

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

---

## **Pensions Board**

Friday 29 September 2023

**13:00**

Oak Room, County Buildings, Stafford

John Tradewell  
Deputy Chief Executive and Director for Corporate Services  
21 September 2023

---

### **Agenda**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 30 June 2023** (Pages 1 - 4)
4. **Matters arising from:**
  - a) Pensions Committee - Minutes of the meeting held on 30 June 2023 (Pages 5 - 14)
  - b) Pensions Committee - held on 29 September 2023
5. **Staffordshire Pension Fund Risk Register** (Pages 15 - 20)

Report of the Director of Finance
6. **Appointment of Staffordshire Leaders Group nomination**

Verbal update by the Deputy Chief Executive and Director of Corporate Services
7. **Local Government Association/Scheme** (Pages 21 - 30)

## **Advisory Board Update**

Presentation by the Director of Finance

### **8. Dates of Future Meetings**

- 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**

(All reports in this section are exempt)

10. **Exempt Minutes from the meeting held on 30 June 2023** (Pages 31 - 32)

### **11. Exempt matters arising from:**

- a) Pensions Committee - Minutes of the meeting held on 30 June 2023 (Pages 33 - 36)
- b) Pensions Committee - held on 29 September 2023

### **12. Internal Audit Reports**

Reports of the Staffordshire Chief Internal Auditor and the Director of Finance

- a) Staffordshire Pension Fund Altair Pensions System (Pages 37 - 60)
- b) Staffordshire Pension Fund Pensions Administration (Pages 61 - 86)

<b>Membership</b>	
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 30 June 2023**

Present: Rob Birch (Chair)

<b>Attendance</b>	
Corrina Bradley	John Mayhew

**Also in attendance:**

**Apologies:**

**Part One**

**1. Declarations of Interest**

There were no declarations of interest on this occasion.

**2. Minutes of the meeting held on Friday 31 March 2023**

**Resolved** – That the minutes of the meeting held on Friday 31 March 2023 be confirmed and signed by the chairman.

**3. Matters arising from:**

- a. Pensions Committee - Minutes of the meeting held on 31 March 2023

The Board received an update on the changes required to the Funding Strategy Statement to take into account the policy recently issued by the Department of Education in relation to providing Academy guarantees.

- b. Pensions Committee - held on 30 June 2023

A 'My Pensions Portal' working group has been set up with officers from various teams within Pensions Services. The Chair informed the Board that at the Pensions Committee in the morning a question had been raised as to whether analytics on the number of website hits were available. It was confirmed that a monthly analytics report was provided to Fund Officers and this enabled Officers to keep the portal and website up to date with the type of information being accessed.

**4. Local Pensions Board Annual Report 2022/23**

The Board were presented with the Draft Pensions Board Annual Report 2022/23 for comments and approval.

**Resolved** – That the Pensions Board Annual Report for 2022/23 be approved.

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

The Board were presented with the Staffordshire Pension Fund Risk Register and Risk Management Policy. 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.

**Resolved** – That (a) 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.

(b) 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.

(c) That the Local Pensions Board agrees to the request of the Pensions Committee, and continues to play an active role in the ongoing review process of the Staffordshire Pension Fund Risk Register.

## **6. Staffordshire Pension Fund Risk Register - Administration**

At a meeting on 19 May 2023, the officer working group, together with the Chair 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 believed there were 3 high-level risks in this area and 13 areas of medium risk. The first high level risk area related to general resourcing and workloads across the service, given the amount of regulatory change pending and more recently the difficulties in recruiting staff. The second high level risk area related to the collection of quality data from employers for the McCloud project to be delivered. The third high level risk area related to the implementation of the 'enhanced admin to pay' process.

The 13 medium risk areas related to the impact that reduced resources could potentially have across various areas of the service and its ability to continue to deliver the high standards previously set. There are also medium level risks associated with breach reporting, system failures,

cyber or fraud attacks, accuracy of information from the employers and implementation of regulation.

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.

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

## **7. Dates of Future Meetings**

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

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

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

## **8. 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**

## **9. Exempt Minutes from the meeting held on 31 March 2023**

## **10. Exempt Matters arising from:**

- a. Pensions Committee - Minutes of the meeting held on 31 March 2023
- b. Pensions Committee - held on 30 June 2023

## **11. Internal Audit Reports**

- a. Staffordshire Pension Fund Investment Audit on Responsible Investment and Engagement

b. Internal Audit Recommendations Progress Log

**12. LGPS Central Pool - Local Pensions Board Chairs Meeting of 28 March 2023**

**Chair**



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

Present:

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

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

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

**Part One**

**1. Declarations of Interest**

There were no declarations of interest made on this occasion.

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

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

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

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

**4. Appointment of Pensions Panel**

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

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

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

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

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

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

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

The following Summary was provided:

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

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

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

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

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

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

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

### **Pensions Administration Team**

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

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

### **Pensions Investment Team**

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

## **Audit**

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

## **Pensions Administration – Service Standards**

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

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

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

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

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

scheme members would be affected.

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

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

### **Resource**

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

### **Pensions Investment Team**

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

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

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

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

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

Management Fees and vacant property costs during the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

**9. Exclusion of the Public**

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

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

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

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

**Chair**



**LOCAL PENSIONS BOARD – 29 SEPTEMBER 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 2023, 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 18 August 2023, the Officer working group, together with a member of the Local Pensions Board, reviewed the risk area of Governance. 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 no areas of high risk and seven areas of medium risk.
6. The seven areas of medium risk relate to matters including:
  - i) Review against governance standards;
  - ii) The appointment of Advisers;
  - iii) Custody arrangements for private market investments;
  - iv) Knowledge of legislative change; and
  - v) External Audit reporting to Pensions Committee.

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. upcoming changes in legislation.

7. The full list of the current Governance 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.

Governance													APPENDIX 1		
Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Actions Description	Outcome of Review /Changes made	Owner	
1.0 To meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting	1.0 Failure to define agree and report Fund objectives	Failure to set objectives	3	4	12	Fund objectives are defined and reviewed annually as part of the risk register summary and approved by pensions committee and Pensions Board.	Objectives documented in Risk Register and key Policy Documents	3	3	9	Sep-24	Consider reviewing higher level objectives (business plan 2024/25)		MS/HW	
		Failure to include an assessment of performance using agreed benchmarks	3	3	9	For each key area of the fund appropriate KPI's are determined and assessed regularly.	Pensions Committee, Pensions Board, Internal and External Audit, Portfolio Evaluation, CIPFA benchmark, Pensions Regulator, Audit and Standards Committee, CEM, ONS return, DLUHC.	3	3	9	Sep-24			MS/HW	
		Failure to report annually to the Pensions Committee and to review the objectives	3	4	12	Pensions Committee and Pensions Board	Report to Pensions Committee, Pension Board as part of key policy documents	3	2	6	Sep-24			HW	
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 publish a Governance Policy Statement	3	2	6	Governance is implemented in accordance with the Governance Policy Statement which sets out the roles and responsibilities of all parties	Governance Policy Statement	1	1	1	Dec-23	Scheme advisory board Good Governance project phase 3. Myners principals? Last reviewed 1 October 2019. To take to December 2023 Pensions Committee	Review policy once guidance from Good Governance review known.	MS	
		Failure to set up bodies with appropriate constitutions	4	2	8	Pensions Committee, Pensions Panel, Pensions Board and LGPS Central have individual terms of reference.	Pension Board, County Council constitution, Internal Audit of governance arrangements, TPR report to regulator. Virtual/Hybrid meetings can be facilitated, where allowed.	1	1	1	Sep-24			MS	
		Failure to have appropriate representation on County Council Committees and LGPS Central	3	3	9	County Council constitution, Shareholders agreement of LGPS Central	Pension Board, LGPS Central terms of reference and governance structure.	1	3	3	Mar-24		Current review with MAD; County Council		
		Failure to review Governance standards against suitable benchmark (Government guidance e.g. TPR Single Code, Good Governance Review)	4	4	16	Officers monitor and are aware of various governance standards and changes within them.	DLUHC, tPR, SAB, LGA,	3	4	12	Mar-24	Review following tPR revision of code of practice (from 15 codes to 1) and consider internal/external review. Deferred to 2024. GAP analysis		All	
		Failure to address conflicts of interest with appropriate policy with conflicts properly recorded and acted upon	3	3	9	Conflicts of Interest Policy exists and conflicts are a standing item on agendas	Conflicts Policy published, Conflicts reported, Pension Board	2	1	2	Ongoing		Conflicts policy reported to June 2022 Pensions Committee. Next review June 2024 Committee	Member and Democratic services	
		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	4	4	16	Adoption of CIPFA Training and Skills Framework, Training policy, Training Logs for Committee and Board	Pension Board, Training need analysis, Hyman's Aspire online training, LGA fundamentals.	3	2	6	Sep-24	Impact of SAB Good Governance Review + Pooling consultation?		HW/ MS	

1.3 To ensure the Fund has appropriate financial, investment and actuarial advice	1.3 Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisers	Failure to keep training records	2	4	8	Training Logs kept for Elected Members Annual Training Programme. Publish training in Annual Report	Training records exist. Pension Board. Annual training needs analysis. Hymans online training records reports emailed monthly. Pension Board, AON, Self assessment, Regular "just in time training" at meetings, two Committee training session per year, Virtual training carried out to ensure continuity. Hyman's online training comprehensive in all areas of fund. LGA Fundamentals offered to all members	1	1	1	Sep-24	HW/ MS	
		Failure to deliver regular training to Elected Members	3	4	12	Annual TNA vs CIPFA KSF, Training Policy, Annual training plan.	experience of senior officers, "we talk", appointment process, training and development log, CIPFA KSF, TNA, succession planning	2	2	4	ongoing	Impact of SAB Good Governance Review? Consider external Hymans assessment instead of TNA 2023	HW/ MS
		Failure of senior officers to have appropriate skills, or knowledge	4	2	8	Senior Officers can demonstrate appropriate knowledge, skills and experience	Several advisers are in place and regularly attend Committee/Panel/meetings with officers and Pensions Board meetings as required. Hymans always provide a second back up adviser for actuarial and investment advice. CMA guidance requires objectives and regular retendering of advisers. Procurement regulation compliance, contract termination dates, Procurement Contracts register. CMA requires regular retendering of advisers.	1	2	2	Dec-23	Impact of SAB Good Governance Review? Consider external Hymans assessment instead of TNA 2023	MS
		Failure to have appropriate advisers including avoidance of reliance on a sole adviser	4	4	16	Several advisers are procured, they are appropriately qualified (Actuarial, FCA)	Services are tendered regularly (or reasons for not doing are approved by elected members)	3	4	12	annual	Second independent adviser to be appointed. Actuarial and Legal advisers to be re-procured	MS
		Failure to regularly tender for adviser – or failure to report reasons for not tendering for approval	4	4	16	Services are tendered regularly (or reasons for not doing are approved by elected members)	Suitable contracts are in place	3	4	12	Mar-24	Second independent adviser to be appointed. Actuarial and Legal advisers to be re-procured	MS
		Failure to have appropriate contracts in place	4	4	16	Suitable contracts are in place	advisers performance is monitored annual by the Pensions Panel in line with the CMA objectives	2	2	4	annual	Contracts need to be put in place for independent advisers when next retendered. Consider tender independents in 2022/23.	MS
		Failure to monitor and report performance of advisers	3	4	12	advisers performance is monitored annual by the Pensions Panel in line with the CMA objectives	Legal Custody agreements exist for liquid assets held at custodian. Other arrangements for illiquid assets are documented. Annual investment strategy for cash. LGPS Central ARCC, internal and external audit all review. AAF Internal controls reports reviewed.	3	3	9	annual	Need to further understanding of custodian arrangements in private markets. Add to Business Plan 2024/25	MS
		Failure to have custody arrangements in place for every asset class; including Liquid assets held at custodian (Equities and Bonds), Cash AND Illiquid asset classes; Property, Private Equity, Hedge Funds, Private Debt, Infrastructure. Both at LGPS Central and SPF	5	2	10	Custody arrangements in place, LGPS Central is FCA regulated and has services of depository and operator.	Contract contains detailed provisions for safekeeping of assets.	5	2	10	Sep-24	Need to further understanding of custodian arrangements in private markets. Add to Business Plan 2024/25	MS
		Failure to have custodian contract with appropriate obligations and clear sanctions for default. Both at LGPS Central and SPF	4	2	8	Contract contains detailed provisions for safekeeping of assets.		4	1	4	ongoing	Need to further understanding of custodian arrangements in private markets. Add to Business Plan 2024/25	MS

		Failure to ensure either custodian has a high credit rating	3	3	9	Custodian credit rating high;	Custodian has high credit rating, (NT long term rating currently AA-/AA2)	3	1	3	ongoing	check NT credit rating	MS
		Failure to ensure assets are completely and accurately recorded	4	3	12	Monthly check on reporting of assets (liquid and illiquid) by managers vs custodian, by SPF and LGPSC. Managers valuations.	Internal controls report (eg.AAF0120 type 2), Internal & External Audit. Managers controls, assets valued in accordance with standards. LGPS central PAF audit working group.	4	2	8	Sep-24		MS
		Failure to ensure that any custodian has suitable systems and processes to keep records separately from their own assets.	4	2	8	Arrangements reviewed regularly, Legal Services keep property records. Limited Partnership agreements for illiquid investments and other documents held by manager custodians. LGPS central depository	Internal controls reports (eg.AAF0120 type 2), Audit assurance visit, bi annual visits, FCA. Work of LGPS Central Audit working group. LGPS Central have AAF0120 type 2 report.	4	2	8	ongoing	Electronic Property records system being set up 2022. Need to further understanding of custodian arrangements in private markets. Add to Business Plan 2024/25	MS
		Failure to ensure that any assets lent out under a stock lending programme are safeguarded, by having a separate agreement and robust securitisation in place	4	3	12	Stocklending subject to separate agreement and strict controls. Access through passport to stock lending report	Northern Trust agreement. Security reviewed by consultants. Collateral in place for all agreements, Client meetings. Securities lent and collateral held viewed through Northern Trust Passport for SPF held assets. LGPS Central Securities Lending Policy/ Report to Pensions Panel as required.	4	2	8	ongoing		MS
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	1.5 Failure to publish all documents required by legislation including statutory accounts and annual report and key documents comprising Governance Strategy, ISS, FSS. Communications Policy	Failure to publish and review all key documents including Annual Report, ISS, FSS, Governance Strategy, Communications Policy, Actuarial Valuation.	4	3	12	Governance Register and Key Document Control 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. Governance Register is reviewed as part of the committee cycle.	4	1	4	Annual	Administration Strategy and Governance strategy need to be reviewed following Good Governance, TPR single code.	MS
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	5	4	20	Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisers	Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds, Heywoods. Monthly reviews of LGA bulletins	5	3	15	Ongoing	Review impact of McCloud, Goodwin, exit payment cap to be introduced, TPR, Good Governance and Pensions Dashboard.	MS SJ
		Failure to implement changes to systems, processes and to document such as required by legislative change	4	4	16	Ensure any changes are implemented through changes to documents and procedures as required	Pension Board, Altair updates, communications working groups, CIPFA code and example accounts. LGA updates and templates.	4	2	8	Ongoing	Hosted software updates assists implementation of regulation changes, manual calculations-impact on resources. Requirements for national Pensions Dash Board are not fully know, anticipate more work for fund and systems.	MS SJ
		Failure to train staff as required by the legislative change	4	4	16	Ensure staff are trained in changes as required.	Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training.	4	3	12	Ongoing	need to train staff on impact and practical implementation of significant regulatory change	MS SJ
		Failure to report major legislative change to Pension Committee/Panel	1	3	3	Ensure major changes are reported to Committee/Panel	Pension Committee report, Pension Board	1	2	2	Ongoing		MS SJ

<p><b>1.7 To ensure the Fund has a risk register that is comprehensive, linked to objectives and regularly reported and reviewed</b></p>	<p><b>1.7 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</b></p>	<p>Failure to appoint an independent auditor</p>	4	2	8	<p>Auditor appointed</p>	<p>Auditor appointed as part of County Council arrangements</p>	4	1	4	<p>Contractual</p>	<p>County Council</p>	
		<p>Failure of the independent auditor to report to the Pension Committee</p>	3	4	12	<p>Audit Reports</p>	<p>Audit report to Committee. Pension Board and Audit and Standards Committee</p>	3	4	12	<p>Annual</p>	<p>Backlog of audits means assurances unable to be given</p>	<p>TB</p>
		<p>Failure to have a comprehensive risk register in place, which is to be reviewed at least annually and findings reported to Pension Committee</p>	4	3	12	<p>Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisers, LGA, press, conferences etc.) Pensions Board review Risk Register on behalf of Pensions Committee.</p>	<p>Pension Committee report. Risk register exists and is regularly reviewed and updated as part of quarterly officer risk register meetings also attended by Pensions Board.</p>	3	2	6	<p>Annual - risk register reviewed Quarterly</p>		<p>Pensions Comi</p>
		<p>Failure to identify new/emerging risks</p>	4	4	16	<p>Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisers, LGA, press, conferences etc.) 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</p>	<p>Risk register updated for new risks</p>	3	3	9	<p>Quarterly</p>		<p>All</p>
<p><b>1.8 Participation in LGPS Central Pool of Funds</b></p>	<p><b>1.8 Failure of Pool to have proper Governance arrangements in place.</b></p>	<p>Inappropriate governance structure set, with no terms of reference, no defined membership and meetings not formally constituted.</p>	3	4	12	<p>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. Annual Pool Governance audit</p>	<p>Attendance at meetings are monitored and reported. LGPSC shared objectives are currently being reviewed by PAF. Review/GAP analysis once updated Pooling regulations announced.</p>	2	2	4	<p>Ongoing</p>	<p>Pensions Comi</p>	

NB, risks associated with pooling will change as LGPS Central is formed and transition is progressed.



# LOCAL PENSIONS BOARD

## 29 September 2023

### Local Government Association (LGA) and Scheme Advisory Board (SAB) Update

## Local Government Association (LGA) Update

- Pensions Dashboard Programme
  - Department for Work and Pensions (DWP) laid draft regulations, these remove the original planned staging dates and are replaced by a single connection deadline of 31 October 2026
  - DWP to issue guidance in due course including individual scheme connection dates
  - The Pensions Regulator (TPR) expects Funds to continue to prepare for the dashboard (e.g. data cleanse, appoint an Integrated Service Provider)

## Local Government Association (LGA) Update

- Abolition of the Life Time Allowance (LTA)
  - Introduced in April 2006 as a mechanism for limiting tax-favoured pension savings in registered pension schemes.
  - Draft regulations introduced to abolish LTA from 6 April 2024
  - Limit tax free cash on retirement lump sums and death grant lump sums to £268,750
  - Clarify how lump sum retirement and death grants will be taxed in absence of LTA

## Local Government Association (LGA) Update

- Training Survey
  - LGA recently invited Funds to complete both a training survey and a follow up next steps survey
  - Aim to recruit and retain LGPS administrators and address potential loss of skills/knowledge
  - Providing sufficient support is received the LGA will look to work with Pensions Management Institute to provide an LGPS specific qualification

# Local Government Association (LGA) Update

- McCloud Remedy

- On 8 September 2023 DLUHC laid amendment regulations to implement the McCloud remedy – regulations take effect from 1 October 2023
- LGA currently reviewing regulations and plan to issue guidance in the coming weeks
- LGA planning to run McCloud surgeries at end of October
- DLUHC will publish guidance on prioritisation and set up implementation group to identify what other statutory guidance is needed
- No timeline to rectify pensions, other than 2025 Annual Benefit Statement to reflect remedy
- National communications group working on the following
  - Dedicated member area on LGPS website – video's, FAQ's, interactive tool
  - Member fact sheet
  - Template letters for funds

## Local Government Association (LGA) Update

- Revised Government Actuaries Department (GAD) Factors Introduced
  - Early retirement and transfer factors from July 2023
  - Late retirement factors from September 2023
- The Pensions Regulator (TPR) Issues Guidance on Annual Benefit Statements 2023 - 2025
  - Guidance for schemes who need to issue statements to members affected by the McCloud remedy
  - TPR acknowledges Fund's ability to produce accurate, complete and timely statements
  - TPR to take a risk based practical approach when assessing breaches during 2023 - 2025

## Scheme Advisory Board (SAB) Update

- SAB recently published 2022 Scheme Annual Report (E&W)
  - Average funding levels increased from 98% (2019) to 107%
  - Average employer contribution rates to meet future service costs rose from 18.6% (2019) to 19.8%
  - Overall contributions fell reflecting lower deficit contributions to 21.1% of payroll (22.9% in 2019)
  - Employee contributions increased marginally from 6.5% to 6.6%
  - Total Assets increased by 7.8% (£369bn)
  - Average investment returns 8.1%
  - LGPS membership grew by 2% to 6.39 million members (1.95 million pensioners paid)

## Scheme Advisory Board (SAB) Update

- LGPS Gender Pensions Gap Report
  - Identified substantial difference of pension benefits accrued by male and female scheme members
  - 34% difference in CARE benefits
  - 46.4% difference in final salary benefits
  - No simple solution as complex interaction of types of work, career paths, childcare and caring responsibilities
  - SAB to set up a small working group
    - Are there any scheme changes that would address inequality (i.e. buy back service)?
    - Can employers be directed in managing career paths?



## Scheme Advisory Board (SAB) Update

- DLUHC issued a consultation on 11 July 2023 – Next Steps for Investments in the LGPS (E&W)
  - 31 March 2025 deadline proposed for transitioning of listed assets from Funds to pools
  - Increased investments in private equity and projects that meet the governments levelling up agenda
  - Consultation closes 2 October 2023

# Any Questions?

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

