

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

Pensions Board

Friday 22 March 2024

13:00

Oak Room, County Buildings, Stafford

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

Agenda

1. **Appointment of Chair and Vice Chair of the Pensions Board**
2. **Apologies**
3. **Declarations of Interest**
4. **Minutes of the meeting held on 15 December 2023** (Pages 5 - 10)
5. **Matters arising from:**
 - a) Pensions Committee - Minutes of the meeting held on 15 December 2023 (Pages 11 - 20)
 - b) Pensions Committee - held on 22 March 2024
6. **Data Quality Scores and Data Improvement Plan** (Pages 21 - 28)
Report of the Director of Finance
7. **Staffordshire Pension Fund Risk Register - Investments** (Pages 29 - 36)

Report of the Director of Finance

8. **Local Government Association/Scheme Advisory Board Update**

Presentation by the Director of Finance

9. **Dates of Future Meetings**

- Friday 28 June 2024
- Friday 27 September 2024
- Friday 20 December 2024

10. **Exclusion of the Public**

The Chairman to move:

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the 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)

11. **Exempt Minutes from the meeting held on 15 December 2023** (Pages 37 - 38)

12. **Exempt matters arising from:**

- a) Pensions Committee - Minutes of the meeting held on 15 December 2023 (Pages 39 - 42)
- b) Pensions Committee - held on 22 March 2024

13. **Internal Audit Reports - Recommendations Progress Log** (Pages 43 - 44)

Report of the Director of Finance

Membership

| | |
|--------------------------------------|--------------------------------|
| Rob Birch (Chair) Corrina Bradley | John Mayhew Becky Smeathers |
|--------------------------------------|--------------------------------|

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 15 December 2023

Present: Rob Birch (Chair)

| Attendance |
|-------------------|
| Corrina Bradley |

Also in attendance:

Apologies: John Mayhew

Part One

24. Apologies

25. Declarations of Interest

There were no declarations of interest on this occasion.

26. Minutes of the meeting held on 29 September 2023

Resolved – That the minutes of the meeting held on Friday 29 September 2023 be confirmed and signed by the Chairman.

27. Matters arising from:

28. Pensions Committee - Minutes of the meeting held on 29 September 2023

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

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

allocation of 10% to Private Equity.

29. Pensions Committee - held on 15 December 2023

There were no comments on the meeting held on Friday 15 December 2023

30. Staffordshire Pension Fund Risk Register - Funding

At a meeting on 7 November 2023, the Officer working group, together with a member of the Local Pensions Board, reviewed the risk area of Funding. 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 eight areas of medium risk.

The eight areas of medium risk relate to several things including:

- i) The procurement of an Actuary - the current contract is due to expire on 30 April 2024, and a tender exercise will be undertaken in 2023/24.
- ii) Ensuring contribution rates are appropriate and affordable for each employer – the current economic environment will lead to competing demands on employers' budgets.
- iii) Employer funding monitoring – the volatility within the current economic environment can have a major impact on an employer's funding level in relatively short spaces of time.

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

31. Appointment of Members and Staffordshire Local Pensions Board Constitution

In November 2023, nominations were sought by the Staffordshire Chief Finance Officers Group (SCFOG) for a Scheme Employer representative and one such nomination was received.

- Becky Smeathers - Executive Director of Finance and S151 Officer at Tamworth Borough Council.

Becky was invited to meet with the Scheme Manager and Chair of the Board, so that the role and responsibilities of a Board Member could be discussed, together with Becky's relevant skills and experience. As a previous member of another local LGPS Pensions Board, Becky had a clear understanding of the Board remit and had also undertaken training

in line with the CIPFA Knowledge and Skills Framework requirement.

Following this meeting, Becky was offered the position on the Board for a four-year term until 2027 and has accepted (subject to the Board's approval).

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

The Board was reminded that in April 2015 Staffordshire County Council set up a Local Pensions Board ("the Board"), and when the Board was originally set up the membership consisted of a maximum of six members made up of three Scheme Employer Representatives and three Scheme Member Representatives. It was noted that the Board Constitution stated that one of the Scheme Employer representatives must be an Elected Local Authority Member and one Scheme Employee representative must be a Trade Union representative. The Board was made aware of the efforts throughout 2022 and 2023, to find suitable nominees to appoint to these specific positions on the Board, without success.

Following discussions at the September 2023 Board meeting, it was proposed that the Scheme Manager consider reducing the number of members on the Board from six to four, and in doing so remove the specific stipulation from the Board Constitution that the Board membership must include an Elected Local Authority Member and a Trade Union representative. It was made clear that this amendment did not mean that Elected Local Authority Members or Trade Union representatives could not become members of the Board, it simply removed the stipulation that there must be two such representatives. It was highlighted that the proposal remained consistent with the Local Government Pensions Scheme Regulations 2013.

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

Whilst changes to the Board Membership were being considered, the opportunity was also taken to make some amendments to the "Member Appointment Process" included within the Board Constitution, to ensure it remained consistent with current appointment practices. It was noted that the constituted appointment process focussed on the selection process undertaken when the Board was originally established. Whilst it also included additional steps that concentrated on the recruitment of

replacement Board members, the process no longer needed to consider the appointment of an original Board, and the proposed amendments meant that the process focussed on the appointment of replacement Board members only. It was also highlighted that the proposed appointment process was tried and tested as it followed the same appointment process that was used to recruit co-opted members to the Pensions Committee.

Resolved – That (a) the Pensions Board approves the appointment of Becky Smeathers to the Board, as a Scheme Member Representative, to represent the Employers of the Staffordshire Pension Fund

(b) that the Pensions Board notes the changes made to the Pension Board Constitution and Appointment Process as approved by the Pensions Committee at their meeting on 15 December 2023.

32. Local Government Association/Scheme Advisory Board Update

The Board received a presentation on current issues being considered by the Local Government Association and Scheme Advisory Board.

The Board were updated on the following;

Local Government Association Update

- Pensions Dashboard Programme
- LGPS Statistical Information 2022/23
- McCloud remedy
- Inflation figures for September 2023
- Pensions (Extension of Automatic Enrolment) Act 2023 received Royal Assent on 18 September 2023

Scheme Advisory Board Update

- Pensions Annual Report Guidance
- DLUHC Consultation and Next Steps for Investment in the LGPS (E&W)

Resolved – That the Board notes the update received.

33. Dates of Future Meetings

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

- Friday 24 March 2024
- Friday 28 June 2024
- Friday 27 September 2024

- Friday 20 December 2024

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

34. 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.

35. Exempt Minutes from the meeting held on 29 September 2023

Resolved – That the exempt minutes of the meeting held on 29 September 2023 be confirmed and signed by the Chairman.

36. Exempt matters arising from:

37. Pensions Committee - Minutes of the meeting held on 29 September 2023

There were no comments on the minutes from the meeting held on 29 September 2023.

38. Pensions Committee - held on 15 December 2023

There were no matters arising from the meeting held on 15 December 2023.

39. Internal Audit Reports - Recommendations Progress Log

At their meeting in June 2021, the Pensions Board noted the content of the Internal Audit Report on Staffordshire Pension Fund's Pension Investment (Property).

The final Internal Audit report on the Pensions Administration – Altair Pensions System was issued on 23 June 2023 with an award of adequate assurance.

The final Internal Audit report on the annual Pensions Administration audit for 2022/23 was issued on 24 July 2023 with substantial assurance.

Resolved – That the Pensions Board notes the summary of the progress that has been made against the recommendations from the following Audit Reports:

- A. Pensions Administration – Altair Pensions System
- B. Pensions Administration 2022/23

40. LGPS Central Pool - Local Pensions Board Chairs Meeting of 23 October 2023

The Chair presented the notes from the meeting of the Local Pension Board Chairs of LGPS Central Partner Funds.

Resolved – That the report be received.

Chair

Minutes of the Pensions Committee Meeting held on 15 December 2023

Present: Mike Sutherland (Chair)

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

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

Apologies: Colin Greatorex, Derrick Huckfield and Bob Spencer

Part One

1. Declarations of Interest

There were no declarations of interest made on this occasion.

2. Minutes of the meeting held on 29 September 2023

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

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

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

3. Staffordshire Pension Fund Investment Cost Benchmarking 2022/23

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

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

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

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

Cost

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

Cost trend

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

Returns

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

Funding and Risk

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

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

Value added

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

Cost effectiveness / value-for-money

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

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

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

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

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

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

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

Annual Report and Accounts were published on the Pension Fund website in line with the 1 December deadline.

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

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

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

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

Resolved: a. That the conclusion of the audit of the Staffordshire Pension Fund accounts for 2020/21 and the content of the Final Audit Results Report (ISA260) from EY at Appendix 1, be noted.

b. That the content of the Audit Plan from EY in relation to their audit of the Staffordshire Pension Fund accounts for 2022/23 at Appendix 2, be noted.

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

5. Staffordshire Pension Fund - Governance Compliance Policy

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

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

The Committee heard that the Governance Compliance Statement had last been updated and approved by the Pensions Committee at their meeting in September 2018. A full review of the document had been delayed, pending the Government's formal adoption of the recommendations of the Good Governance Project and the introduction of any requirements for the LGPS arising from the Pensions Regulator's Single Code of Practice – which, it appeared, had been delayed indefinitely. However, best practice dictated a minor review of the Governance Compliance Statement was required, to ensure the Fund still had a document which reflected current guidance and was as up to date as possible – although it was noted that the Fund still followed the 2014 versions of the guidance.

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

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

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

6. Staffordshire Local Pensions Board - Constitution

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

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

Scheme Member Representatives. It was noted that the Board Constitution stated that one of the Scheme Employer representatives must be an Elected Local Authority Member and one Scheme Employee representative must be a Trade Union representative. The Committee was made aware of the efforts made throughout 2022 and 2023, to find suitable nominees to appoint to these specific positions on the Board, without success.

Following discussions at the September 2023 Board meeting, it was proposed that the Scheme Manager consider reducing the number of members on the Board from six to four, and in doing so remove the specific stipulation from the Board Constitution that the Board membership must include an Elected Local Authority Member and a Trade Union representative. It was made clear that this amendment did not mean that Elected Local Authority Members or Trade Union representatives could not become members of the Board, it simply removed the stipulation that there must be two such representatives. It was highlighted that the proposal remained consistent with Local Government Pensions Scheme Regulations 2013.

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

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

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

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

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

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

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

7. Fund Actuaries' Update

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

- **Funding update**
 - The 2022 valuation
 - What's happened since 2022
 - Funding update as at 30 September 2023
 - Total investment return from 1 April 2022 to 30 September 2023
 - What's caused the improvement?
 - What does this mean for contributions?
 - Rates can be reviewed in between triennial valuations, however ...
 - Only in specific situations, which do not include a change in funding level
 - If a rate is reviewed, need to follow:
 - i. Scheme Advisory Board guidance (e.g. use 2022 valuation conditions)
 - ii. Section 2.4 of Staffordshire Fund's Funding Strategy Statement (FSS)
- **Actuarial assumptions in the real world**
 - Beware of inflation
 - Higher inflation leads to higher liabilities. The Actuary allowed for this when setting contributions at the March 2022 valuation
 - Mortality: What happened in 2022?
 - 2022 excess mortality rates were surprisingly similar to 2021
- **Wider outlook & summary**
 - Wider outlook
 - Pooling Consultation - comply or explain by 2025, ambitions to invest 5% "Levelling Up" and 10% private

- equity.
- McCloud Regulations - big admin task, minimal impact on LGPS benefits for most members or employers
- Pensions dashboard – connection deadline delayed, now possibly 2025
- Goodwin case - Govt expected to consult on remedy in 2024
- LGPS Cost Sharing Valuations are unlikely to result in changes in member benefits.
- Other Public Sector Valuations (Police, Fire, Teachers etc.) are likely to result in increased employer contributions.
- Summary
 - Investments
 - Markets have struggled
 - Returns have been less than anticipated
 - Inflation
 - Benefit increases have been greater than long term assumption (2023 increase was 10.1%, 2024 increase expected to be 6.7%)
 - Partly anticipated at 2022 funding valuation
 - Interest Rates
 - Interest rates have increased significantly
 - This puts upwards pressure on expected future returns across asset classes
 - Morality
 - Life expectancy improvement rates remaining lower than previous levels
- What does it mean for employers?
 - Funding positions
 - Higher than at 2022 valuation
 - Increased volatility and uncertainty, especially around inflation
 - Contribution rates
 - Not reviewed until the 2025 valuation
 - Past service funding position is a small element of the total rate
 - Stability of contributions is key

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

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

8. Exclusion of the Public

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

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

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

11. Enhancing Funding Strategy (Exemption paragraph 3)

Chair

LOCAL PENSIONS BOARD – 22 MARCH 2024

Report of the Director of Finance

LOCAL GOVERNMENT PENSION SCHEME (LGPS) REGULATIONS

Data Quality Scores and Data Improvement Plan

Recommendation of the Chair

1. That the Local Pensions Board notes the Staffordshire Pension Fund's Data Quality Scores for 2023 and the improvement in both from 2022. These are reported as:
 - (i) a Common Data Score of 97.1% (96.8% in 2022); and
 - (ii) a Scheme Specific Data Score of 96.89% (96.35% in 2022).
2. That the Local Pensions Board notes the existence of a Data Improvement Plan; a summary of which is provided in Appendix 1.

Introduction and Background

3. In 2015, the Pensions Regulator (TPR) assumed responsibility for all Public-Sector Pension Schemes. Prior to this, in 2010, the TPR had issued guidance on the approach that they considered to be good practice for measuring the presence and accuracy of Scheme Member data across all UK pension funds and accordingly post 2015, the LGPS was required to comply.
4. TPR set specific targets for two types of Scheme Member data, which they deemed as 'common' and 'scheme specific' data and both areas must be reported. TPR set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand.
5. **Common Data** relates to core data items that are applicable to all pension schemes for example Name, NI Number, Data of Birth, Addresses etc.
6. **Scheme Specific Data** (also known as Conditional Data) depends on the scheme structure or type. So, for the LGPS this includes pension service history, pensionable earnings, Career Average Revalued Earnings (CARE), transfer in service etc. These test the interdependency of data in different fields within a member's record and reports inconsistencies where data is either missing where it should be present or is present when it shouldn't be.

2023 Data Scores

7. The Fund, using the new "Insights" reporting tools provided by its software provider Heywood Pension Technologies Ltd., has completed a review of the "Common and Scheme Specific Data" in line with TPR guidelines. The data

extractions used for the annual report to The Pension Regulator were produced in November 2023. The results are reported as:

- a Common Data Score of 97.1% (96.8% in 2022); and
 - a Scheme Specific Data Score of 96.89% (96.35% in 2022).
8. The “Insights” reports show ‘Data Correction’ issues where potentially incorrect data may need to be addressed. These reports are used to inform the full data cleansing operation performed each year by the Pensions Systems & Data Team.
 9. The increase in compliance for “Scheme Specific Data” is a result of improvements in the data received from Scheme Employers and the data cleansing exercise undertaken as part of the 2022 Data Improvement Plan. There has been an increase in the “Common Data” score linked to the address data held. The Fund was able to identify a number of Active Members who had incorrect or missing details, which was rectified by the Systems and Data Team in year. Although there are still many missing details for Deferred Members, rectification of these missing cases will be considered as part of the Fund’s wider project to comply with onboarding to the National Pensions Dashboard program.
 10. The results and findings have been discussed in detail by the Treasury & Pensions Management Team. A summary of the DIP is included at Appendix 1, together with a comparison of the data scores from 2022.

Data Improvement Plan (DIP)

11. The DIP is a document which examines and quantifies all identified data issues and sets out the method of correction, how the data issues will be resolved, who will be responsible, and it also provides expected delivery timescales.
12. The main elements of focus in the 2023 DIP are:
 - Common Data – Address. This will be the focus of a “Data Readiness” project to be started 2024/25;
 - Scheme Specific Data – HMRC. Data quality has increased since 2022, however further work to check this area is required.
 - Scheme Specific Data – Contracted Out. Further Improvements have been made during 2022/23 however a final alignment of HMRC records to the Altair database will take place during 2023/24 and 2024/25 which should improve this result further.
13. It is intended that progress of the DIP will be discussed and monitored, on a regular basis, and will be a key focus for the new Pensions Systems and Data Manager; data quality improvements continuing as a priority objective for the Systems and Data Team.

Rob Salmon
Director of Finance

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

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

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

Resource and Value for money implications: An appropriate level of resource needs to be allocated to this area of activity which has an impact on several areas of the service. This may mean diverting resource from another area of the business in the short term.

There are no direct value for money implications arising from this report.

Risk implications: The risk implications are considered in the body of the report.

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

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

The Pensions Regulator (TPR) - Data Quality Results 2023 and Summary Data Improvement Plan (DIP)

Common Data results

The overall Common Data TPR score for 2023 is 97.1% compared to a score in 2022 of 96.8% (an increase of 0.3%)

A breakdown of scores for each data category within the 'Common' data definition are shown in the table below

| TPR score 2022 | TPR score 2023 | Data category | Comments | DIP Follow-up Action | Target Date |
|----------------|----------------|---|---|---|--|
| 99.9% | 99.9% | NI Number | There are a residual number of historic records where the member no-longer has an interest in the Fund (i.e. they have opted out, transferred their pension to another scheme, or died) where there are temporary NI numbers or NI numbers that are incorrect in format. These records account for the small percentage that is preventing 100% of the TPR score being met. | 166 records have been identified which count towards the TPR data score, a reduction in the number of cases reported in 2022. Some further analysis of these records is required. | 31 December 2024 |
| 100% | 100% | Name | No comment | Maintain 100% accuracy | ongoing |
| 100% | 100% | Sex and Date of Birth | No comment | Maintain 100% accuracy | ongoing |
| 100% | 100% | Date commenced and normal retirement date | No comment | Maintain 100% accuracy | ongoing |
| 100% | 100% | Scheme status | No comment | Maintain 100% accuracy | ongoing |
| 95.1% | 95.7% | Address | There has been a slight decrease in cases not passing this test compared to 2022. The reason the score is less than 100% is mainly due to a | In 2022 the Fund planned to engage an external tracing agency to search for missing addresses and following this we intended to update member | Ongoing with Tracing Exercise completed by |

| | | | | | |
|--|--|--|---|---|-------------------------|
| | | | <p>significant number of members with deferred benefits who have not notified us about their change of address details after leaving the Pension Fund. This is a common issue across all Local Authority Pension Funds.</p> <p>The Fund was able to identify a number of Active Members who had incorrect or missing details, which was rectified by the Systems and Data Team in year.</p> | <p>records where the search had successfully found a current address.</p> <p>Due to the removal of Data Tracing (Member Data Services) from the national LGPS Framework, we were unable to progress this area. We do expect this Framework to be available from 1 April 2024 and will look to engage a service for Address Tracing.</p> <p>Member address verification is now being considered in the wider context of the “Data Readiness” project to comply with onboarding to the National Pensions Dashboard.</p> | <p>31 December 2024</p> |
|--|--|--|---|---|-------------------------|

The Pensions Regulator (TPR) - Data Accuracy Results 2023 and Summary Data Improvement Plan (DIP)

Scheme Specific Data results

The overall Scheme Specific data TPR score for 2023 is 96.89% compared to a score in 2022 of 96.35% (an improvement of 0.54%)

A breakdown of scores for each Data category within the 'Specific' data definition are shown in the table below

| TPR score 2022 | TPR score 2023 | Data category | Comments | DIP Follow-up Action | Target Date |
|----------------|----------------|-----------------|--|--|---------------|
| 99.5% | 99.44% | Member Benefits | Data quality standards in this area have been largely consistent with a slight decrease mainly due to technical issues with the way data has been historically recorded. | Some areas notably the format of some transfer in records need further investigation and potential maintenance to member records in accordance with the Fund's Data Correction Plan | 31 March 2025 |
| 99.5% | 99.13% | Member Details | Data quality standards in this area have been largely consistent with a slight decrease in some areas | <p>Further investigation is required but the issue appears to be connected to employers not providing timely termination information for casual contracts where the scheme member is no longer working in post.</p> <p>We will be asking our Employers to undertake a review of their casual contracts and, where no longer required, provide termination details to the Fund, which should improve accuracy in this area.</p> | 31 March 2025 |
| 95.9% | 95.61% | CARE Benefits | There will always be cases where a member joins at the very end of a financial year and will only receive CARE pay in the following year. This | Further investigation is required but the issue appears to be connected to employers not providing timely termination information for casual | ongoing |

| | | | | | |
|-------|--------|----------------|--|---|---------------|
| | | | will appear on the data report as missing data and be reflected in the percentage score despite the record being correct. | contracts where the scheme member is no longer working in post. Going forwards, the Fund's objective is to continue the implementation programme for i-Connect with the target for all scheme employers, to fully comply with monthly electronic transfer of CARE data at the earliest opportunity. We will be asking our Employers to undertake a review of their casual contracts and, where no longer required, provide termination details to the Fund, which should improve accuracy in this area. | |
| 98.6% | 98.46% | HMRC | Data quality standards have decreased slightly in this area since 2022. | Issues identified are technical and appear to mainly relate to the Annual Allowance and Benefit Crystallisation records. | Ongoing |
| 96.5% | 98.70% | Contracted Out | This area has shown an improvement since 2022 however further work is required to fully align HMRC data with that held on the Altair database. | The improvement in this area has been the result of additional work on the GMP reconciliation project and training across the section on the importance of maintaining GMP records correctly. An ongoing project plan is in place to ensure that all records failing this standard are updated by the end of the Financial Year. | 31 March 2024 |

LOCAL PENSIONS BOARD – 22 MARCH 2024

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 Investment 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 22 February 2024, the Officer working group, together with a member of the Local Pensions Board, reviewed the risk area of Investments. 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 two areas of high risk and 14 areas of medium risk.
6. The two areas of high risk relate to the risk of the costs of LGPS Central Limited being too high and impacting on the overall returns to the Fund from pooling as well as the forecast savings not being achieved. Any above inflationary increases to the LGPS Central budget also present a risk to the Fund.
7. The 14 areas of medium risk relate to several matters including:
 - i) The due diligence process around manager selection, ensuring managers in the same asset class are complementary and addressing the impact of manager correlation. This is particularly prominent as

LGPS Central are currently recruiting a fourth active equity manager into their Global Active Equities Fund.

- ii) The performance, reporting and understanding of reasons behind the performance of managers, including currency risks. The relative performance of active managers versus passive managers.
- iii) The risk of losing key personnel at either the Fund or LGPS Central Ltd and, as a result, the inability to deliver services as set out in the respective business plans.
- iv) Impact of regulatory change (DLUCH - LGPS: Next steps on investments) and concentration risks from increased pooling of assets. Along with the associated transition risks as more assets are transferred into the pool.

8. The full list of the current Investment 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.

| Investment | | | | | | | | | | | | | | |
|--|--|--|--------|------------|------------------------|--|--|--------|------------|-------------------------|-----------------------------------|--|---|--------------------|
| Objective | High Level Risk | Detailed Risk | Impact | Likelihood | Pre-control Risk Score | Controls | Source of Assurance | Impact | Likelihood | Post-control risk Score | Review Date | Action Description | Outcome of Review /Actions made | Owner |
| 2.1 The actual 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. | 2.1 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 | Failure of the investment consultant to take account of the Actuarial assumptions in advising on the Strategic Asset Allocation | 5 | 3 | 15 | Strategic Asset Allocation review is being carried out in tandem with the funding strategy review to ensure the consistency of assumptions used by the actuary in setting contribution rates. Ensuring the Actuary and Investment Consultant understand each others assumptions and ensure they are consistent. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy | Pensions Committee receive report from consultant to demonstrate consistency and outcome from Asset Liability modelling. Additional paper produced by Hyman's justifying asset outperformance assumption. No issues from Regulation 13 report, GAD. SAA review with investment consultant. | 4 | 2 | 8 | Mar-25 | Strategic asset allocation review as part of 2022 actuarial valuation has been carried out. 2024 review to be carried out with Actuary in advance of 2025 valuation. Separate investment strategies for some employers to be considered. | | Pensions Committee |
| | | Failure of the Actuary to model the impact of the Strategic Asset Allocation in setting contribution rates | 5 | 3 | 15 | Use of asset liability modeling to understand the range of possible outcomes. Use of stabilisation policy | Pensions Committee receive report from the Actuary, to demonstrate the output from modelling and use of stabilisation policy. Pensions Board | 4 | 2 | 8 | Mar-25 | SAA will be taken into account in setting contribution rates, ahead of 2025 valuation | | Pensions Committee |
| | | Failure to clearly explain the impact of the Strategic Asset Allocation in the Funding Strategy Statement (FSS) and failure to consult on the assumptions | 2 | 3 | 6 | Funding Strategy Statement clearly explains the impact. | Responses to consultation are taken into account. Pension Board, Pensions Committee, Appendix D in FSS | 2 | 1 | 2 | Mar-25 | Pensions committee will be consulted on assumptions, FSS to be updated post valuation results. New guidance to be considered due before actuarial valuation. | | Pensions Committee |
| | | Failure of LGPS Central to offer a suitable range of products to meet the requirements of the Fund's SAA | 3 | 4 | 12 | Other managers can be appointed to fulfill required SAA. PAF investment working group, project development protocol, decision tree. | Pensions Committee, LGPS central joint committee, DLUHC draft regulations, range of LGPSC products available is increasing | 3 | 2 | 6 | ongoing | DLUHC Consultation allows comply or explain. | | Pensions Panel |
| 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 | 2.2 The actual/ tactical investment strategy (determined by the Panel) fails to exceed the return of the neutral SAA | Failure to monitor the actual/ tactical SAA using up to date market values | 4 | 3 | 12 | Actual/ tactical SAA position is monitored monthly and updated to the latest values regularly | Use of benchmark indices to value positions. Valuations from custodian and managers | 4 | 2 | 8 | Monthly | Up to date fund valuations are produced on the last day of each month, and periodically as required. No tactical positions taken currently, SAA to be reviewed in advance of 2025 valuation. Implementation of previous 2022 review ongoing. | | MS |
| | | Failure to report, record and monitor the actual/ tactical SAA compared to the neutral SAA taken by the Pension Panel and to them | 4 | 3 | 12 | Actual/ tactical SAA position is reported to Pension Panel quarterly, decisions made by the Panel properly recorded and the outcome monitored. Performance measurer reports tactical returns vs neutral SAA returns benchmark. | Pensions Panel receives quarterly SAA report/ valuation and Fund performance reports. Pensions Board. Investment Consultants. Pension Panel Minutes | 4 | 2 | 8 | Quarterly | Pensions Panel reviews the SAA report and takes mitigating action where required. Working documents, custody records and performance records updated | Panel recommends an amendment to actual/ tactical SAA | Pensions Panel |
| 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 conduct a robust due diligence process in appointing active managers including where appropriate an open competition compliant with public sector procurement regulations | 4 | 4 | 16 | Active managers are appointed by SPF/LGPS Central through robust competitive process, where required | Use of appropriate procurement process compliant with public sector procurement regulations if relevant, including the use of consultant advice as appropriate (LGPS Central use private procurement process) | 4 | 3 | 12 | Quarterly, with a long term focus | LGPS Central agreed to involve Partner Fund representatives in oversight of appointment process (not decision) | | Pensions Panel |

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 ensure managers in the same asset class are complimentary | 4 | 4 | 16 | Active managers in the same asset class are complimentary. Investment advisers review managers/funds in each asset class periodically. LGPS Central use style analytics tools. | Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee. Investment advisers prduce a suitability report prior to investment. Performance measurer report. LGPSC 3 yearly reviews. | 3 | 4 | 12 | Quarterly, with a 5 year focus | LGPS Cental agreed to involve Partner Fund representatives in oversight of appointment process (not decision) | Pensions Panel |
| 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 | 4 | 4 | 16 | Active managers are appointed where it is clear they may 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. | 3 | 4 | 12 | Quarterly, with a 5 year focus | LGPS Cental agreed to involve Partner Fund representatives in oversight of appointment process (not decision). | Pensions Panel |
| Failure to report asset manager performance to the Pension Panel or to include annual (and longer term) performance in the Annual Report | 4 | 4 | 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. | 3 | 4 | 12 | Quarterly | Procurement process underway to appoint new performance measurer following PEL's decision to close.- NT appointed. | MS |
| Failure of SPF/LGPS Central to regularly review and understand the reasons for the level of performance of managers | 5 | 4 | 20 | Asset managers are regularly reviewed to ensure changes to key personnel or the investment process do not undermine the reasons for appointing them | Meetings with LGPS Central and mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board, LGPS Central Joint Committee, PAF-IWG | 5 | 3 | 15 | Quarterly | Mangers appointed by LGPS Central invited to attend quarterly PAF IWG meetings where concerns about performance are raised, Manager days. LGPSC 3 yearly review. | Pensions Panel |
| Failure of SPF/LGPS Central to remove mangers who fail to deliver expected performance | 4 | 3 | 12 | Active managers are sacked or holdings reduced if they do not deliver outperformance, the fund has the right to withdraw its investment if performance is not met | Manager removal or reduction in AUM, Meetings with LGPS Central and mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board, Joint Committee, PAF-IWG | 3 | 2 | 6 | ongoing, long term focus | Mangers appointed by LGPS Central invited to attend quarterly PAF IWG meetings where concerns about performance are raised. LGPSC 3 yearly review. Central have demonstrated ability to take action. | Pensions Panel |
| Failure of SPF/LGPS Central to understand the reasons for removing managers leading to high turnover of managers and significant transition costs | 4 | 3 | 12 | Manager processes are understood and clear reasoning is presented to LGPS Central/Panel to approve any removal of a manager | Meetings with LGPS Central and mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board, Joint Committee, PAF-IWG | 4 | 2 | 8 | ongoing | | Pensions Panel |
| Failure to maintain a 'Professional Client status' with investment managers and LGPS Central under MIFID II regulations. Limiting diversification and markets available, therefore potentially reducing returns on investments. Ongoing compliance with criteria is required. | 3 | 2 | 6 | Being an administering authority of a Pension fund is one of the criteria, along with investment balances of over £10m, which the fund is likely to always have. | Continuous monitoring by officers of investment balances | 3 | 1 | 3 | ongoing | MIFID II documents are regularly updtade as they are requested by managers | MS |
| Failure to consider and address the impact of asset correlation | 4 | 4 | 16 | Asset Liability Modelling undertaken as part of Strategic Asset Allocation review in order to determine likely investment returns for 20 years. This includes asset correlation across return seeking and defensive asset classes. | Meetings with mangers, Consultant comments, Manager presentations to Pension Panel, Pension Board. Annual SAA review. | 4 | 2 | 8 | Quarterly | | Pensions Panel |
| Failure of SPF/LGPS Central to consider and address the impact of manager correlation | 4 | 4 | 16 | Managers strategies are understood to ensure any strategy overlap is minimised. LGPS Central use style analytics. Use of investment adviser. | Manager fit is understood on appointment, Manager monitoring, Consultant comments, Performance measurement, Joint Committee, PAF-IWG, Investment advisers, 3 year review of LGPS | 3 | 4 | 12 | Quarterly | likelihood increased due to upcoming implementaion of new SAA following review. | Pensions Panel |

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 consider and address any systemic risk factors across the fund | 4 | 5 | 20 | Macroeconomic & RI 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 mangers, Consultant comments, LGPS Central/Manager presentations to Pension Panel, Pension Board. PAF IWG. RI&E reporting by managers. | 3 | 4 | 12 | Quarterly | Likelihood increased due to combination of current macroeconomic factors, eg inflation, energy prices, covid, geopolitical events, climate change | Pensions Panel |
| Failure to consider and address currency risk | 3 | 4 | 12 | Impact of Currency risk on fund value is understood and accepted (As a long term investor with no immediate need to sell assets short term fluctuations have a limited impact). Awareness of Currency market fluctuations. Appropriate currency hedging policy is in place if required. | Quarterly strategic review, Consultant comments, Pension Panel, Pension Board | 3 | 4 | 12 | Quarterly | No current requirement for Currency Hedging but need to consider process for implementing Currency Hedging if required in future (LGPS Central?), will be reviewed as part of SAA | Pensions Panel |
| Failure to consider and address risk from leveraged investment funds | 4 | 3 | 12 | Impact of leverage on the Fund is understood. Amount of leverage within investment funds is understood and limited. | Consultants, Manager due diligence, LGPS Central, PAF-IWG, information in fund prospectus, LGPS Central fund design includes parameters on leverage. | 3 | 2 | 6 | Ad hoc | | Pensions Panel |
| Failure for the SPF/ LGPS Central to have a RI beliefs and appropriate policies in place. | 3 | 3 | 9 | Fund Policies in place and complied with. All fund managers signed up to UNPRI. All fund managers report quarterly on Voting and Engagement. Quarterly report to Pensions Panel. Investment beliefs include RI&E considerations. | Policy in ISS, Pension Board, LGPS Central Investment Director for RI, PAF-RI, Joint Committee, Climate Change Strategy and TCFD reports. | 2 | 3 | 6 | Annual / June 24 | Consideration to be given to actions arising from review of FRC UK Stewardship Code plus SAB guidance. | TB |
| Failure to comply with the FRC UK Stewardship Code | 2 | 5 | 10 | FRC UK Stewardship Code (Tier 1 signatory to 2016 code), as are all fund managers, accepted as signatory to updated 2020 code in 2023. | 2016 Investment regulations, ISS, LGPS Central, mangers contracts contain clause. | 2 | 4 | 8 | Annual / Oct 24 | Updated Stewardship Code due 2024, plus SAB guidance | TB |
| Failure to have a Climate Policy and take into account the impact of climate change on the SAA and subsequent investment returns | 4 | 3 | 12 | Climate policy produced, Pensions Panel takes into account impact of climate change in its investment decisions and setting of SAA, through scenario analysis, RI factors are incorporated in investment beliefs. | Climate risk report, Climate Policy produced, TCFD reporting, Hymans, LGPSC, Scenario analysis, SAA review incorporates climate change roadmap, Climate Stewardship Plan. | 4 | 2 | 8 | Apr-25 | | TB |
| Failure to meet TCFD reporting requirements and understand the associated climate metrics | 3 | 3 | 9 | TCFD report is produced annually and metrics are monitored. LGPS Central produce metrics and data required for the fund. | Pensions Committee, Pensions Panel, Pensions Board, Hymans, LGPSC, SAB, DLUHC | 3 | 2 | 6 | Apr-24 | Will become mandatory for LGPS funds. | TB |
| Failure to have all fund managers signed up the UNPRI Code of Practice | 3 | 3 | 9 | All fund managers signed up to UNPRI. | LGPS Central, manager contracts contain clause | 2 | 3 | 6 | Annual | | TB |
| Failure of LGPS Central/mangers to report engagement actions quarterly | 3 | 3 | 9 | All fund managers/LGPS Central report quarterly on Voting and Engagement. Quarterly report to Pensions Panel. | Manger reports, LGPS Central Investment Director for RI, LGPS Central Joint Committee (Hermes) | 2 | 3 | 6 | Quarterly | All public fund managers report quarterly, increasingly private market managers are too | Pensions Panel |
| Failure to report RI&E issues to the Pension Panel regularly | 3 | 3 | 9 | All fund managers/LGPS Central report quarterly on Voting and Engagement. Quarterly report to Pensions Panel. | Pension Panel reports, Pension Board | 2 | 3 | 6 | Quarterly | | Pensions Panel |
| Failure to collaborate on RI&E issues | 4 | 3 | 12 | Member of LAPFF, cross pool RI&E working group and LGPS Central. | Member of LAPFF, LGPS Central | 2 | 3 | 6 | Ongoing | | TB/ Pensions Panel |

| | | | | | | | | | | | | | | | |
|---|--|---|--|--|----|---|--|--|---|---|---------|--|--------------------------|---|---------------------------------|
| 2.6 To minimise fee levels and total expense ratios consistent with performance targets i.e. active / passive | 2.6 Failure to minimise manager fees and expenses commensurate with performance target | Failure to integrate Climate change and the transition to low carbon economy into the investment portfolio. | 4 | 3 | 12 | LAPFF, LGPS Central and fund managers liaise directly with companies on climate change issues, SAA takes Climate Change into account, Climate Change Strategy in place. | Member of LAPFF, Managers reports, officers member of PAF RI working group, LGPS Central Investment Director for RI (Hermes). Carbon Risk Metrics (MSCI) and Climate Scenario Analysis (Mercers) offered by LGPS Central. Climate Change Roadmap. SAA review takes account of Climate Change factors. TCFD report. | 3 | 2 | 6 | Ongoing | Review climate risk reporting output from LGPS central, Consider wider implications of Climate risk on the fund, eg funding, employers etc. Investment consultant climate roadmap. | TB/ Pensions Panel | | |
| | | Failure of SPF/LGPS Central to include fees as part of a competitive procurement process | 3 | 3 | 9 | Competitive tender process, use of framework, joint procurement | Procurement using public procurement rules and/or expert external adviser, consideration of performance net of fees, LGPSC cost savings model. | 2 | 2 | 4 | Ad hoc | | Pensions Panel | | |
| | | Failure to benchmark fees and expenses annually at fund level with appropriate benchmark | 3 | 3 | 9 | Benchmark fees/expenses at fund level | CEM benchmarking, including value add, Total expense ratio, Peer Benchmarking, CIPFA annual report guidance, consideration of performance net of fees | 2 | 2 | 4 | Annual | | Pensions Committee | | |
| | | Failure to report fees to the Pension Committee and in the Annual Report | 2 | 3 | 6 | Account for fees transparently, Report fees to Pension Committee and in Annual Report (open to scrutiny) | Accounts in accordance with CIPFA annual report guidance, Audit, Pension Committee, Pension Board | 2 | 3 | 6 | Annual | | Pensions Committee | | |
| | | Failure of SPF/LGPS Central to consider whether performance related fees may be appropriate | 3 | 3 | 9 | Performance related fees considered as part of competitive manager appointment | Fee basis based on individual or sub-fund level reported to Pension Panel, advisers views taken, consideration of performance net of fees, legal due diligence | 2 | 2 | 4 | Ad hoc | | Pensions Panel | | |
| | | 2.7 Ensure the efficient transfer of assets to and the running costs of LGPS Central | 2.7 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance | Risk that the operating costs of the pool are too high and impact on the return of the Fund | 4 | 4 | 16 | Budgets for operating costs are in place, monitored and there is a cost sharing mechanism in place. | Shareholders approve annual budget (based on inflationary uplift), with additional products requiring additional approval. Quarterly budget monitoring reported to PAF | 4 | 4 | 16 | Mar-25 | | Shareholde rs Forum & PAF |
| | | | | Risk of SPF/LGPS Central losing key personnel and knowledge. | 4 | 4 | 16 | Ensure other members of staff know how to do all roles and are aware of work on going, including within LGPS Central | Regular strategy and planning meetings to schedule work and priorities, generic job descriptions, succession planning, PAF-IWG | 3 | 4 | 12 | Mar-25 | | MS/Team |
| | | | | Failure of LGPS Central to deliver the services set out in their Buisness Plan and within agreed timescales to provide SPF with expected level of service for BAU and development. | 4 | 4 | 16 | There is a business plan and budget approved by shareholders, FCA oversight, Senior manager regime, LGPSC board. | Pensions Panel monitoring, LGPSC joint committee, PAF, budget monitoring, shareholders forum | 4 | 3 | 12 | ongoing | | Pensions Committee/ MS |
| | | | | Risk that the forecast savings from pooling do not materialise, impacting the performance of the fund. | 4 | 4 | 16 | Transition plans are in place, senior management team of LGPS central will monitor fees and have processes in place. SPF input via shareholders forum, LGPS central joint committee and practitioners advisory forum. Cost savings model is used for monitoring. | Shareholders forum, LGPS central joint committee and practitioners advisory forum. Savings are reported. CEM are in place for Benchmarking, use of transition adviser and transition manager. | 4 | 4 | 16 | Ongoing | Strategic direction of LGPS Central to be reviewed. | Shareholde rs Forum |

| | | | | | | | | | | | |
|---|---|---|----|--|--|---|---|----|---------|---|-------------------------------|
| Failure to have appropriate transition arrangements in place when required, to ensure the continued security of assets and efficient and cost effective transfer of assets into LGPS Central. | 5 | 4 | 20 | Transition manager is appointed by LGPS central/SPF | Assistance of Transition adviser if appointed. Custody records and investment team reconciliations and LGPS Central Custodian. PDLG. External and internal audit working group assurance of transitions. | 4 | 3 | 12 | Ongoing | | Joint committee, PAF, TB team |
| Regulatory Changes in relation to asset pooling impacting LGPS Central or SPF | 5 | 2 | 10 | Regulatory change is monitored and consultations are responded to. | DLUHC, Pensions Committee, Hymans, cross pool working groups. Shareholders forum, FCA, Northern Trust as Custodian, Internal/External Audit, AAF/0106 | 5 | 2 | 10 | ongoing | Pooling guidance awaited | Pensions Committee |
| Potential for concentration of asset management services at LGPS Central | 5 | 2 | 10 | Northern trust depository, segregation of assets, diversified SAA, Regulatory business plan. | Shareholders agreement, IAA, regulation, regulatory business plan, LGPSC budgets, 5 year pool plan, costsharing model | 5 | 2 | 10 | ongoing | | Pensions Committee |
| Divergence of another Partner Fund from the LGPS Central pool's shared objectives/vision which may result in e.g. increased costs, lack of assets classes in which to invest, viability of pool, resources spread too thinly. | 3 | 4 | 12 | PAF various working groups, product development protocol, decision tree, Inter authority agreement, shared objectives, | | 3 | 4 | 12 | ongoing | Impact on resources needs to be considered, not just direct costs | Pensions Committee |

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