ISP) and supply quality information to the National Pensions Dashboard Programme	4	4	16	Data Quality checks, Actuarial assesment of data quality, software solution.	Club Vita, CIPFA Benchmarking, NFI	3	3	9	May-24	First request for 2021 data sent to employers, some issues with quality, further requests tfor 2022/23 data now sent.	Project team working effectivley, software is being evolved.	SJ/VE
		Failure to comply with TPR single CoP and actuarial data quality requirements resulting in data issues at the 2025 scheme valuation	4	2	8	The section uses Heywoods (software provider) and Hymans (Actuary) data quality monitoring systems. A project team is in place on the run up to the 2025 scheme valuation to ensure scheme data is compliant in all areas.	High TPR compliance score demonstrated by Altair report, working group established, Data improvement plan in place.	3	2	6	May-24	Awaiting software solution. Awaiting revised timeline from Central Government.	Need to step up data clensing inadvance of dashboard launch, including address tracing	SJ/VE
												Focus is on data qualilty for the PDP, other projects and 2025 valuation to comply with actuary requirements. Altair insights now gives immediate data quality reporting.		SJ/VE/ME

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

