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## **Pensions Committee**

Friday, 15 June 2018

**10.00 am**

Oak Room, County Buildings, Stafford

John Tradewell  
Director of Strategy, Governance and Change  
7 June 2018

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## **A G E N D A**

### **PART ONE**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 16 March 2018** (Pages 1 - 6)
4. **Appointment of Pensions Panel**
5. **Minutes of the meeting of the Pensions Panel held on 6 March 2018** (Pages 7 - 10)
6. **Staffordshire Pension Fund Investment Performance 2017/18**  
Presentation by Portfolio Evaluation Ltd (PEL)
7. **Pensioner Representative for the Pensions Committee** (Pages 11 - 12)  
Report of Director of Strategy, Governance and Change
8. **Pensions Outturn Business Plan 2017/18** (Pages 13 - 26)  
Report of the Director of Finance and Resources
9. **Risk Register & Risk Management Policy** (Pages 27 - 44)  
Reports of the Director of Finance and Resources and Pensions Board

10. **Training Plan & Training Policy** (Pages 45 - 56)  
Report of Director of Finance and Resources

11. **Exclusion of the Public**

The Chairman to move:

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

**PART TWO**

12. **Exempt minutes of the meeting held on 16 March 2018** (Pages 57 - 62)  
(Exemption paragraph 3)
13. **Exempt minutes of the meeting of the Pensions Panel held on 6 March 2018** (Pages 63 - 72)  
(Exemption paragraph 3)
14. **LGPS Regulations - Admission of New Employers to the Fund** (Pages 73 - 82)  
(Exemption paragraph 3)

Report of the Director of Finance and Resources

15. **LGPS Central** (Pages 83 - 92)  
(Exemption paragraph 3)

LGPS Central Spring Update Report to MHCLG attached for information.

Presentation by Andrew Warwick-Thompson and Joanne Segars

**Membership**

Ben Adams	Geoff Locke (Co-Optee)
Philip Atkins, OBE	Peter Noskiw (Co-Optee)
Nigel Caine (Co-Optee)	Bob Spencer
Derek Davis, OBE	Mike Sutherland
Ann Edgeller (Vice-Chairman)	Stephen Sweeney
Colin Greatorex (Chairman)	Martyn Tittley
Sue Insull (Co-Optee)	Kevin Upton (Co-Optee)

## **Note for Members of the Press and Public**

### **Filming of Meetings**

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

### **Recording by Press and Public**

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.



**Minutes of the Pensions Committee Meeting held on 16 March 2018**

**Attendance**

Philip Atkins, OBE	Geoff Locke (Co-Optee)
Derek Davis, OBE	Mike Sutherland
Ann Edgeller (Vice-Chairman)	Stephen Sweeney
Colin Greatorex (Chairman)	Kevin Upton (Co-Optee)

**Also in attendance:** Corrina Bradley, Ian Jenkinson and Christina Washington (Local Pensions Board Members)

**Apologies:** Ben Adams, Nigel Caine (Co-optee), Peter Noskiw (Co-optee) and Martyn Tittley.

**PART ONE**

**44. Declarations of Interest**

There were no declarations of interest on this occasion.

**45. Minutes of the meeting held on 8 December 2017**

The Director of Finance and Resources referred to minute number 38 relating to the CIPFA Knowledge and Skills Framework and requested that those Members who had not already done so should complete a Training Needs Assessment (TNA) and return it to the Pensions Team.

**RESOLVED** – That the minutes of the meeting of the Pensions Committee held on 8 December 2017 be confirmed and signed by the Chairman.

**46. Minutes of the Pensions Panel held on 5 December 2017**

**RESOLVED** – That the minutes of the meeting of the Pensions Panel held on 5 December 2017 be noted.

**47. Appointment of a Member of the Pensions Panel**

Mr Davis moved, and Mrs Edgeller seconded, the appointment of Mr Greatorex to the vacant seat on the Pensions Panel.

**RESOLVED** – That Mr Colin Greatorex be appointed to the vacant seat on the Pensions Panel.

**48. Staffordshire Pension Fund Audit Plan 2017/18**

The Director of Finance and Resources submitted the proposed Audit Plan for the audit of the Pension Fund in 2017/18 by Ernst & Young LLP, the County Council's auditors.

The Committee considered the Audit Plan which detailed how Ernst & Young intended to carry out their responsibilities as auditors. The work the Auditors intended to undertake would provide the Fund with the following:

- The Auditor's opinion on whether the financial statements of the Staffordshire Pension Fund give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- The Auditor's opinion on the consistency of the Pension Fund's financial statements included in the Pension Fund's annual report and within the County Council's published financial statements, as the administering authority.

It was noted that although the Fund's accounts were included in the County Council's accounts, Ernst & Young would issue a separate opinion on the Fund's accounts and produce a Fund specific Audit Findings Report. This would be reported to both the Pensions Committee and the Audit and Standards Committee.

The Director of Finance and Resources indicated that the Audit Plan had identified the following "significant" risks and the action to be taken by the Auditors to mitigate those risks:

- Misstatements due to fraud or error
- New General Ledger System
- Valuation of unquoted investments

The Director also indicated that there was an earlier accounts deadline for 2017/18 with the Pension Fund needing to prepare draft accounts by 31 May and publish audited accounts by 31 July, a challenge and risk for both preparers and auditors.

The Committee were also informed that for the purposes of determining whether the financial statements were free from material error, the Auditors had determined that overall materiality for the financial statements of the Pension Fund was £98.1 million based on 2% of the value of the net assets of the Fund and that they would inform the Fund of any uncorrected audit mis-statements greater than £4.6 million.

The Director of Finance and Resources also indicated that the Audit Fee for the 2017/18 Audit had been maintained at the 2016/17 level of £28,637.

**RESOLVED** – That the external auditor's plan for the audit of the Staffordshire Pension Fund (the Fund) for the 2017/18 financial year be noted.

#### **49. Staffordshire Pension Fund Business Plan 2018/19**

The Director of Finance and Resources presented the Pensions Business Plan 2018/19 and explained the key issues to be faced in the coming year which included:

- Ensuring full compliance with the General Data Protection Regulations (GDPR) which come into effect in May 2018;

- Continuing to implement i-Connect software for data collection with Fund Employers, with the aim of having 50% of Active Fund Member data submitted monthly;
- Development of the Pension Fund website and a review of the ways in which we communicate with our Scheme Members and Fund Employers; and
- Implementation of the new Governance Arrangements in relation to LGPS Central Limited to include the reporting arrangements and review of asset transition plans.

In response to a question from Mr Jenkinson regarding to the development of the Pension Fund website, the Director of Finance and Resources indicated that the website received around 10,000 hits per month.

Mr Davis referred to the indicative costs in relation to Pooling and enquired as to what was included in the “governance” costs. In response, the Director of Finance and Resources stated that the majority of “governance” costs related to the Fund’s contribution to LGPS Central’s annual operating costs which was separate to the transition costs.

Mr Davis also enquired as to the staffing levels within the Pensions Team and whether this was sufficient to manage the current workload. In response, Mr Greatorex indicated that the Audit and Standards Committee had also raised this issue and that the Internal Auditor was to examine the issue further. The Director of Finance and Resources indicated that there was currently a recruitment exercise ongoing with the intention of recruiting to up to seven grade 5 posts. Once the appointed persons were in-post this would then start to free-up the time of the more experienced members of the team so that they could take on other tasks.

The Committee also received an update on progress against the 2017-18 plan and noted that significant successes had been achieved in a number of areas including:

- Implementing new processes and procedures following a review of the Fund’s Additional Voluntary Contribution (AVC) providers at the end of 2016;
- Issue of the Annual Benefit Statements by 31 August 2017;
- An initial review of compliance to The Public Service Scheme Code of Practice and Public Service Regulatory Strategy in relation to Disclosure of Data e.g Breaches;
- Appointment of an independent Performance Measurer for the investments of the Fund; and
- Continued support to LGPS Central Ltd in its progress towards Financial Conduct Authority (FCA) approval.

With regard to Performance Standards, the Committee were informed that whilst performance in certain areas might not be back to the optimum target levels the

Pensions Services Teams would wish for, there was a sense that things were starting to improve. Issues with recruiting appropriately skilled staff were being addressed via the recruitment exercise to 'grow our own' instead. And issues as a result of the fragmentation of the County Council's payroll were being focused on as a key area of development activity in 2018/19, with the implementation of i-Connect. The Director added that a full set of performance statistics would be provided as part of the Outturn reporting to the Committee's next meeting in June.

In response to a question from Mr Jenkinson in relation to the Fund's anticipated increase in Actuarial Fees in 2019/20, the Director of Finance and Resources confirmed that this was due to the Triennial Valuation taking place.

**RESOLVED** – That the Pensions Business Plan 2018/19 be approved and the key challenges which might affect performance be noted.

#### **50. Review of Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS)**

The Director of Finance and Resources informed the Committee that all Local Government Pension Scheme (LGPS) Funds were required to prepare, maintain and publish Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) documents. The FSS must be formulated, maintained and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by CIPFA. The latest such guidance for both documents was published in September 2016.

Whilst a full review of the FSS should be undertaken at each valuation and at least every three years for the ISS, it was considered good practice to review and update both documents annually, to reflect changes in the year. The FSS was consulted upon and approved by the Pensions Committee at its meeting in March 2017. The FSS had recently been reviewed in conjunction with the Pension Fund's advisors Hymans Robertson, and this had resulted in several minor amendments.

With regard to the Investment Strategy Statement (ISS), the Committee were informed that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the ISS had to be published by 1 April 2017 and kept under review and revised from time to time and at least every three years. The ISS was a document that replaced and largely replicated, the previous Statement of Investment Principles (SIP). Authorities were required to prepare and maintain an ISS which documents how the investment strategy for the Fund was determined and implemented. The ISS was required to cover a number of areas, specifically:

- The requirement to invest money across a wide range of investments.
- An assessment of the suitability of particular investments and investment types.



- The maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as they previously were under the 2009 Regulations.
- The authority's attitude to risk, including the measurement and management of risk.
- The authority's approach to investment pooling;
- The authority's policy on social, environmental and corporate governance considerations.
- The authority's policy with regard to stewardship of assets, including the exercise of voting rights.

The Committee were informed that the April 2017 version of the ISS had recently been reviewed and changes were considered necessary to better reflect the arrangements in place for asset pooling with effect from 1 April 2018; and also to better reflect LGPS Central's policies on social, environmental and corporate governance (Responsible Investment) which the Fund would be adopting as assets moved into the management of company.

**RESOLVED** – (a) That the minor amendments to the Funding Strategy Statement (FSS) be noted.

(b) That the updates made to the Investment Strategy Statement (ISS) to more accurately reflect the governance arrangements in relation LGPS Central Ltd and also the reference to the Responsible Investment Policies of LGPS Central Ltd, be noted.

#### **51. 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

#### **PART TWO**

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

**52. Exempt minutes of the meeting held on 8 December 2017**  
(Exemption paragraph 3)

**53. Exempt minutes of the Pensions Panel held on 5 December 2017**  
(Exemption paragraph 3)

**54. III Health Liability Risk Management (IHLM)**  
(Exemption paragraph 3)

**55. Admission of New Employers to the Fund**  
(Exemption paragraph 3)

**56. Debt Write-off**

(Exemption paragraph 3)

**57. Pooling of LGPS Investments**  
(Exemption paragraph 3)

**Chairman**

**Minutes of the Pensions Panel Meeting held on 6 March 2018**

**Attendance**

Philip Atkins, OBE (Chairman)	Mike Sutherland
Derek Davis, OBE	Stephen Sweeney

**Also in attendance:** Carolan Dobson (Independent Adviser), Ian Jenkinson (Observer), Graeme Johnston (Hymans Robertson), Tim Legge (Observer) and David Thomas (Independent Adviser).

**PART ONE**

**91. Declarations of Interest**

There were no Declarations of Interest on this occasion.

**92. Minutes of meeting held on 5 December 2017**

**RESOLVED** – That the minutes of the Meeting of the Pensions Panel held on 5 December 2017 be confirmed and signed by the Chairman.

**93. Pension Fund Performance and Portfolio of Investments as at 31 December 2017**

The Director of Finance and Resources submitted a summary of the performance of the Pension Fund, together with a portfolio of the Fund's investments, as at 31 December 2017.

The Panel were informed that the Fund had a market value of £4.9 billion as at 31 December 2017; the highest reported to date. However, since the quarter end there had been a fall in global markets, which impacted the market value of the Fund, seeing it drop back to an estimated £4.7 billion at the beginning of March. Over the quarter the Fund returned 3.8%, slightly underperforming its strategic benchmark by -0.2%. The best performing asset classes relative to their benchmarks were the Bonds and the Alternatives portfolios. Underperformances in Property and Emerging Markets detracted from performance against the benchmark, although absolute returns across all asset classes were positive.

Despite the marginal underperformance this quarter, the Fund had outperformed its strategic benchmark in the 1, 3 and 5 year time periods. Annualised returns over both 3 and 5 years were in excess of 11% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

**RESOLVED** – That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 December 2017 be noted.

#### **94. Approved Investment Strategy for Pension Fund Cash 2017/18**

The Director of Finance and Resources reported that revisions in the Pension Fund Investment Regulations no longer specifically required the Fund to have an Annual Investment Strategy (AIS) for the investment of internally managed Pension Fund Cash. However, as good practice, it was proposed to continue to publish such a Strategy.

The Panel noted that the Pension Fund had a small strategic asset allocation to cash of 1%, recognising that cash balances were needed for the day to day management of the Pension Fund. This cash was managed by Officers in the County Council's Treasury and Pension Fund Team, to provide liquidity and pay bills as they arose. It was not invested solely to seek a return and was not usually considered a major asset allocation decision.

The cash held increased from time to time, pending investment in other major asset classes e.g. property and private debt. The proposed AIS therefore needed to allow for such situations occurring and the Panel would need to agree these temporary increases as part of its quarterly review of the strategic asset allocation benchmark, together with any associated ranges. Also during 2017/18, tactical divestments from equities were made when valuations were high; the proceeds from these were still being held in cash pending reinvestment. As a result of these relatively high cash balances, the Director of Finance and Resources authorised the increase in the investment limits for individual Money Market Funds (MMF's) (including cash plus funds) from £30m to £40m during the year and these increased limits were still in effect.

The proposed main objectives for the AIS were to:

- provide security of capital (i.e. ensure the return of the money and interest);
- provide liquidity (i.e. pay the bills as they fell due and ensure funds were available for reinvestment when needed); and
- earn interest (i.e. obtain a reasonable return within the constraints outlined above).

The Panel noted that the main circumstances where a revised strategy would be prepared included a change in:

- the Fund's strategic asset allocation;
- the economic environment;
- the financial risk environment; and
- the regulatory environment.

To allow for the practical management of the treasury transactions each day, it was proposed that the change in investment limits and the choice over the investments made be delegated to the Director of Finance and Resources. Outside of this, the Pensions Panel would need to assess any specific requirements and consider any changes that may be required to the AIS.

In response to a question by Mr Davis in relation to the Fund's ability to use its overweight position in cash to invest in the provision of housing stock within Staffordshire, the Director of Finance and Resources indicated that a large proportion of

the cash was already committed and was awaiting draw-down. The Director added that the Pension Fund had a fiduciary duty to its members and that any decision to invest in housing stock would need to be in accordance with the Fund's strategic asset allocation and investment strategies and within that would need to be the right investment for the Fund and ultimately in the best financial interest of the Fund's members.

**RESOLVED** – (a) That the Annual Investment Strategy (AIS) for the Staffordshire Pension Fund for the investment of internally managed Pension Fund cash be approved.

(b) That the Director of Finance and Resources be authorised to take any necessary urgent action to amend the Annual Investment Strategy as a result of changes to the Fund's strategic asset allocation, the economic environment, the financial risk environment, the regulatory environment or any other relevant factor.

(c) That the decision on the further use of 'cash plus and short bond' funds be delegated to the Director of Finance and Resources, after taking appropriate advice.

#### **95. Dates of Future Meetings**

- 5 June 2018
- 24 July 2018 (Managers' Day)
- 4 September 2018
- 4 December 2018
- 5 March 2019

All meetings are scheduled to start at 9.30am at County Buildings, Stafford.

#### **96. Exclusion of the Public**

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

### **PART TWO**

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

**97. Exempt Minutes of the Meeting held on 5 December 2017**  
(Exemption paragraph 3)

**98. Pension Fund Performance and Manager Monitoring for the quarter ended 31 December 2017**  
(Exemption paragraph 3)

**99. Pooling of LGPS Investments**  
(Exemption paragraph 3)

**100. Strategic Benchmark Review and Monitoring**

(Exemption paragraph 3)

- a) Economic and Market Update
- b) Review of Position as at 31 December 2017

**101. Responsible Investments (RI) Quarter 4 2017**  
(Exemption paragraph 3)

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

**103. Managers' Presentations**  
(Exemption paragraph 3)

**Hearthstone Investment Management Ltd**

**Chairman**

Local Members Interest	
Nil	

**PENSIONS COMMITTEE – 15 JUNE 2018**

**Report of the Director of Strategy, Governance and Change**

**APPOINTMENT OF CO-OPTED REPRESENTATIVE FOR  
RETIRED PENSION SCHEME MEMBERS**

**Recommendation of the Chairman**

1. That the Committee approves the appointment of Mr Philip Jones as the non-voting co-opted representative on the Pensions Committee for Retired Pension Scheme Members (the Pensioner Representative).

**Background**

2. The Committee will be aware that this particular position has been vacant for some time now following the appointment, illness and subsequent resignation of the previous representative in 2016.
3. Following an unproductive search in 2017, an advert was placed in the Spring 2018 InContact magazine and expressions of interest were received from 5 individuals as a result.
4. After seeking further information from those individuals, interviews with the Chair of the Committee and the Head of Treasury & Pensions took place during May 2018. Following interview, it is their recommendation that the position of non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be offered to Mr Philip Jones.

**John Tradewell**  
**Director of Strategy, Governance and Change**

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Contact                      Michael Bradbury  
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Background Documents None

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

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

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

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

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

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



Local Members Interest	
Nil	

**PENSIONS COMMITTEE – 15 JUNE 2018**

**Report of the Director of Finance and Resources**

**Staffordshire Pension Fund Business Plan 2017/18 Outturn**

**Recommendation of the Chairman**

1. To note and approve the outturn position of the Staffordshire Pension Fund Business Plan 2017/18.

**Background**

2. At the beginning of each financial year, the Pensions Committee is asked to approve an annual Business Plan for the Staffordshire Pension Fund. This report details the final outturn position for the financial year 2017/18 and summarises the key achievements against that Business Plan.
3. The Business Plan that was approved for 2017/18 is set out in Appendix 2. The final position against the plan shows that the majority of planned activities have been achieved or are in progress. Of those in progress, some are classed as 'business as usual' activities and these together with several other 'development' activities have been carried forward into the 2018/19 Business Plan.
4. Key achievements during 2017/18 were reported to the March Pension Committee as being:
  - (i) Pensions Administration Team
    - Implementing new processes and procedures following a review of the Fund's Additional Voluntary Contribution (AVC) providers at the end of 2016;
    - Issue of the Annual Benefit Statements by 31 August 2017; and
    - An initial review of compliance to The Public Service Scheme Code of Practice and Public Service Regulatory Strategy in relation to Disclosure of Data e.g Breaches.
  - (ii) Pensions Investment Team
    - Appointment of an independent Performance Measurer for the investments of the Fund; and
    - Continued support to LGPS Central Ltd in its progress towards Financial Conduct Authority (FCA) approval.
5. Additionally throughout the year there have been a number of Internal Audit reviews across the two teams. The Pension Fund Governance and Pensions Investment Audits both received 'significant' assurance from Staffordshire Audit Services and the Pensions Administration and i-

Connect audits both received 'adequate' assurance, that the necessary controls are in place.

### **Pensions Administration - Performance Standards**

6. The Pensions Administration Team's Service Standards for 2017/18 are attached at Appendix 3. The Committee are asked to note the significant improvement in these standards over the previous two years and also the number of performance targets achieved in 2017/18. A summary of the position is as follows:
  - 2015/16 showed that a 90% performance target was achieved in 6 of the 15 published standards.
  - 2016/17 shows that a 90% performance target was achieved in 4 of the published 15 standards.
  - 2017/18 shows that a 90% performance target was achieved in 8 of the 14 published standards and for the month of March this increased to 11 out of the 14 published standards.
  
7. Furthermore in 2017/18:
  - 13 out of the 14 published standards have either maintained target or improved performance levels compared to 2016/17; and
  - If the target measure was set at 80% then this would mean that 12 of the published 14 standards would have been achieved consistently in 2017/18.
  
8. Whilst extremely pleasing to report, it is difficult to be precise about the reasons for the increased performance. An analysis of volumes illustrates that in some cases volumes have decreased with a resultant increase in the service standard and vice versa, but this is not the case in all areas and more work needs to be undertaken in capturing the 'throughput' of work in each service standard to provide a truer reflection for Senior Management to consider. The backlog work being carried out by JLT in certain areas also needs to be factored into these new metrics.

### Ongoing workloads and impact on Performance Standards

9. In previous years, the Committee received reports predicting that performance standards would reduce for a number of reasons:
  - the introduction of a more complex Pension Scheme on 1 April 2014, meaning that there are effectively 3 schemes under administration;
  - an ever increasing number of Scheme employers;
  - difficulty in recruiting experienced employees; and more recently,
  - the fragmentation of the County Council's payroll services, which means that direct access to employer data has been removed, making doing the day job in terms of the benefit calculations that little bit more involved.

It is important to remind the Committee, therefore, that going forward these challenges still remain.

10. Day to day challenges are also added to, by a number of unexpected larger Employer restructuring exercises, whereby access to the LGPS is being withdrawn or restricted to certain Employees. This in turn results in a significant amount of extra work for the Pensions Administration Team in providing scheme members with estimates for deferred and retirement benefits and Employers often request priority for these exercises, over and above our statutory obligations and reporting deadlines, to fit in with their own consultation deadlines.
11. Unforeseen changes in Regulations also have an impact on workload that needs to be accommodated. The recent LGPS (Amendment) Regulations 2018, which came into being on 14 May 2018, makes provision for *the payment of deferred benefits from age 55 for leavers before 1 April 1998 and between 1 April 1998 and 31 March 2014*. A quick interrogation of our records indicates that there are 6,288 deferred cases (post 1998 leavers) who are currently between age 55 and 59 and who may now ask for benefit calculations.

#### Other considerations

12. Not all administration processes are benchmarked but most are usually complex and time consuming areas of work for example:
  - Payment of transfers between Local Government Pension Funds.
  - Combining pension records for re-joining members known as aggregation.
  - Concurrent employment cases.
  - Data cleansing.
  - Software upgrades & testing ICT infrastructure.
  - Record maintenance.
  - Issue of Annual Benefit Statements.
  - Attending retirement sessions to support members being made redundant.
  - Communication projects for example Academy training sessions.
  - Introducing new software to employers for the monthly transmission of data to the pension system and onboarding (i-Connect).
  - Pensions Increase exercise
  - Production of HR costing data for employers.
  - Regulatory and legal support to employers.

Many of these are included in the Business Plan as Business as Usual activity.

#### **Pensions Administration Team Staffing**

13. Previous outturn reports to Committee have made mention of problems with recruiting experienced staff and the time and additional in-house resource it takes to train in-experienced staff. Several staff were transferred from the County Council's Shared Service Centre in 2016/17

and the fact they have now been fully trained and are working at almost full capacity is one of the reasons cited for the improvement in performance standards.

14. The Team has, however, lost a number of experienced staff over the last 12 months due to retirement and it is pleasing to be able to report that a successful recruitment exercise with the intention of once again 'training our own' has resulted in 3 new staff joining the team on 2 July 2018. This will take the number of full-time equivalent staff in the Team to 42.70 FTE which has been the result in a gradual and measured increase in staff from 37.50 FTE in 2014/15.

### **Pensions Investment Team**

15. As well as undertaking their day to day accounting and contract monitoring activities, the investment team were kept busy during the year with several projects:
  - Work on the creation of LGPS Central Ltd has continued over the last 12 months, with several members of the team involved in the continuing development of the LGPS Central pool. Whilst the official launch date for LGPS Central Ltd to trade was 3 April 2018, the first transfer of assets (Global Equities) from Staffordshire is not planned until Q3 of 2018. In line with the Company's wider business plan, transition activity will continue for a considerable number of years going forward.
  - Private Debt was an area of focus for Officers during the year. Significant time was devoted to working with incumbent private debt managers to model the forecast cash flows of the Fund's investments. This then allowed for a report to be presented to the Pensions Panel on the annual commitments required to grow the Funds investment in this fairly new asset class. A monitoring process has also been put in place.
  - Undertaking a detailed review of the control reports (referred to as AAF01/06, SOC1, SSAE16) of the various investment managers to provide assurance that the Fund's data and investments monies are at minimal risk of fraudulent activity.
16. The Committee will receive a presentation from the Fund's independent performance measurer, Portfolio Evaluation Limited on the detail of the Fund's investment performance at the meeting. And whilst the heady investment returns of 2016/17 were no longer produced by markets, it is still pleasing to note that in 2017/18, the Fund produced positive absolute investment returns of 3.1%, marginally outperforming the return of its strategic benchmark by 0.1%.
17. Over the longer term, the Fund has outperformed its strategic benchmark in the 3, 5 and 10 year time periods with annualised excess returns over 3 and 5 years in excess of 8%, well ahead of the investment return assumptions used by the Actuary in the triennial valuation.

## Pension Fund Budget and Costs

18. At previous Pensions Committee meetings Members were asked to note that instead of setting an annual budget and relying on budget monitoring to manage cost, the Committee should place more reliance on cost comparisons, benchmarking and trends to ensure that value for money is delivered. Considering comparative figures is considered a better approach to understanding and managing the cost base of the Fund, thus ensuring that value for money is consistently delivered.
19. Unfortunately, the availability of comparative figures is decreasing and so going forward, it is considered beneficial to use a combination of both budget monitoring and benchmarking.
20. The headline budget reported to Pensions Committee for 2017/18, as part of the Business Plan versus the headline Actual Outturn position is provided in the Table below.

	<b>2017/18</b>
	<b>£000</b>
Forecast Budget	16,150
Actual Outturn position	<u>16,760</u>
Under (Over) spend	<u><u>(610)</u></u>

21. The apparent overspend of £610,000 can be explained by the lack of an original estimate being included in the Forecast Budget for the set-up costs of LGPS Central Ltd, which we now know to be in the region of £500,000 and which will be reimbursed by the Company in 2018/19. The true overspend is therefore £110,000 which relates to the cost of implementing the i-Connect software. The tables that follow break the Actual Outturn position down into more detail, as per the reporting classification in the annual accounts, and provide comparisons to previous years expenditure.
22. The following table shows this year's **Administration Costs** compared to the last two years:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pensions administration	2,249	2,074	2,248
Legal costs	84	71	140
Other costs	13	16	5
Total Administration Costs	<u>2,346</u>	<u>2,161</u>	<u>2,393</u>

23. The increase in Pensions administration costs predominantly relate to the cost of implementing the i-Connect software, which enables the better capture of employer payroll data. And whilst there has been an increase in legal costs, due to an increased level of Employer activity requiring legal input, some of this remains to be recharged in 2018/19.

24. Using the latest data available (for 2016/17), we can compare the cost per scheme member of our Pensions Administration Team to those of the 32 other Funds (out of a possible 90) captured by the CIPFA benchmarking service. The 2015/16 costs are provided in brackets for reference.

2016/2017	Administration costs per scheme member	
	SCC	Average
CIPFA benchmarking - pensions administration	£20.63 (£23.17)	£20.14 (£18.37)

25. In 2015/16 Staffordshire Pension Funds costs were significantly higher than average due to the additional costs of introducing the new Pension Payroll system. The majority of these costs have now fallen away and the Pensions Payroll is starting to deliver savings, hence the cost per scheme member has reduced in 2016/17, closer to the average cost. For the sake of consistent benchmarking, part of the costs of the pension’s payroll project were spread over 5 years, and without these costs included in the 2016/17 figures, it is estimated that the comparative costs per scheme member would be around £20.13; spot on average.

26. What is also interesting from the above table is that fact that the average cost itself has increased by just under 10% from 2015/16 to 2016/17. Looking at the detail behind this, in the CIPFA report, makes it clear that this is predominantly due to the direct costs of staff; a legacy of the introduction of the 2014 scheme?

27. The following table shows this years **Oversight and Governance Costs** compared to the last two years:

	2015/16 £000	2016/17 £000	2017/18 £000
Audit Fees	31	34	29
Actuarial Advice	152	249	97
Governance Expenses	185	187	176
Investment Oversight fees	245	150	165
Other	94	322	545
<b>Total Oversight &amp; Governance costs</b>	<b>707</b>	<b>942</b>	<b>1,012</b>

28. Total Oversight and Governance costs have increased in 2017/18. This is predominantly due to the Fund incurring £416k of set up costs relating to LGPS Central, albeit these will be refunded in 2018/19 as they will be passed back to the Company as an operating expense. These are included in ‘Other’ costs in the table above and without these costs, Oversight and Governance costs would have significantly reduced in 2017/18.

29. The following table shows the comparative **Investment Management Costs** of the Fund for the past three years.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investment managers	12,246	11,524	11,763
Property costs	1,023	1,050	1,301
Consultants and advisors	7	9	9
Other	401	739	782
Total investment costs	<u>13,677</u>	<u>13,322</u>	<u>13,355</u>

30. Investment management costs in 2017/18 have remained fairly constant compared with previous years, even with the growth in assets under management (AUM) during the year. This was mainly due to the full year effect of the termination of contracts with two global active equity managers in January 2017, and the subsequent re-investment of the monies in global passive equity funds at a significantly reduced cost.
31. The market value of the Fund's assets has increased by over 25% over the last 2 years, and despite the majority of the Fund's investment management fees being based on the value of AUM, the overall level of fees paid in 2016/17 reduced but then stayed consistent in 2017/18 in absolute terms. This point is illustrated in the following table, which shows the growth in the assets of the Fund and also the reduction / consistency in fees in percentage terms.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
IM Fees	12,246	11,524	11,763
Fund value at 31/3	3,747,001	4,587,100	4,775,829
Fee level (%)	0.35	0.25	0.25

### **Cost Benchmarking**

32. In previous years it was possible to benchmark the Fund's Investment Management Costs, using data taken from the SF3 Government return, but this service is no longer being offered by MHCLG LGPS Statistics. With the advent of pooling and the wider agenda for cost savings as a result, LGPS Central Partner Funds are keen to work together to explore a number of options to ensure that they can put some appropriate and meaningful metrics in place, both for peer benchmarking within and potentially across pools.
33. In order to seek further reassurance about cost, Staffordshire Pension Fund has taken part in an extended benchmarking exercise with international company CEM Benchmarking. CEM benchmark 400+ global pension funds with plan sizes ranging between £35m and £600bn.
34. The 2016/17 CEM survey grouped Staffordshire Pension Fund with 21 LGPS and international funds ranging in size from £3.0bn to £8.2bn (a

median size of £4.8bn versus our £4.6bn). Based on a comparative cost base, taking into account embedded costs, but before adjusting for asset mix, our Fund's costs of 53.2 basis points (bps) were 4bps above the peer median of 49bps. However, when adjusting for asset mix, our Fund's costs of 53bps were below the benchmark cost of 56.1bps, by 2.8bps. This demonstrates that the Staffordshire Pension Fund is a low cost scheme, with our slightly lower cost being attributable to the fact that we paid less than our peers for similar services.

35. CEM have been appointed to continue to work with the 8 LGPS Central Partner Funds going forward and have been invited to talk more about cost benchmarking at the Committee's training session in July.

**Andrew Burns**  
**Director of Finance and Resources**

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Contact : Melanie Stokes, Head of Treasury & Pensions  
Telephone No. (01785) 276330

Background Documents: None



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

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

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

**Risk implications:** There are no direct risk implications the report does contain some actions to address risks identified in the risk register.

**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.

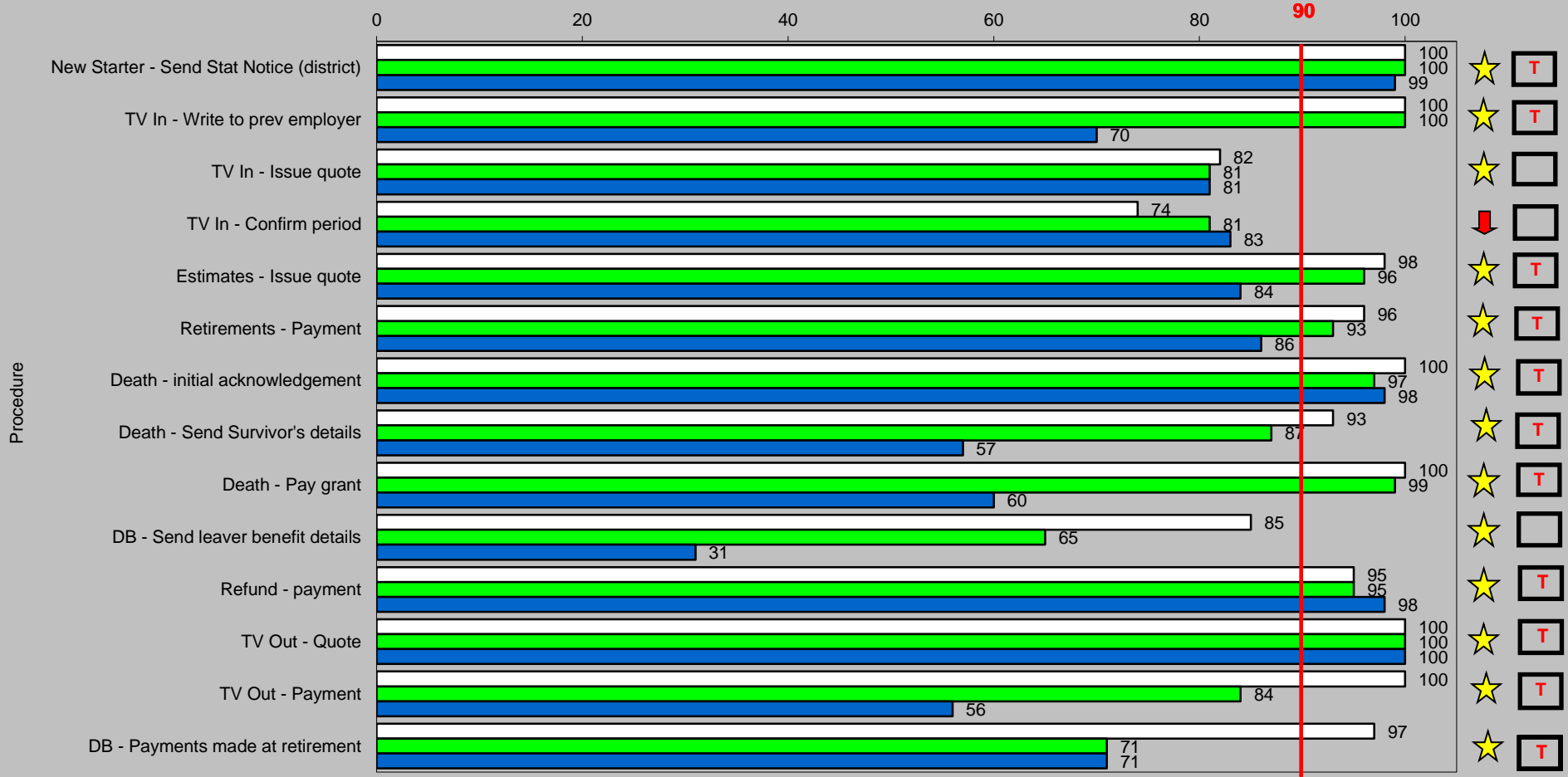
Issue to be addressed	Key Development Activity	Comments
<b>LGPS Pensions Administration</b>	Review Administration Team staffing levels and structure	Under ongoing review
	Review Processes and Procedures (i-Connect) (new SCC Finance System)	Achieved with ongoing review
	Develop new working Practices (Third Party Payroll Providers)	Partially Achieved with ongoing review
	Compliance with new General Data Protection Legislation (GDPR)	Substantially achieved by May 2018
	Finalise Year end data	Achieved
	Issue Active and Deferred Annual Benefit Statements	Achieved
	Record Keeping Data Integrity Checks	Ongoing to March 2019
	Introduce employer asset tracking model (HEAT)	Partially achieved but further input required
	Revise HMRC maximum allowance process	Achieved
<b>Fire Pensions Administration</b>	Train additional Support Staff	Partially Achieved
	Explore providing administration to additional Fire Authorities	NB. Service terminated with effect from June 2018
	Issue Active and Deferred Annual Benefit Statements	
<b>Pensions Administration System</b>	Implement Pension Payroll Phase 3	Deferred as update not yet available from Heywoods
	Implement I Connect Phase 1 Staffordshire County Council	Ongoing
	Implement I connect Phase 2 Large Employers	Partly achieved and ongoing
	GAD Transactional data project	Achieved
<b>Reconciliation – Contracting Out</b>	Phase 1 Finalise Deferred and Pension members	Ongoing
	Finalise under/overpaid pensioner members	Ongoing
	Phase 2 Active Members commence reconciliation	Ongoing
<b>Governance</b>	To ensure that the Pension Board members have the appropriate skills and knowledge and are able to demonstrate their level of	Ongoing – Training Plan in place

Issue to be addressed	Key Development Activity	Comments
	understanding	
	To ensure that the Committee members have the appropriate skills and knowledge and are able to demonstrate their level of understanding	Ongoing – Training Plan in place
	Conduct CIPFA skills gap analysis	Achieved
	Appoint Actuarial Adviser to the Fund	Achieved
<b>Communications</b>	Review website content and structure	Ongoing
	Revise Employer Administration manual	A review of the format of this document is ongoing
	Finalise and communicate administration strategy	Ongoing
<b>The Pensions Regulator</b>	The Public Service Scheme Code of Practice and Public Service Regulatory Strategy – Review compliance	Achieved
	Comply with Record Keeping Regulations	Ongoing
	Monitor and report employer performance	Achieved
<b>Additional Voluntary Contribution Providers</b>	Embed new processes for Scottish Widows	Achieved
	Implement changes to investment routes for Standard Life	Achieved
<b>Pension Fund Investment</b>	Review Strategic Asset Allocation in the context of the Investment Structure being offered by LGPS Central	Achieved
	Tender and appoint Performance Measurer	Achieved
	Continue to respond to and develop detailed pooling proposals with LGPS Central	Achieved
	Tender and appoint Independent Investment Advisor	Deferred



### SERVICE STANDARDS 2017/2018 as at 31 March 2018

% of procedures meeting standard (target 90%)



Page 25

Procedure

T 90% target met this month    
 ★ Maintained or improved standard compared to last year (or over 95%)    
 ↓ Lower standard than last year    
 ⊗ No cases processed so far this year    
 □ March 2018    
 ■ 2017/2018    
 ■ 2016/2017



Local Members Interest	
Nil	

**PENSIONS COMMITTEE – 15 JUNE 2018**

**Report of the Director of Finance & Resources**

**RISK REGISTER & RISK MANAGEMENT POLICY**

**Recommendations of the Chairman**

1. That the Pensions Committee notes the high level and emerging risks from the current Pension Fund Risk Register, as presented in Appendices 3 and 4 respectively.
2. That the Pensions Committee notes the content and recommendations of the Local Pensions Board review of the Pension Fund Risk Register, attached at Appendix 2. And considers asking the Local Pensions Board to continue to play an active role in the ongoing review process.
3. That the Pensions Committee approves the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 5

**Background**

4. CIPFA Guidance recommends the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management is being increasingly recognised as an element of good corporate governance and it is widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund. The Risk Register forms a key part of the Pension Fund’s Risk Policy, attached for approval by the Pensions Committee at Appendix 5.
5. At their meeting in July 2017, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and asked the Local Pension Board to undertake a detailed review of both the identified risks and the process for maintaining the Risk Register and report back on issues of areas of concern arising from such a review. It was also agreed that the Pensions Committee would continue to carry out an annual review of the high level and emerging risks identified from the then current Risk Register.

**Risk Register**

6. Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in several key documents, such as the Funding Strategy Statement and the Investment Strategy Statement.

7. The Risk Register brings together all of the Fund's risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration and Investment.
8. The detailed risk register matches high level risks, under each of the 4 areas of activity, to the Funds high level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a Red – Amber - Green (RAG) rating.
9. Controls that are currently in place to mitigate risks and additional sources of assurance are then taken into account to give a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.
10. Officers review the risk register every quarter, focusing in on the detail of one of the 4 areas, along with a review of any emerging risks. As part of their review, Members of the Local Pensions Board have attended the review meetings and taken an active role in the discussions. The Board's comments on the Risk Register and the review process are attached at Appendix 2. The Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

### **Summary and review of high level risks**

11. A summary of the high level risks associated with the objectives is attached at Appendix 3. This summarises the highest score of the detailed risks associated with each of the high level risks, and provides a summary of the controls and sources of assurance currently in place. This is intended to give the Committee an overview of the main risks the Pension Fund needs to consider and the controls in place to mitigate them.

### **Emerging risks**

12. As part of this annual review it was agreed that the Pensions Committee would review emerging risks to the Fund. It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. A number of transitional areas are reflected in Appendix 4; this provides more detail on the emerging risks perceived to be faced by the Pension Fund. The same scoring process and assignment of RAG ratings has been applied.

### **Risk Management Policy**

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



- Responsibility

The Risk Management Policy for the Staffordshire Pension Fund is attached for approval at Appendix 5.

**Andrew Burns**  
**Director of Finance and Resources**

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Contact: Melanie Stokes  
Head of Treasury & Pensions

Telephone No. (01785) 276330

Background Documents:

CIPFA-Managing Risk in the Local Government Pension Scheme,  
The Pensions Regulator Code of Practice,  
Staffordshire Pension Fund Investment Strategy Statement [ISS](#),  
Staffordshire Pension Fund Funding Strategy Statement [FSS](#).

## Appendix 1

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

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

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

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

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

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

### Report by the Pension Board to the Pensions Committee

#### Risk Register

##### Recommendations of the Pension Board

1. The Risk Register is a robust and comprehensive register of risks that faces the Pension Fund.
2. The procedure for reviewing the Register is carried out regularly with each risk being evaluated and updated as required.
3. The Officer Working Group that conduct these reviews have ownership of the individual risks and the whole Register and take their responsibility seriously.
4. The Pension Board recommends that the Register should include a time-tracked element such that an Audit Trail can be established of the ways in which risks change over time.
5. The Board also considers that there is value in attending to observe the Officer Working Group. The Board invites the Pension Committee to consider if they wish the Board to continue to carry out this, light-touch, scrutiny role.

#### Background

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

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

The Board, at its meeting of 16 March 2018, discussed its collective findings with officers and Ian Colvin from Hymans Robertson. The view of the Board is that the Risk Register is a robust and comprehensive appropriate approach to risk management, that the RAG rating is an understandable way to identify and categorise the risks.

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

The procedure for updating the Register is a regular, quarterly, officer working group. As the meeting progresses the individual risks are evaluated, updated and a new RAG rating assigned. The one concern that the Board has is that during the updating process the new RAG rating overwrites the previous RAG rating. The Board considers that these should be time-tracked in order to facilitate an audit trail of risk over time.

The Board also considers that there is value in attending to observe the Officer Working Group in order to regularly monitor the Register and raise concerns as and when necessary. This is unlikely to be an arduous task; it implies that each Board member would attend one officer meeting every 18 months. The Board invites the Pension Committee to consider if they wish the Board to continue to carry out this, light-touch, scrutiny role.



Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
<b>Governance</b>					
<b>1 To meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure</b>	<b>Failure to meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting</b>	12	Fund objectives are defined, reviewed annually and approved by Pensions Committee as part of a comprehensive Performance Management Framework which includes KPI's and Risk Register	Reports to Pensions Committee and Pensions Board, Total Performance Management Framework	9
<b>1.1 To ensure the Fund has an appropriate governance structure</b>	<b>Failure to have an appropriate Governance structure in place including appropriate policies e.g. Conflicts of Interest</b>	16	Governance is implemented in accordance with the Governance Policy Statement which sets out the roles and responsibilities of all parties. Officers monitor and are aware of changes to regulations.	Governance Policy Statement, Pensions Board, DCLG.	9
<b>1.2 To ensure that all Elected Members and officers have appropriate Knowledge and skills</b>	<b>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</b>	16	Adoption of CIPFA Training and Skills Framework, Training policy, Training Log	Training records log, Pension Board, Qualifications and experience of senior officers, MPCs, appointment process.	12
<b>1.3 To ensure the Fund has appropriate financial, investment and actuarial advice</b>	<b>Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisors</b>	12	Services of several advisors are procured, contracts in place and performance monitored.	Attendance and reports to Pensions Committee, Panel and Board. Procurement team and regulations.	12
<b>1.4 To ensure assets are safeguarded and properly accounted for and reported upon.</b>	<b>Failure to have appropriate custody arrangements in place for liquid markets and illiquid investments (Inc. property)</b>	12	Custodians with high credit ratings are in place, their records monitored against managers records. Stocklending subject to strict controls and reported to pensions panel.	Custodian agreements, Audit assurance, Collateral in place for all stocklending. Legal Services hold records (Property).	12
<b>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</b>	<b>Failure to publish all documents required by legislation including statutory accounts and annual report and key documents comprising Governance Strategy, ISS, FSS. Communications Policy</b>	12	Key documents list is maintained and all key documents are completed, reviewed regularly and published	Documents published, regulations, CIPFA guidance, TPR codes of practice, Pensions Board, Pensions Committee, Internal Audit, external audit	12
<b>1.6 To comply with all legislation relating to Local Government Pensions.</b>	<b>Failure to adhere to relevant statutory regulations including updates to LGPS</b>	12	Regular review and reporting of changes, training of staff and implementation of changes	Pensions Board, Pensions Committee, Audit and Audit report and LGA	8
<b>1.7 To ensure the Fund has a risk register that is comprehensive, linked to objectives and regularly reported and reviewed</b>	<b>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>	16	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.)	Risk register exists and is regularly reviewed and updated. Pension Committee report. Pension Board	9
<b>1.8 Participation in LGPS Central Pool of Funds</b>	<b>Failure of Pool to have proper Governance arrangements in place.</b>	12	Joint Committee, Shareholders Forum and Practitioners Advisory Forum exist, have clear terms of reference and defined membership. CIPFA guidelines.	Staffordshire members regularly attend meetings of Joint Committee, Shareholders Forum and Practitioners Advisory Forum, and that decisions are reported back to Pensions Committee.	4

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
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## Investment

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.	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	15	Strategic Asset Allocation is set to meet the assumptions used by the actuary. Ensuring the Actuary and Investment Consultant understand each others assumptions. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy. Use of Stabilisation policy	Pensions committee reports from Actuary and consultant. Pensions Board	8
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	The actual/ tactical investment strategy (determined by the Panel) fails to exceed the return of the neutral SAA	12	Actual/ tactical SAA position is monitored, updated and reported to Pension Panel quarterly. Performance measurer reports.	Pensions Panel receives quarterly SAA report/ Valuation. Pensions Board. Fund Performance report.	8
2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.	Failure of active managers to deliver outperformance (net of fees)	20	Active managers are appointed through robust competitive process. Their performance is regularly reviewed and reported to the Pension Panel and in the Annual Report. Termination of managers contracts is carefully considered and reported to Pensions Panel.	Consultant advice, manager meetings, Performance measurer, Panel reports, manager presentations.	12
2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	Failure to understand the relationships between asset classes, managers and their correlations to each other.	16	Asset class correlation, Managers strategies are understood to ensure overlap is minimised. This is understood by those responsible for the strategic asset allocation.	Quarterly strategic review, Consultant comments, Pension Panel, Pension Board	9
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	Failure to take account of RI factors in investment decisions	12	FRC UK Stewardship Code complied with. All fund managers signed up to UNPRI. RI report to Panel each quarter detailing managers voting and company engagement. Member of LAPFF and LGPS Central	Policy in ISS, Pension Board. Manager reports. Member of LAPFF	6
2.6 To minimise fee levels and total expense ratios consistent with performance targets i.e. active / passive	Failure to minimise manager fees and expenses commensurate with performance target	9	Competitive tender process, monitoring and benchmarking of fees. Transparent reporting of fees.	CEM benchmarking, Total expense ratio, Peer Benchmarking, CIPFA rules, Audit, Pension Committee, Pension Board, advisors views taken account of.	6
2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly	12	Cash flows of the fund are monitored and understood. The fund operates on a liability aware basis.	Actuarial Valuation, Quarterly change in the Funds liability benchmark are reported to the Pensions Panel.	9
2.8 Ensure the efficient transfer of assets to and set up of LGPS Central	Set up costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	16	Budgets in place and monitored, cost sharing mechanism in place, other members of staff aware how to do all roles and are aware of work of LGPS central. Transition plans, senior management of LGPS Central, Shareholders Forum, Joint Committee and Practitioner Forum.	Programme Board, Staff Strategy and planning meetings, Shareholders Forum, Joint committee and Practitioners Forum. Reports to Pensions Committee	16

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
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## Funding

3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term	Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term	16	Plan and monitor cashflows regularly, Appropriate Treasury management strategy, Treasury staff are qualified and trained, review of cashflows from actuarial valuation.	Cashflows exist and are monitored, Treasury Management Strategy report to Pension Panel, Audit, Actuarial valuation report to Pensions Committee	8
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	16	Actuarial Valuation by an independent Actuary, using prudent assumptions, monitoring of funding level in between valuations, Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions.	Actuarial report, No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis, Report to Committee, Pension Board, Pension Fund Annual Accounts, Funding Strategy.	6
3.3 To ensure the long term cost efficiency of the scheme	Failure to set contribution rates that ensure the long term cost efficiency of the scheme	16	Stochastic modelling of various financial scenarios demonstrates improved funding outcome from the valuation, Actuary certified funding strategy.	No issues identified by GAD, Funding Strategy Statement, Pension Board	6
3.4 It is desirable that contributions are as stable as possible	Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency)	16	Use of Stochastic models to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers;	12
3.5 It is desirable that contribution rates are affordable commensurate with risk and meeting the funding objective	Failure to set contribution rates that are affordable to employing bodies such that it disrupts their services or pushes them into receivership (commensurate with achieving solvency and long term cost efficiency)	16	Funding Strategy and Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions), Consultation with Employing bodies	Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Responses from employers to consultation on Funding Strategy.	12
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	Failure to identify, monitor and reflect the unique characteristics of employer's liabilities, for example maturity in setting contribution rates, including those employing bodies getting close to having no active members	16	Monitor data to ensure Actuary receives accurate scheme data, Report from the Actuary takes account employer characteristics	Reports produced for the Pensions Regulator, Actuarial statement of data quality and club VITA report, Acceptable Audit reports, Outcome and consistency of valuation reports	12
3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the Fund	Failure to protect the fund from an employer failing to pay any amounts due including contributions or cessation payments	16	Valuation identification, Covenant reviews, Bonds/Guarantees in admission agreements, Cessation valuations carried out whenever an employing body leaves the fund	Valuation risk analysis, Active member numbers reviewed annually, Standard Admission agreements include requirements for bonds/guarantees, Cessation valuation completed by Actuary.	16
3.8 To ensure ceding employers are protected from transfers	Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers	12	FSS includes appropriate policy on transfers out taking account of the existing funding level and amends transfer values accordingly	Documented in the Funding Strategy Statement	8
3.9 To ensure that the Strategic Investment Strategy meets the actuarial assumptions	Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term	0	SEE SEPARATE INVESTMENT SECTION	n/a	0

Objective	High Level Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
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## Administration

4.1 Deliver a consistently high level of performance and customer service	Failure to deliver a consistently high level of performance and customer service	20	Performance reports presented to Pensions Committee and in the Annual Report and compared with benchmarking comparisons, internal control systems, schemes of delegation, Appropriate staffing levels, internal data checks, Actuarial data checks, Finance system.	Pensions Committee, Pension Board, Internal and external Audit reports, Management review, Actuarial certification.	12
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	20	Aquilla Heywood AXIS / Altair system, Structured ICT control procedures, ICT control processes and mirror backup, schemes of delegation.	ICT audit reviews, Internal testing, Audit.	15
4.3 To Communicate to our key stakeholders in a clear informative style	Failure to Communicate to our key stakeholders in a clear informative style	12	There is a Communication strategy in place, Regular communications with employees, Web site for employers Employees, publicly available	Pensions Board / Committee reports Communications Strategy and regular review, All major communications subject to accessibility checks, Internal management review.	9
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	Failure to comply with regulatory codes of practice and legislation.	20	Internal technical specialists, guidance from professional advisers, local and national working group, Staff Training, leadership and management, Administration strategy, TPR requirements	Audit, Regular Altair software updates encompass most regulatory changes, Employer sanction process and TPR breach reporting, Management controls.	15



Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
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 integrate Climate change and the transition to low carbon economy into the investment portfolio.	12	LAPFF and fund managers liaise directly with companies on climate change issues	Member of LAPFF, Managers reports, officers looking at ET index analysis of carbon exposure, LGPS central will have a team looking at this area.	6
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 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	9	Budgets for operating costs are in place, monitored and there is a cost sharing mechanism in place.	Shareholders approve annual budget. Practitioners advisory forum of the pool monitor spend against budgets quarterly.	9
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Risk that the forecast savings from pooling do not materialise, impacting the performance of the fund.	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 forum.	Shareholders forum, LGPS central joint committee and practitioners forum. Savings are reported. CEM are in place for Benchmarking, ? (was Kass bank)	16
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	EU General data Protection Regulation, not being fully implemented in the administration of the Staffordshire Pension Fund.	16	Fund Officers continue to attend briefings and training and along with the assistance of the Information Governance Team ensure that the Fund has implemented the revised Data Protection Regulations.	Privacy statements and policies are in place from 25th May 18. Staff training delivered, and staff aware of key risks and sanctions (fines for breaches)	12
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	GMP reconciliation process may not be delivered by statutory deadlines due to resource clashes	6	Identify priorities and schedule work as appropriate	Project monitored and largely complete	4
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Several high level employer structure changes are occurring during 2018 which may impact on the sections service delivery capability	12	Identify priorities and schedule work as appropriate. Staff recruitment, consider bulk projects	Actuarial and legal advice, appropriate funding arrangements, staff are aware of changes	9
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Migration of Staffordshire Fire Pension Schemes to WYPF including parallel run of payrolls. Will impact on resources and will coincide with year end processes	12	Identify priorities and schedule work as appropriate	Heywoods doing much of the work, support from WYPF	6
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Work with and monitor JLT on backlog processing. Will require some resource from within the section. Performance and contract monitoring	12	Embed suitable process and control procedures with JLT and put in place regular catch up meetings	Samples being checked, more simple lower risk cases being undertaken, no set timescales, no transfer of monies	6
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Implementation of HEAT. Additional resources will need to be allocated to cover the processes going forward	12	Resource accordingly, work with hymans to ensure appropriate data capture	Hymans ongoing data checks and comparison against valuation and employer data submissions	4

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure of scheme employers to correctly use the i-Connect monthly upload or system failure of i-Connect	8	i-Connect self tests data before submission accepted. The Pensions Section will also carries out tolerance checks on data received. System failure is covered by the potential to reverse and retro load data if required.	Audit, inbuilt controls and tolerance checking.	4
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to comply with TPR CoP 14 and actuarial data quality requirements resulting in data issues at the 2019 scheme valuation	12	The section uses Heywoods (software provider) and Hymans (Actuary) data quality monitoring systems. A project in in place on the run up to the 2019 scheme valuation to ensure scheme data is compliant in all areas.	High TPR compliance score demonstrated by evaluation software	6
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	3.6 Failure to identify, monitor and reflect the unique characteristics of employer's liabilities for example maturity in setting contribution rates including those employing bodies getting close to having no active members	Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.	16	Covenant monitoring processto be put in place	annual review of employer covenants, Actuary, triennial valuation	16
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	4.4 Failure to comply with regulatory codes of practice and legislation.	LGPS regulation change May 2018, early release of deferred benefits. Processing and funding issues (see duplicated on funding tab)	15	Systems updated and adequate staff resource and training in place	KPIs maintained at previous levels	15
3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term	3.1 Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term	LGPS regulation change May 2018, early release of deferred benefits. Processing and funding issues (see duplicated on admin tab)	10	Factored in actuarial valuation	Actuarial valuation, HEAT	10
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	Failure to procure an Actuary to carry out an independent valuation of the Fund in accordance with regulations	15	Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.	Actuarial report produced by independent actuary, Pension Board	6
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Failure to have appropriate transition arrangements in place to ensure the continued security of assets and efficient and cost effective transfer of assets into LGPS Central.	20	Transition manager is appointed by partner funds	Procurement through LGPS transition framework. Custody records and investment team reconciliations	12
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Failure to maintain and monitor a breaches log	15	Breaches log exists and regular monitoring processed are in place and reviewed.	Pensions board monitor and Pensions officers review meetings	6



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

Staffordshire Pension Fund

# Risk Management Policy

Issue Date 1 July 2018

Review Date 30 June 2019

Version 1.0



## Risk Management Policy

### Introduction

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

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

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

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

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

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

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

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

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

objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

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

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

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

## Aims

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

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

## Risk measurement and management

### Identifying Risks

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

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

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

- Funding
- Administration
- Governance
- Investment

The Pension Fund has a set of high level objectives which cover all key aspects of the Fund under each of these areas. The greatest risks to the Fund are therefore those associated with not meeting the high level objectives. The risk register details the risks associated with not achieving the Fund's objectives as a series of sub risks against those high level objectives. This ensures a comprehensive coverage of all areas of the Fund.

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

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

### Management and reporting of the Risk Management

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

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

The Risk Register is a standing item on the Local Pensions Board (LPB) agenda with one of the 4 key areas of activity being reviewed by the LPB, in detail at each of their meetings. This coincides with the Officers reviews. The LPB work with Officers, as required, to drill down into the detailed risks and gain an understanding of the controls in place and the various sources of assurance. Any areas of concern are brought to the attention of the Committee at their next meeting. An annual review of high level risks, is undertaken by the Pensions Committee, irrespective of the work of the LPB.

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

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

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

The Administering Authority's internal audit team review the Fund's processes, including Governance, Administration and Investments, taking into account the associated risks and analysing the controls in place. They give an opinion to Officers of the Fund as to the effectiveness of current controls and advise on any improvements required.

## **Responsibility**

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

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

### Further Information

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

Melanie Stokes – Head of Treasury and Pensions

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DRAFT



Local Members Interest	
Nil	

**PENSIONS COMMITTEE – 15 JUNE 2018**

**Report of the Director of Finance and Resources**

**TRAINING PLAN & TRAINING POLICY**

**Recommendation of the Chair**

1. That the Pensions Committee;
  - (i) note the results of the Training Needs Analysis (TNA) at Appendix 2 in relation to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and note the 2018/19 Training Plan in paragraph 6; and
  - (ii) approve the Staffordshire Pension Fund’s Training Policy attached at Appendix 3.

**Background**

2. Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, requires that trustees of occupational pension Schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits.
3. At their meeting on 8 December 2017, the Pensions Committee reaffirmed their commitment to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and the adoption of a high level Training Plan covering the 8 key knowledge areas of the CIPFA KSF. For reference, these are listed below:
  - Pensions Legislative
  - Pensions Governance
  - Pensions Administration (Local Pensions Board only)
  - Pensions Accounting and Auditing Standards
  - Pensions Services, procurement and relationship management
  - Investment performance and risk management
  - Financial markets and products knowledge
  - Actuarial methods, standards and practices
4. Committee Members also agreed to complete a Training Needs Analysis (TNA) assessing their perceived knowledge against the 8 key areas. As one would expect, there are differences in individual Members’ knowledge but based on the responses received (c50%) then as a collective the Committee is well on its way to having a basic understanding in terms of their knowledge across the 8 key areas. This is not unreasonable given the relatively short tenure of several new Committee Members. The collective summary results of the TNA for the Committee and for the Local Pension Board are provided in Appendix 2. This

information will be used to inform the delivery of general and specific more targeted training going forwards and will be reviewed again in 2019.

## 2018/19 Training Plan

6. Training for Pensions Committee Members in 2018/19 is planned to consist of a number of elements. Some of these are in response to the results of the TNA and some are dictated by the areas that need to be focused on in the short to medium term e.g 2019 Actuarial Valuation. As with all training plans, some flexibility in terms of times and methods of delivery will be required:
  - Portfolio Evaluation Limited – will deliver just in time training at this Committee on **Performance Measurement**;
  - 13 July 2018 - CEM Benchmarking will be talking about **Cost Benchmarking** and the Local Authority Pension Fund Forum (LAPFF) and Legal and General Investment Management (LGIM) will discuss their roles in delivering the Fund's policy on **Responsible Investment**;
  - Hymans Robertson will attend the September Pensions Committee to help review **Funding Objectives** and at the December and March Committees will consider the **2019 Actuarial Valuation**;
  - October – December 2018 – Local Government Association offer 3 day **Pensions Fundamentals** training; and
  - 16 November 2018 – Hymans Robertson will prepare Members to review the Fund's **Strategic Asset Allocation (Investment Strategy)** and explain how this links to the **Funding Strategy**.
7. Members, who have not already done so, may also wish to have a look at the Pension Regulators toolkit. This is an online training programme covering many of the key areas of the CIPFA KSF (with the main exception being investments). This can be accessed by following the link below:  
<https://trusteetoolkit.thepensionsregulator.gov.uk/>

## Training Policy

8. As with all areas of Pensions, it is considered to be best practice and demonstrate good governance to set out the Pension Fund's attitude towards the Training, of all individuals charged with the oversight of the Fund, by having a policy on such. The Staffordshire Pension Fund's Training Policy is attached at Appendix 3 for approval.

**Andrew Burns**  
**Director of Finance and Resources**

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Contact                      Melanie Stokes  
Telephone No.           (01785) 276330

Background Documents: CIPFA Knowledge and Skills Framework

## Appendix 1

1. **Equalities Implications:** There are no direct equalities implications arising from this report.
2. **Legal Implications:** There are no direct legal implications arising from this report.
3. **Resources and Value for Money Implications:** The resource and value for money implications are embodied within the report.
4. **Risk Implications:** The risk implications are dealt with in the body of the report
5. **Climate Change Implications:** There are no major climate change implications arising from this report.
6. **Health Impact Assessment screening** – There are no health impact assessment implications arising from this report.

## Appendix 2

On a scale from 1 to 5 where:

1 = No knowledge

2 = Limited knowledge and understanding

3 = Basic understanding

4 = Broad ability to comprehend and apply knowledge

5 = Sound understanding and ability to ask challenging questions

Area of Knowledge		Average score out of 5	
		<b>Pensions Committee</b>	<b>Local Pension Board</b>
<b>1. Pensions Legislation</b>			
1.1	A general understanding of the pensions legislative framework in the UK.	3.00	3.50
1.2	An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	2.50	3.50
1.3	An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	2.50	2.83
1.4	A regularly updated appreciation of the latest changes to the scheme rules.	2.50	3.00
		2.63	3.21
<b>2. Pension Governance</b>			
2.1	Knowledge of the role of the administering authority in relation to the LGPS.	3.00	3.50
2.2	An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	2.63	3.50
2.3	Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	2.50	3.67
2.4	Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	3.13	3.67
2.5	Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	2.38	3.50
2.6	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	2.00	4.00
2.7	A detailed knowledge of the duties and responsibilities of pension board members.	2.75	4.17
2.8	Knowledge of the stakeholders of the pension fund and the nature of their interests.	2.75	3.50
2.9	Knowledge of consultation, communication and involvement options relevant to the stakeholders.	2.50	3.83
2.10	Knowledge of how pension fund management risk is monitored and managed.	3.13	3.50
2.11	Understanding of how conflicts of interest are identified and managed.	2.88	3.50
2.12	Understanding of how breaches in law are reported.	3.25	4.00
		2.74	3.69

3. Pensions Administration			
3.1	An understanding of best practice in pension's administration, eg performance and cost measures.	3.00	3.17
3.2	An understanding of the required and adopted scheme policies and procedures relating to: <ul style="list-style-type: none"> <li>• Member data maintenance and record-keeping processes</li> <li>• Internal dispute resolution</li> <li>• Contributions collection</li> <li>• Scheme communications and materials</li> </ul>	2.63	3.50
3.3	Knowledge of how discretionary powers operate.	2.50	2.67
3.4	Knowledge of the pension's administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	3.00	2.83
3.5	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	2.50	2.00
3.6	An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	2.50	2.83
		2.69	2.83

4. Pensions accounting and auditing standards			
4.1	Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	2.63	3.17
4.2	Understanding of the role of both internal and external audit in the governance and assurance process.	3.00	3.50
4.3	An understanding of the role played by third party assurance providers.	2.50	3.00
		2.71	3.22

5. Pensions services procurement and relationship management			
5.1	Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	2.75	3.00
5.2	A general understanding of the main public procurement requirements of UK and EU legislation.	2.88	3.00
5.3	Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	2.63	2.83
5.4	An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	3.00	3.50
		2.81	3.08

6. Investment performance and risk management			
6.1	Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	2.75	3.50
6.2	Awareness of the Myners principles of performance management and the approach adopted by the administering authority.	2.25	3.33
6.3	Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	2.38	2.67

2.46	3.17
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7. Financial markets and products knowledge			
7.1	Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).	3.13	3.50
7.2	Understanding of the role of these asset classes in long-term pension fund investing.	3.13	3.50
7.3	Understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	3.00	3.33
7.4	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pensions fund and the nature of the associated risk.	2.88	3.50
7.5	An understanding of the limits placed by regulation on the investment activities of local government pension funds.	2.75	2.83
7.6	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	2.13	2.50
		2.83	3.19

8. Actuarial methods, standards and practices			
8.1	A general understanding of the role of the fund actuary.	2.88	3.50
8.2	Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	2.75	3.50
8.3	Awareness of the importance of monitoring early and ill health retirement strain costs.	3.00	3.50
8.4	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	3.13	3.67
8.5	A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	2.63	2.83
8.6	A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	2.63	2.67
		2.83	3.28

#### Average Combined Score by segment (Low to High)

6. Investment performance and risk management	2.70
3. Pensions Administration	2.74
1. Pensions Legislation	2.82
4. Pensions accounting and auditing standards	2.88
5. Pensions services procurement and relationship management	2.90
7. Financial markets and products knowledge	2.96
8. Actuarial methods, standards and practices	2.98
2. Pension Governance	3.04



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



# **Staffordshire Pension Fund**

## **Training Policy**

Issue Date            1 July 2018

Review Date           30 June 2019

Version 3



## Introduction

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

It sets out the arrangements for the training and development of:

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

## Legislation

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

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

Accordingly, the Pensions Committee have agreed to adopt the CIPFA Knowledge and Skills Framework.

## Aims and objectives

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

- Over 100,000 current and former members of the Fund;
- Over 300 employers in the Fund; and
- Local tax payers.

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

- Those persons charged with the financial management and decision-making with regard to the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based; and
- Members of the Local Pensions Board have sufficient knowledge and understanding to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the LGPS and/or any failure to meet the standards and expectations set out the Regulators Codes of Practice.

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

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



- CIPFA Technical Knowledge and Skills Framework for Local Pension Boards;
- CIPFA Finance Knowledge and Skills Framework;
- Public Service Pensions Act 2013
- The Pensions Regulator's (TPR) Codes of Practice for Public Service Schemes.
- Local Government Pension Scheme (LGPS) Pension Board Guidance

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

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

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

### Areas of knowledge and understanding required

The core technical requirements for those working in public sector finance are:

#### **Pensions Legislation**

To have a working knowledge of the Local Government Pension Scheme regulatory and legislative frameworks and discretionary policies.

#### **Public Sector Pensions Governance**

To understand elements of the governance structure, including the role of the Local Pension Board.

#### **Pensions Administration**

To understand the requirements of the scheme's interactions with members in this complex area and assist the Scheme Manager to ensure compliance with the regulations.

#### **Pensions Accounting and Auditing Standards**

To understand the way pension funds are accounted for and the audit and reporting requirements.

#### **Pensions Services Procurement and Relationship Management**

To gain an understanding of the procurement rules for the public sector and the different delivery models available for Pension fund investment and administration services.

#### **Investment Performance and Risk Management**

To gain an understanding of investment risks and performance.

#### **Financial Markets and Product Knowledge**

To understand how the Fund manages its investment portfolio to ensure that this is done effectively.

#### **Actuarial methods, Standards and Practices**

To understand the work of the actuary and the way in which actuarial information is produced.

## Degree of knowledge and understanding required.

All Committee, Panel, Local Pension Board members and officers must have a knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to a degree appropriate for them to be able to carry out their role, responsibilities and duties.

## Acquiring, reviewing and updating knowledge and understanding

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

Newly appointed Committee, Panel and Local Pension Board members should be aware that their legal responsibilities and duties as a member of those bodies begin from the date they take up their post. They should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. *The Pension Regulator's Code of Practice No:14 Governance and Administration of Public Service Pension Schemes (2015)* clearly states these requirements.

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

## Training Plan

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

Training will be delivered through a variety of methods including:

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

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

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

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

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

## Key risks

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

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

## Reporting

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

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

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

## Costs

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

## Further Information

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

Melanie Stokes - Head of Treasury and Pensions,  
Staffordshire County Council, 2 Staffordshire Place, Tipping Street, Stafford, ST16 2DH

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

Telephone: (01785) 276330



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