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Pensions Committee

Thursday, 27 September 2018
10.00 am
Oak Room, County Buildings, Stafford

John Tradewell
Director of Strategy, Governance and Change
19 September 2018

A G E N D A

PART ONE

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 15 June 2018** (Pages 1 - 8)
4. **Minutes of the Pensions Panel meeting held on 5 June 2018** (Pages 9 - 10)
5. **Appointment of Union and Small Employer Representatives for the Pensions Committee**
Oral update of Director of Finance and Resources
6. **Pension Fund Annual Report and Accounts 2017/18** (Pages 11 - 134)
Report of the Director of Finance and Resources
7. **Review of Governance Policy Statement and Communications Policy** (Pages 135 - 172)
Report of Director of Finance and Resources
8. **LGPS Central Limited Annual Report 2018** (Pages 173 - 200)
Report of LGPS Central Limited

9. Exclusion of the Public

The Chairman to move:

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

PART TWO

10. **Exempt minutes of the meeting held on 15 June 2018** (Pages 201 - 204)
(Exemption paragraph 3)
11. **Exempt minutes of the Pensions Panel meeting held on 5 June 2018** (Pages 205 - 212)
(Exemption paragraph 3)
12. **LGPS Regulations - Admission of New Employers to the Fund** (Pages 213 - 218)
(Exemption paragraph 3)

Report of the Director of Finance and Resources

13. **LGPS Central Update**
(Exemption paragraph 3)

Oral update of the Chair of Pensions Committee and Director of Finance and Resources

14. **Member Training in preparation for the 2019 Actuarial Valuation**
(Exemption paragraph 3)

Training to be delivered by Hymans Robertson

Membership

Ben Adams	Peter Noskiw (Co-Optee)
Philip Atkins, OBE	Bob Spencer
Nigel Caine (Co-Optee)	Mike Sutherland
Derek Davis, OBE	Stephen Sweeney
Ann Edgeller (Vice-Chairman)	Martyn Tittley
Colin Greatorex (Chairman)	Kevin Upton (Co-Optee)
Phil Jones (Co-Optee)	Vacancy (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 15 June 2018

Attendance	
Ben Adams	Peter Noskiw (Co-Optee)
Derek Davis, OBE	Mike Sutherland
Ann Edgeller	Kevin Upton (Co-Optee)
Colin Greatorex (Chairman)	

Also in attendance: Ian Jenkinson and Christina Washington (Pensions Board Members).

Apologies: Philip Atkins, OBE, Bob Spencer, Stephen Sweeney and Martyn Tittley.

PART ONE

1. Declarations of Interest

The following Members declared an interest in accordance with Standing Order 16.5:-

Member	Minute Nos.	Interest	Reason
Ben Adams	6	Personal	Friend of Philip Jones
Derek Davis	6	Personal	Friend of Philip Jones
Mike Sutherland	6	Personal	Friend of Philip Jones

2. Minutes of the meeting held on 16 March 2018

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 16 March 2018 be confirmed and signed by the Chairman.

3. Appointment of Pensions Panel

RESOLVED – That the following members be appointed to serve on the Pensions Panel for the 2018/19 municipal year:

- Philip Atkins
- Derek Davis
- Colin Greatorex
- Mike Sutherland
- Stephen Sweeney

4. Minutes of the meeting of the Pensions Panel held on 6 March 2018

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 6 March 2018 be noted.

5. Staffordshire Pension Fund Investment Performance 2017/18

The Committee received a presentation by Nick Kent from Portfolio Evaluation Limited (PEL) on the Staffordshire Pension Fund investment performance for 2017/18. They noted that:

- The Fund has outperformed its benchmark over the one, three, five year and ten year periods.
- Markets have provided high returns over the medium term due to, in part, sterling depreciation, Brexit, global economic growth and QE.
- The Fund has underperformed the average for the PEL Local Authority Average over the one and three year periods but has outperformed over the five and ten year periods; the longer term being a more appropriate period over which to measure consistent investment performance. The Fund has also achieved this with less risk than the average.
- The marginal outperformance in 2017/18 was as a result of all primary asset classes outperforming (except for Property and UK equities) via stock selection. The two highest contributors were the Private Equity portfolio, and Global Equities via the outperforming JP Morgan portfolio. Bond assets also contributed positive excess, generated by the outperformance of the Insight Corporate Bond portfolio.
- Total risk remains low and active risk is at a level that is consistent with the structure of the Fund. Risk has remained stable over the year.

In response to a question from Mr Adams in relation to the low yields from European Equities over the period, the Director of Finance and Resources indicated that approximately 8% of the Staffordshire Pension Fund was invested in European Equities. Mr Adams also asked whether comparisons were made in respect of regional returns (i.e. North America, Europe etc) to the market (as shown in PEL presentation). In response, the Director indicated such comparisons were not normally made as the Fund invested in equities globally but that such information could be made available to Members.

In response to a question from Mr Greatorex concerning the impact on markets of the cessation of quantitative easing (QE), Mr Kent indicated that Japan, the UK and the US had already ended their QE purchases, while Europe was in the process of winding theirs down. The large unknown was seen to be when Central Banks begin to unwind their QE purchases over the coming years.

Mr Jenkinson indicated that he had found the presentation very useful and that, in his view, the performance information presented at the quarterly Pensions Panel meetings meant that decisions on investments were evidence based and that in acting in this way the Fund demonstrated it was well managed.

In response to a question from Mr Adams about the Fund's performance compared with other local authority funds, Mr Kent indicated that whilst other Funds had out-performed the Staffordshire Fund, this may be due to the fact that they had a higher allocation to equities, which had performed extremely well over the last 3 years. They may have also had a higher risk profile. The Director of Finance and Resources added that Funds within LGPS Central shared information about Strategic Asset Allocation in an effort to learn from best practice.

RESOLVED - That the presentation on Pension Fund investment performance 2017/18 be noted.

6. Pensioner Representative for the Pensions Committee

The Committee received a report of the Director of Finance and Resources concerning the appointment of a non-voting co-opted representative on the Pensions Committee representing Retired Pension Scheme Members (the Pensioner Representative).

They were informed that the position had been vacant for some time now following the appointment, illness and subsequent resignation of the previous representative in 2016. 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. 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. It was recommended to the Committee that the position of non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be offered to Mr Philip Jones.

The Committee were also informed of the recent resignation of Sue Insull and Geoff Locke who served as co-opted members on the Committee. The Director of Finance and Resources added that arrangements would be made to recruit to the two vacant positions on the Committee.

RESOLVED – (a) That 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), be approved.

(b) That the recent resignation of Sue Insull and Geoff Locke be noted and that the Committee's thanks be extended to them for the valuable contribution they had made whilst serving as co-opted members on the Committee.

7. Pensions Outturn Business Plan 2017/18

The Committee received a report of the Director of Finance and Resources concerning the final outturn position for the financial year together with a summary of the key achievements against the 2017/18 Business Plan.

The report covered a range of issues including:

- Key achievements during 2017/18
- Performance Standards

- Ongoing workloads and the potential impact on Performance Standards
- Pensions Administration Team – Staffing
- Pensions Investment Team
- Pension Fund Budget and Costs
- Cost Benchmarking

The Committee were informed that the final position against the Plan showed that the majority of planned activities had been achieved or were in progress. Of those in progress, some were classed as 'business as usual' activities and these together with several other 'development' activities had been carried forward into the 2018/19 Business Plan.

RESOLVED – That the outturn position of the Staffordshire Pension Fund Business Plan 2017/18 be noted and approved.

8. Risk Register & Risk Management Policy

The Committee received a report of the Director of Finance and Resources concerning the Fund's Risk Register and Risk Management Policy.

They were informed that CIPFA Guidance recommended the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management was being increasingly recognised as an element of good corporate governance and it was widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund.

At its 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. Mr Jenkinson indicated that the Board had now completed that work and were of the view that the Risk Register was a robust, comprehensive and appropriate approach to risk management, and that the RAG rating was an understandable way to identify and categorise the risks. The Board also considered that the Officer Working Group managed the whole process through an appropriate procedure, had ownership of both the individual risks and the whole register and took their responsibility seriously. He added that the Board was content to continue to scrutinise the risk register process if the Committee so wished. Mr Greatorex expressed his thanks to the Board for their work on the scrutiny of the risk register process.

The Committee considered a summary of the high level risks associated with the Fund's objectives together with the controls and sources of assurance currently in place. This was intended to give the Committee an overview of the main risks the Pension Fund needed to consider and the controls in place to mitigate them.

The Committee were also informed that the Pension Regulator's Code of Practice recommended that a Pension Fund had a Risk Management Policy in place to cover key areas such as:

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

The proposed Risk Management Policy for the Staffordshire Pension Fund was considered by the Committee.

Mr Adams enquired as to who raises with the government the pensions implications of changes to public organisations such as local government reorganisation. In response, the Director of Finance and Resources indicated that the Local Government Association and the scheme actuaries of the various funds tended to be the leading bodies in raising such matters with central government.

RESOLVED – (a) That the high level and emerging risks from the current Pension Fund Risk Register, as presented in Appendices 3 and 4 to the report respectively, be noted.

(b) That the content and recommendations of the Local Pensions Board review of the Pension Fund Risk Register, attached at Appendix 2 to the report, be noted and that the Local Pensions Board be requested to continue to play an active role in the ongoing review process.

(c) That the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 5 to the report, be approved.

9. Training Plan & Training Policy

The Committee received a report of the Director of Finance and Resources concerning the Training Plan and Training Policy for Members of the Committee.

They were informed that Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, required 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. At their meeting on 8 December 2017, the 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:

- 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

Committee Members had also agreed to complete a Training Needs Analysis (TNA) assessing their perceived knowledge against the 8 key areas. As one would expect, there were differences in individual Members' knowledge but based on the responses received (c50%) then as a collective the Committee was well on its way to having a basic understanding in terms of their knowledge across the 8 key areas. The Director of Finance and Resources indicated that this was not unreasonable given the relatively short tenure of several new Committee Members.

Training for Pensions Committee Members in 2018/19 was planned to consist of a number of elements. Some of these were in response to the results of the TNA and some were dictated by the areas that needed 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 would be required but an outline of the proposed training was as follows:

- 15 June 2018 - Portfolio Evaluation Limited to deliver just in time training on Performance Measurement;
- 13 July 2018 - CEM Benchmarking to talk about Cost Benchmarking; and the Local Authority Pension Fund Forum (LAPFF) and Legal and General Investment Management (LGIM) would discuss their roles in delivering the Fund's policy on Responsible Investment;
- Hymans Robertson to attend the September Pensions Committee to help review Funding Objectives and at the December and March Committees to consider the 2019 Actuarial Valuation;
- October – December 2018 – Local Government Association offer 3 day Pensions Fundamentals training; and
- 16 November 2018 – Hymans Robertson to prepare Members to review the Fund's Strategic Asset Allocation (Investment Strategy) and to explain how this linked to the Funding Strategy.

The Director added that any Member who had not already done so, may also wish to have a look at the Pension Regulators toolkit. This was an online training programme covering many of the key areas of the CIPFA KSF (with the main exception being investments).

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 Committee considered the Staffordshire Pension Fund's Training Policy.

RESOLVED – (a) That the results of the Training Needs Analysis (TNA) (Appendix 2 to the report) in relation to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and the 2018/19 Training Plan (set out in paragraph 6 to the report), be noted.

(b) That the Staffordshire Pension Fund's Training Policy (Appendix 3 to the report), be approved.

10. 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:

- 11. Exempt minutes of the meeting held on 16 March 2018**
(Exemption paragraph 3)
- 12. Exempt minutes of the meeting of the Pensions Panel held on 6 March 2018**
(Exemption paragraph 3)
- 13. LGPS Regulations - Admission of New Employers to the Fund**
(Exemption paragraph 3)
- 14. LGPS Central**
(Exemption paragraph 3)

Chairman

Minutes of the Pensions Panel Meeting held on 5 June 2018

Attendance

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

Also in attendance: Corrina Bradley (Observer) and Tim Legge (Observer) and Paul Potter (Hymans Robertson).

Apologies: Carolan Dobson (Independent Adviser), Colin Greatorex, Graeme Johnston (Hymans Robertson) and David Thomas (Independent Adviser).

PART ONE

1. Declarations of Interest

There were no declarations of Interest on this occasion.

2. Minutes of meeting held on 6 March 2018

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 6 March 2018 be confirmed and signed by the Chairman.

3. Pension Fund Performance and Portfolio of Investments as at 31 March 2018

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 March 2018.

The Panel were informed that the Fund had a market value of £4.8 billion as at 31 March 2018; the highest reported at a financial year end. Over the quarter the Fund returned -2.9%, slightly outperforming its strategic performance benchmark by 0.1%. The best performing asset classes relative to their benchmarks were the global equities and the alternatives portfolios. Underperformance in bonds and emerging markets were the biggest detractors from performance.

The Panel were also informed that the Fund had outperformed its strategic performance benchmark in the 1, 3, 5 and 10 year time periods. Annualised returns over both 3 and 5 years were in excess of 8% 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 March 2018 be noted.

4. Dates of Future Meetings

- 4 September 2018
- 4 December 2018
- 5 March 2019

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

The Panel were also informed of a joint training event for members of the Pensions Committee and Pensions Board which was to be held on Friday, 13 July 2018.

5. 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:

6. Exempt Minutes of the Meeting held on 6 March 2018

(Exemption paragraph 3)

7. Pension Fund Performance and Manager Monitoring for the quarter ended 31 March 2018

(Exemption paragraph 3)

8. Pooling of LGPS Investments

(Exemption paragraph 3)

9. Strategic Benchmark Review and Monitoring

(Exemption paragraph 3)

a) Economic and Market Update

b) Review of Position as at 30 April 2018

10. Property

(Exemption paragraph 3)

11. Responsible Investment (RI) Report Quarter 1 2018

(Exemption paragraph 3)

12. Manager Presentation - JP Morgan Asset Management (Global Equities)

(Exemption paragraph 3)

13. Manager Presentation - Longview Partners (Global Equities)

(Exemption paragraph 3)

Chairman

Local Members Interest	
Nil	

PENSIONS COMMITTEE – 27 SEPTEMBER 2018

Report of the Director of Finance and Resources

Staffordshire Pension Fund Annual Report and Accounts 2017/18

Recommendation of the Chairman

1. That the Pensions Committee approve the Staffordshire Pension Fund Annual Report and Accounts 2017/18, enclosed as **Appendix 2**, noting the external auditor's statement on page 79.
2. That the Pensions Committee note the separate report (ISA260) from the Fund's external auditors, Ernst and Young (EY) entitled; Staffordshire Pension Fund Audit Results Report for the Year ended 31 March 2018, attached as **Appendix 3**.

Background

3. Under Regulations, the Pension Fund has to publish an annual report which includes the accounts. The external auditors are also obliged to issue a statement on the accounts.
4. The Pension Fund accounts are included within the County Council's Statement of Accounts. As a result, EY reported the outcome of their audit to the County Council's Audit and Standards Committee on 30 July 2018.
5. Since then, EY have reviewed a draft copy of the Pension Fund Annual Report and Accounts and issued a statement, which is included on page 79 of the annual report.
6. EY's statement on the Pension Fund accounts confirms that they are consistent with those included within Staffordshire County Council's Statement of Accounts for the year ended 31 March 2018. It also states the accounts were properly prepared in accordance with accounting standards.

Andrew Burns
Director of Finance and Resources

Contact : Satwinder Chandla
Telephone No. (01785) 276519
Background Documents: None

Appendix 1

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

Legal implications: These have been addressed in the report.

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

Risk implications: There are no direct 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.

Staffordshire Pension Fund

Annual Report

and Accounts 2017/18



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Apedale Quarry Monument

Latitude: N - 53° - 1m - 52.519s
Longitude W - 2° - 16m - 22.956s

Welcome

It gives us great pleasure to present the Annual Report and Accounts for the financial year ended 31 March 2018 for the Staffordshire Pension Fund.

The Staffordshire Pension Fund administers the Fund on behalf of over 400 different employers and once again we are most grateful to the Pensions team for the efficient service they have provided to all of our employers and their continued professionalism in maintaining the highest standards of service to our scheme members.

The Pensions Team is continually striving to provide the best 'customer' experience for all of our scheme members, whether they are current contributing employees, deferred members awaiting payment of their benefits from a future retirement date or retired members in receipt of their pension benefits. The Fund is working hard to promote the online self-service facility - 'my pension ONLINE' which enables our members to access their pension information through a secure portal from the comfort of their own home or workplace. With the ever evolving Local Government Pension Scheme and the need to communicate information and updates to our members and employers alike, we are keen to encourage greater use of our online facility going forward.

The Investment Team has been working hard to complete the day job as well as help set up the new regional pool 'LGPS Central', where Staffordshire are one of the 8 Partner Funds. Launching on 3 April 2018, LGPS Central



Philip Atkins, OBE
Chairman
(Pensions Panel)



Colin Greatorex
Chairman
(Pension Committee)

Ltd made significant progress during the year and achieved regulatory authorisation from the Financial Conduct Authority (FCA).

LGPS Central has already made an initial transfer of Partner Fund assets and is aiming to deliver savings in excess of £250m over the next 16 years.

The Local Pensions Board, established in accordance with the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme (LGPS) continues to operate. The Board consists of 6 members, 3 from our employer base and 3 from the membership side.

The Board is non- executive and its purpose is to assist the administering authority in securing compliance with the increasingly complex LGPS Regulations, other legislation relating to the governance and administration of the scheme and requirements imposed by the Pensions Regulator.

A link to the Board's annual report can be found on page 7.

We also wish to thank the members of the Pension Committee, Pensions Panel and to the Director of Finance and Resources and his staff for their invaluable contributions to the work of the Fund during the year.

Fund Governance

Governance

Staffordshire County Council is legally responsible for the Staffordshire Pension Fund. Managing the Fund's affairs effectively is one of our main aims. Under the County Council's constitution, the Pensions Committee and Pensions Panel are delegated to look after the Fund. As a result of the Public Service Pensions Act 2013, a Local Pensions Board was also set up to aid effective governance. Details of the three bodies follow.

Pensions Committee

The main tasks of the Pensions Committee are to:

- decide the overall funding strategy
- decide how much of the Fund should be shared out between different types of assets and which countries they should be invested in
- make sure that the Fund invests in different kinds of assets to spread the risk
- review investments to make sure they are suitable for the needs of the Fund
- agree the terms under which bodies (for example, contractors) will be allowed to join the LGPS
- approve the Pension Fund Annual Report and Accounts
- monitor the overall administration of the LGPS

Pensions Committee council members at 31 March 2018



Ben Adams



*Philip Atkins,
OBE*



*Derek Davis,
OBE*



*Ann Edgeller
(Vice Chair)*



*Colin Greatorex
(Chair)*



Bob Spencer



Mike Sutherland



Stephen Sweeney



Martin Tittley

During the course of 2017/2018 the Pensions Committee:

- granted approval for the Staffordshire Pension Fund to elect up to professional client status under the Second Markets in Financial Instruments Directive (MiFID II) regulations
- formally approved the 2016/2017 Pension Fund Annual Report and Accounts
- reviewed the Pension Fund Business Plan Outturn for 2017/2018 and approved the Pensions Fund Business Plan for 2018/2019
- noted and approved amendments made to the Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS)

Involving others in governance

As well as the nine council members shown, the Pensions Committee also has non-voting co-opted members. Co-opted members represent the Pensions Consultative Forum, which is made up of representatives from all organisations that are members of the Fund.

Representatives for 2017/2018 are shown below with who they represent.

Nigel Caine (Larger Public Bodies)

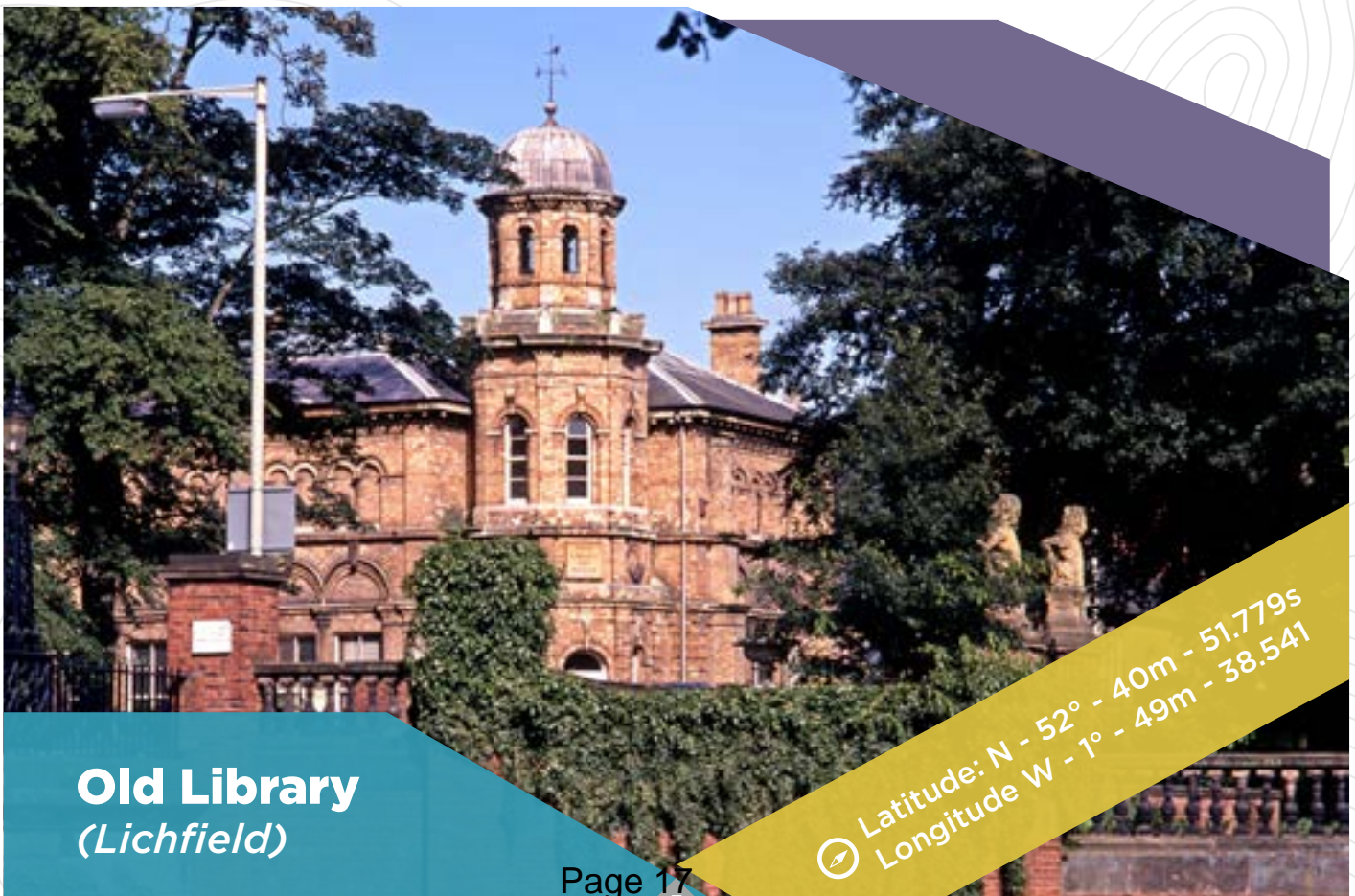
Sue Insull (Trade Unions)

Geoff Locke (Other Scheduled Employers)

Peter Noskiw (Education Sector)

Kevin Upton (Admitted Bodies)

Vacant (Pensioner Representative)



Old Library
(Lichfield)

Latitude: N - 52° - 40m - 51.779s
Longitude W - 1° - 49m - 38.541

Pensions Panel

The Pensions Panel assists the Pensions Committee. The Pensions Panel's main tasks are to:

- decide the appropriate structure of the Funds investments and appoint appropriate investment managers
- co-ordinate the activities of the various investment managers to reflect the overall aims of the Fund
- monitor how the investment managers perform against their investment targets

The Director of Finance and Resources is responsible for managing the Fund's investments on a day to day basis, in line with the decisions of the Pensions Panel.

Pensions Panel Council members at 31 March 2018



*Philip Atkins,
OBE (Chair)*



Derek Davis, OBE



Colin Greatorex



Mike Sutherland



*Stephen
Sweeney*

Advisor members:

*Carolán Dobson
(Independent
advisor)*

*Graeme Johnston
(Hymans Robertson)*

*David Thomas
(Independent
advisor)*

The Pensions Panel during 2017/2018:

- reviewed and monitored the Pension Fund performance and quarterly Portfolio of Investments
- approved the 2018/2019 Annual Investment Strategy for managing the Pension Fund's cash
- received presentations from various investment managers
- received updates on the pooling of LGPS investments
- approved new investments in Private Equity and Private Debt funds

Local Pensions Board

The main purpose and role of the Local Pensions Board is to:

- assist the County Council as the administering authority, to secure compliance with all regulations related to the governance of the LGPS
- help ensure the Fund is managed and administered effectively and efficiently
- ensure the Fund complies with the Code of Practice issued by the Pensions Regulator

Local Pensions Board members at 31 March 2018

Employer representatives:

Gordon Alcott -Cannock Chase District Council
 Corrina Bradley-Staffordshire Fire and Rescue (Vice Chair)
 Christina Washington -St Bart's Multi-Academy Trust

Scheme Member representatives:

Ian Jenkinson- Retired Scheme Member (Chair)
 Tim Legge- Retired Scheme Member
 Kate Salter - Trade Union Official

The Local Pensions Board during 2017/2018:

- reviewed Pensions Committee and Pensions Panel meetings held during the year
- considered the governance of the Risk Register which included members attending the Risk Committee Working Group
- received a presentation on the new General Data Protection Regulation (GDPR) from the Director of Finance and Resources.
- produced their own Annual Report. The full report which covers the last financial year is available by following the attached link:



[Pension Board Online](#)

The Executive Summary from the Report is provided below:

"The opinion of the Board is that they currently have no concerns about the Staffordshire Pension Fund, its administration or the LGPS Central arrangements."

Ian Jenkinson – Chair of the Staffordshire Pensions Board



More details of the responsibilities of the Pensions Committee, the Pensions Panel and the Local Pensions Board are set out in our Governance Policy Statement which is available on our website at www.staffspf.org.uk. The Governance Policy Statement also contains the 'Statement of Compliance'. This is our assessment of how the Fund's governance arrangements compare to nine best practice principles set by the government.



The Roaches



Latitude: N - 53° - 10m - 16.716s
Longitude E - 1° - 59m - 59.855s

Meeting Attendance

The table below sets out the attendance at the various quarterly meetings in 2017/2018.

Pensions Committee Member	16/06/2017	20/10/2017	08/12/2017	16/03/2018
Ben Adams	✓	✓	✓	✗
Philip Atkins, OBE	✗	✗	✓	✓
Derek Davis, OBE	✗	✓	✓	✓
Ann Edgeller	✓	✓	✓	✓
Colin Greatorex	✓	✓	✓	✓
Mike Sutherland	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓
Martin Tittley	✗	✓	✗	✗
Bob Spencer	N/A	N/A	N/A	N/A
<i>Co-opted members</i>				
Nigel Caine	N/A	N/A	✗	✗
Sue Insull	✓	✓	✗	✗
Geoff Locke	✗	✓	✓	✓
Peter Noskiw	✗	✓	✗	✗
Kevin Upton	N/A	✓	✓	✓

Pensions Panel Member	06/06/2017	05/09/2017	05/12/2017	06/03/2018
Philip Atkins, OBE	✓	✗	✓	✓
Derek Davis, OBE	✓	✓	✗	✓
Mike Sutherland	✓	✓	✓	✓
Stephen Sweeney	✓	✓	✓	✓
Colin Greatorex	N/A	N/A	N/A	N/A
<i>Advisors</i>				
Carolyn Dobson	✗	✓	✓	✓
Graeme Johnston	✓	✗	✓	✓
David Thomas	✓	✓	✓	✓

Pensions Board Member	07/07/2017	20/10/2017	08/12/2017	16/03/2018
Gordon Alcott	✓	✓	✓	✓
Corrina Bradley	✗	✓	✗	✓
Christina Washington	✓	✗	✓	✓
Ian Jenkinson	✓	✓	✓	✓
Tim Legge	✗	✓	✓	✓
Kate Salter	N/A	N/A	N/A	N/A

n/a = not a member at the time of meeting.

Administration and Investments

The Director of Finance and Resources, the Head of Treasury and Pensions and their staff are responsible for the administration and accounting functions that relate to the investments of the Fund. Details of all transactions carried out by the Funds investment managers are collected and examined.

Together they are also responsible for all administration related to recording each member's years of service, working out benefits and paying pensions.

The Director of Strategy, Governance and Change is responsible for providing legal advice.



Andrew Burns
(Director of Finance and Resources)



Melanie Stokes
(Head of Treasury & Pensions)

Advice

The Pensions Committee and Pensions Panel take advice from the Director of Finance and Resources and consultants appointed by the Pensions Panel, including a main investment consultant and two independent advisors. The performance of the consultants is reviewed annually.

Training

The Pensions Committee have adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework for training members and officers. The training addresses 6 areas of knowledge:

- Legislative and governance
- Accounting and auditing
- Financial Services, procurement, and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

During the year the Pensions Committee and Pensions Board received training covering most of these areas. This included training on the roles and responsibilities of Committee and Board members (Legislative and governance) and on the LGPS Investment Framework (Investment performance and risk management).

Communication

The Fund produces a Communications Policy that it reviews annually and is available at www.staffspf.org.uk

Full details on how the Fund communicates with its members are available on page 33.



Risk management

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 (known as Monte Carlo Simulation). 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 considered to deliver returns that are commensurate with the risk and 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.

Risks are reported to the Pensions Committee/Panel as part of routine reporting. However, there is a separate risk register, which has been developed to categorise risk across 4 main areas of focus: **Funding, Administration, Governance** and **Investment**. Some key risks from each of the areas, and the way in which they are mitigated, are highlighted in the following paragraphs.

Funding

- **Inflation** - Future payments the Fund has to make to pensioners are linked to inflation. Therefore increases in the rate of inflation will increase the value of payments to pensioners. The Fund invests in assets, such as index linked gilts, which are linked to inflation. This reduces risk as it matches the return on these assets to actual increases in inflation.
- **Longevity** - Future life expectancy is an area which is difficult to forecast accurately but, as people are living longer, the cost to the Fund of paying their pensions increases. The Fund has made assumptions on longevity with allowances for future increases. The Fund Actuary also has access to information on the experiences of other local authority pension funds. A substantial portion of this risk has been transferred to employees under changes to the scheme made in 2014, which links the scheme retirement age to state pension age.
- **Changes in the maturity profile of the Fund** - The Fund will mature as the ratio of pensioners and deferred pensioners to active employees increases. This is growing as an issue as a result of structural changes affecting employers in the Fund. Over time it is possible to amend the investment strategy to better match this change but it may result in higher contribution rates for Fund employers.

Administration

- **Maintaining an appropriate level of staffing and resources** - This risk is managed by monitoring workloads and benchmarking staff numbers. Management also hold performance conversations and monitor customer feedback results and complaints.
- **Maintaining complete and accurate records** - Risks are mitigated through the use of internal contribution control and financial systems. Other controls include actuarial data checks, record keeping checks and actuarial calculations.

Governance

- **Structure** - The Fund must demonstrate key principles of accountability and transparency through clear responsibilities and reporting and an appropriate governance structure. To manage this, the Fund's objectives are defined, reviewed annually and approved by Pensions Committee as part of a comprehensive performance management framework which includes KPI's and review of the Risk Register. Reports on governance arrangements are presented at the Pensions Committee and Local Pensions Board.
- **Training** - Elected Members and Senior Managers need to have the required skills and qualifications to perform their function effectively, and be supported by an ongoing programme of training. This is promoted by the adoption of the CIPFA Training and Skills Framework, the use of a Training Policy and Training Log. Assurance is given by review of the training records log, the Local Pensions Board, the qualifications and experience of senior officers, performance meetings with staff and through the appointment process.
- **Advice** - The Fund needs to have proper arrangements to receive appropriate financial, investment and actuarial advice in order to make the best possible decisions. This risk is managed by procuring the services of several advisors who attend and report to the Pensions Committee, Pensions Panel and Local Pensions Board, advising them on key decisions.

Investments

- **Investment in equities** - A large proportion of the Fund is invested in equities which are expected to provide better returns than government bonds over the long term. The risk with this strategy is that equity values fall significantly in the short term and they fail to outperform bonds in the long term. This risk is managed through reliance on the funding strategy which monitors the positive cash flows of the Fund and the long term covenant of the main employing bodies. This then allows the Fund to take a long-term investment perspective and maintain a high exposure to equities which, over time are expected to deliver better financial returns.
- **Interest rates** - Changes in interest rates will affect the level of the Fund's liabilities and the value of the Fund's investment in bonds. Little can be done in relation to the change in liabilities; this is a fundamental part of having a Pension Fund. To mitigate the risk of capital loss on bonds from interest rate changes, the Fund's strategic asset allocation allows scope to adjust the bond exposure, should it be necessary.
- **Pension Fund investment managers underperform their target benchmarks** - As the majority of the Fund is invested through external investment managers, this risk is partially managed by keeping a substantial share of the Fund invested passively and by ensuring that the active managers have complementary styles. Each manager has an investment management agreement in place which sets out the relevant investment benchmark, investment performance target, asset allocation ranges and any investment restrictions. This constrains the investment managers from deviating significantly from the intended approach, while permitting sufficient flexibility to allow the manager to reach their investment performance target. All this is allied to regular monitoring.

In terms of investment risks, the Pensions Committee receives an annual report from the Fund's independent performance measurer to show both performance and risk, where risk is measured as the variability of returns, both against liabilities and against equity or other benchmarks. The Pensions Panel receives reports which monitor such risks quarterly.

Scheme management and advisors

Advisors

Carolán Dobson BSc, MSII
David G Thomas BSc, FIA
Hymans Robertson LLP

Actuary

Hymans Robertson LLP

Auditors

Ernst & Young LLP

AVC providers

Clerical Medical/Scottish Widows
Standard Life Assurance Ltd
The Equitable Life Assurance Society

Bankers

Lloyds Bank plc

Custodian

The Northern Trust Company

Investment managers

Aberdeen Standard Investments
Alcentra Limited
Capital Dynamics Ltd
Colliers International UK plc
Goldman Sachs Asset Management
Harbourvest Partners LLC
Hayfin Capital Management

Highbridge Capital Management
Insight Investment
JP Morgan Asset Management
Knightsbridge Advisors LLC
Lazard Technology Partners LP

Legal & General Investment Management (LGIM)

Longview Partners Limited
Partners Group LP

Russell Investments Limited

Legal adviser

John Tradewell, LLB, MBA
Director of Strategy, Governance and Change
LGPS Central Limited

Official responsible for the Fund

Andrew Burns BSc (Hons), FCPFA, MBA
Director of Finance and Resources

Performance measurement

Portfolio Evaluation Ltd

**If you need more information,
you can find contact names and
phone numbers on page 81.**

Investment Report

Global economic review

During the 2017/18 financial year, there was an upsurge in growth in the global economy. The pick-up in growth was largely broad based, led by the US with further upside surprises in Asia and Europe. The notable exception was the UK where growth was suppressed due to Brexit concerns.

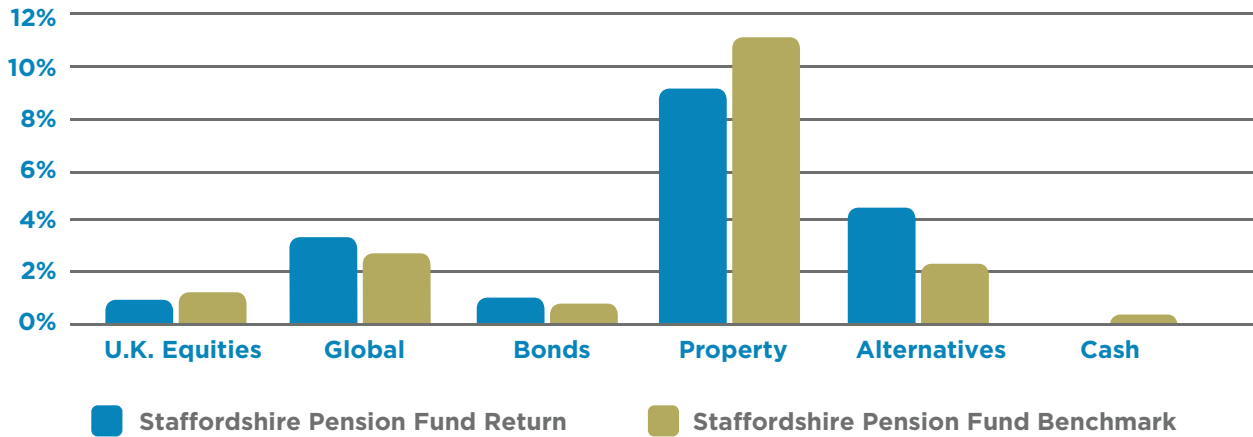
During the first quarter of 2017/18 the MSCI World Index increased by 4%. In the US, record highs were achieved by Wall Street, despite the Federal Reserve increasing interest rates to 1.25% in June and with the unpredictability of President Trump's governance. In the UK, the Conservatives held a snap election in June, hoping an increase in their majority would make Brexit negotiations in Parliament easier. However the Labour party increased their parliamentary seats instead, as the election resulted in a hung parliament. Despite some volatility in the markets, the FTSE continued to perform well overall. Meanwhile increased growth in Europe led to the European Central Bank indicating they were considering raising interest rates going forward.

In the second quarter global equities posted further strong gains. US equities continued to record new highs, unhindered from uncertainty in rising tensions with North Korea and the devastation caused by hurricanes Harvey and Irma. On the back of healthier economic figures, both the Federal Bank and the European Central Bank looked to reduce their respective quantitative easing programmes; the prospects for a tightening of monetary policy caused both the dollar and euro to rise during this period. Buoyed by global growth, UK inflation reached 2.9% in August causing the Bank of England to communicate a rise in Bank Rate was likely; sterling strengthened against the dollar in September.

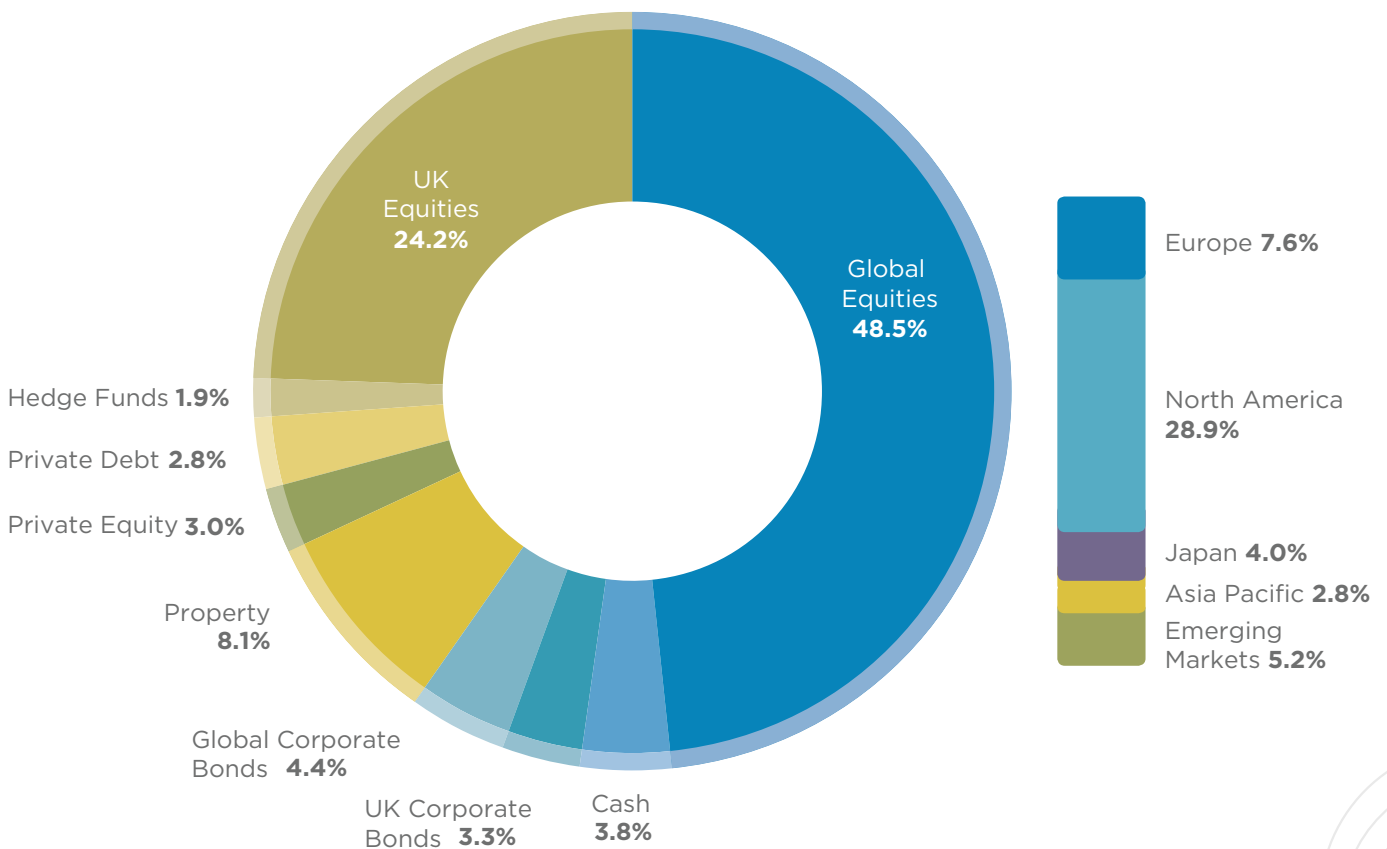
The third quarter of the financial year saw global equity markets end on a strong note as many indices reached all-time highs. Global markets rallied after the US government approved the tax reform bill which is expected to stimulate growth. In the UK, the FTSE 100 ended the year at its highest ever level, whilst Brexit negotiations progressed to the future of trade arrangements. In November, the Bank of England raised interest rates for the first time since 2007, as inflation breached its upper target. In Europe, data indicated the Eurozone economies were continuing to recover although there was some political uncertainty as coalition government talks broke down in Germany and a regional election in Catalonia failed to resolve their independence issue.

Global equities started strongly in the final quarter of 2017/18 but then suffered increased volatility with concerns over the effects of higher interest rates in the US and escalating tensions over US-China trade sanctions. UK equities performed poorly as sterling strengthened, supported by expectations that the Bank of England could increase Bank Rate faster than previously anticipated. Further progress was made with Brexit negotiations with initial agreement on the transition period after the UK formally leaves the EU in March 2019. Eurozone equities suffered in line with the concerns over global growth and were further impacted by the uncertainty following the lack of a clear winner in the Italian general election.

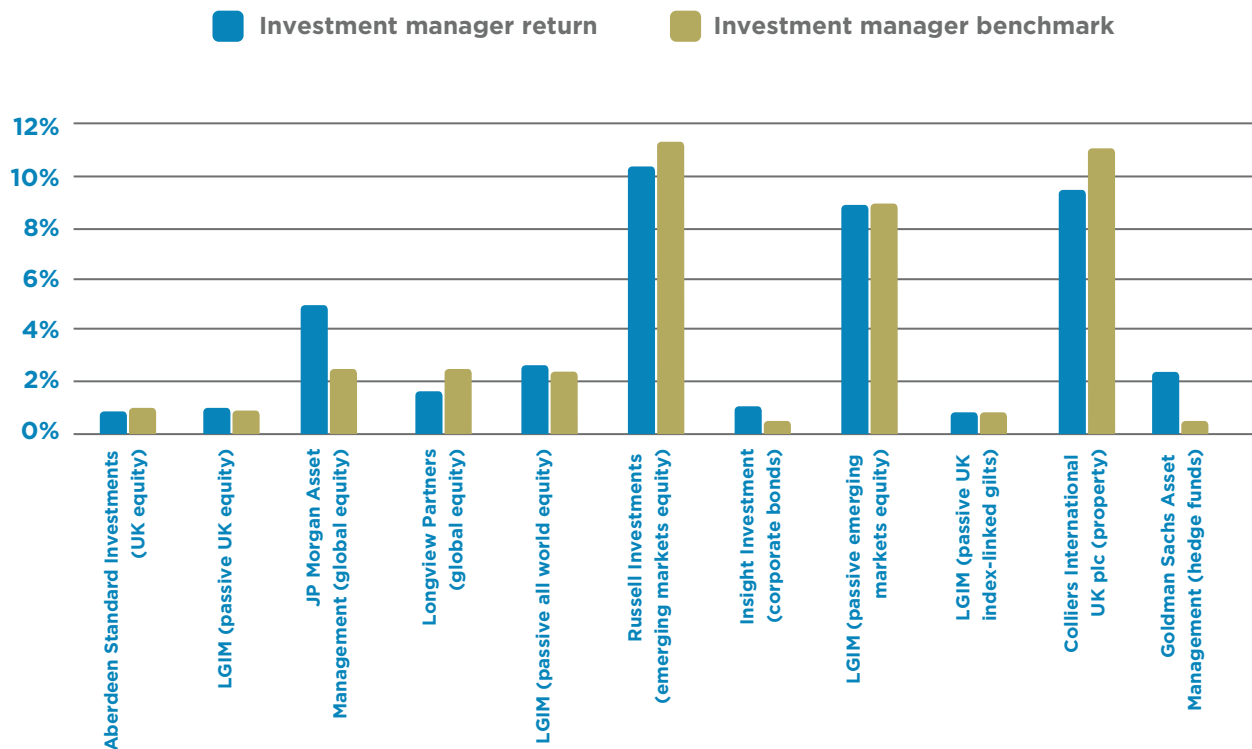
Major asset class returns for year ended 31 March 2018



Percentage breakdown by investment type at 31 March 2018



Investment manager returns for the year ended 31 March 2018



Equities

Equity assets generated steady returns during 2017/18, with the Funds equity portfolio returning 2.9% against a benchmark of 2.4%; within this global equities returned 3.4% and UK equities 1.0% (see graph on page 15). Although the Fund's equity assets performed better against the benchmark, they did not generate the highest returns for the Fund, mainly because of the significant declines in equity markets in the final quarter of 2017/18.

Global equities performed better than UK equities during the year, with stable returns across all markets. The Emerging markets performed the best with returns of 10.6%, followed by Japan (7.5%), Europe (ex UK) (3.9%) and Asia Pacific (2.6%). North America returned 1.8% and UK 1.0%.

Top Ten Equity Holdings

Company	Market value at 31 March 2018
Prudential plc	£13,545,518
Rio Tinto Group	£12,686,887
Shire Plc	£12,202,077
Pfizer Inc.	£11,135,201
HCA Healthcare	£11,049,825
Vodafone Group	£10,776,942
Apple Inc.	£10,723,901
Lloyds Banking Group	£9,519,719
WW Grainger Inc.	£9,381,834
FIS Global Inc.	£8,546,727



Mow Cop Castle



Latitude: N - 53° - 6m - 47.01s Page 29
Longitude E - 2° - 12m - 51.651s

Bonds

During 2017/18 the Fund's overall bond holding returned 1.0%, exceeding the benchmark return of 0.7%.

The Fund continued its strategy of not holding conventional UK Government bonds as their valuations remained at a premium.

The Fund had previously reinvested in Corporate Bonds on a 'buy and hold' strategy where bonds would be held to maturity with limited trading taking place. In June 2016 the Pensions Panel agreed to change to an 'evergreen' policy where cash from maturing bonds is reinvested back into bonds, helping to limit the build-up of a cash surplus in the Fund. Corporate bonds returned 1.0% during the year, an improvement against a benchmark of 0.4%.

The Fund also holds an investment of index-linked Gilts with £75m added to the portfolio during the year. As these are passively held they returned the same as the benchmark.

Property

The Fund's total property investment return for 2017/18 was 9.5%, the highest returning asset class for the Fund, though lower than the benchmark of 11.3%.

All property sectors in the UK produced positive returns with the industrial sector providing the highest returns at 21.6%. At 31 March 2018, the property portfolio had a 19.5% weighting in the Industrial sector.

During the year, the Fund did not make any purchases or sales in its direct property portfolio. However it did add to its indirect property investments by committing £10m to a new fund, the Hearthstone Residential Fund.

Largest direct property holdings

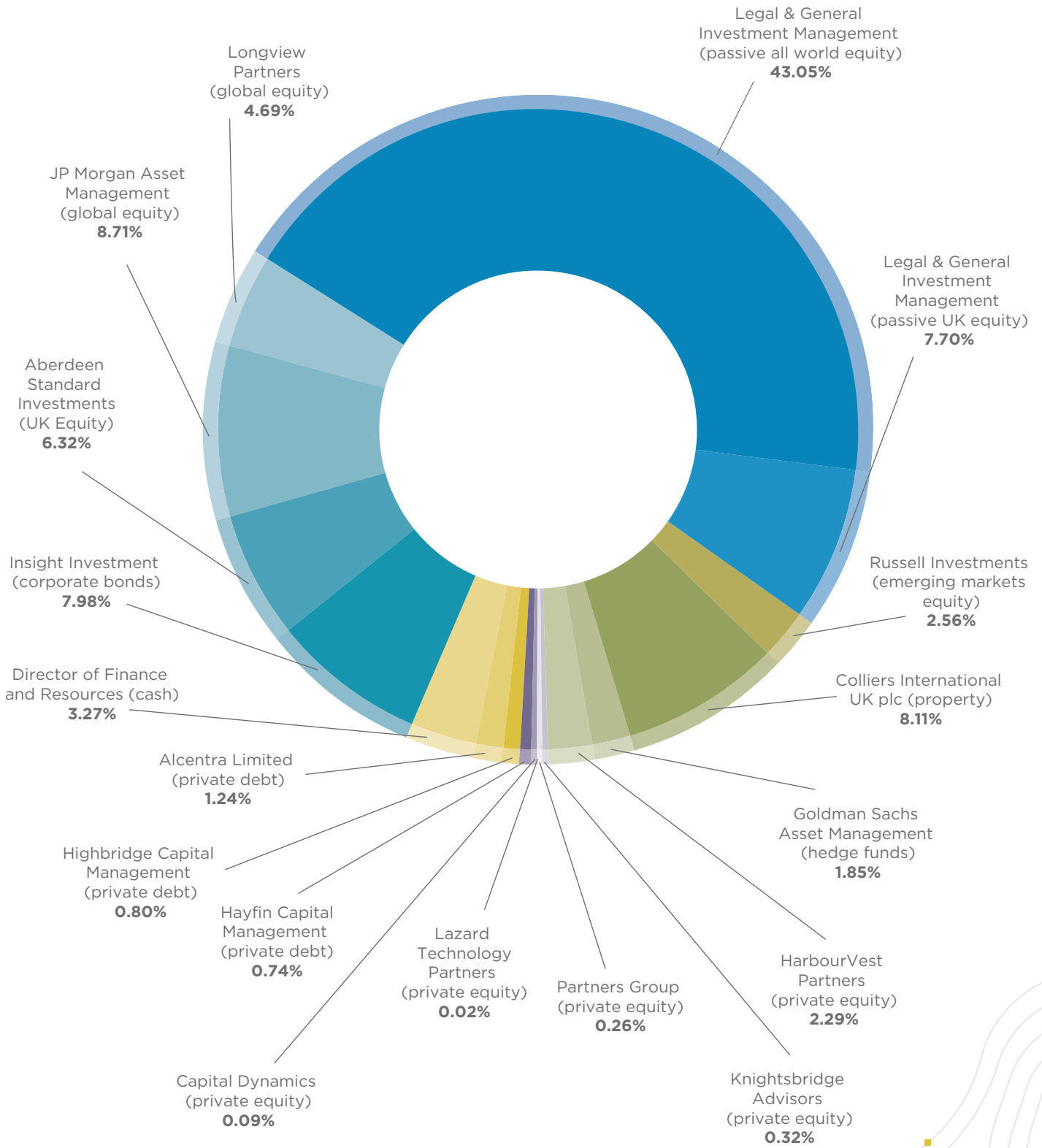
Company	Market value at 31 March 2018
Upper Woburn Place, London, WC1	£30,600,000
Stukeley Street, London, WC2	£22,800,000
Burwood House, London, SW1	£22,650,000
Old Jewry, London, EC2	£20,200,000
Drum Industrial Estate, Chester-Le-Street, DH2	£19,600,000
Grosvenor Street, Edinburgh, EH12	£19,000,000

Alternative investments

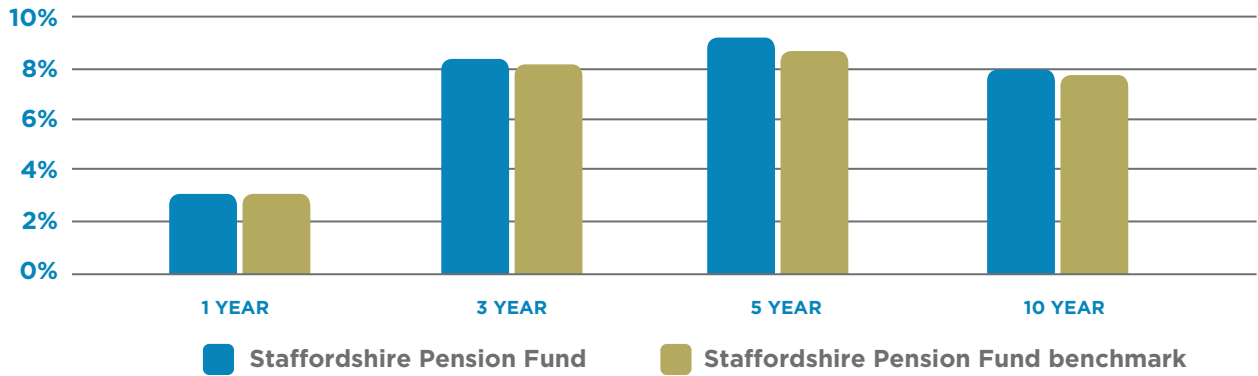
The Fund invests in Alternatives investments for diversification as they potentially provide a return uncorrelated to equities, which make up a high proportion of the Fund's investments.

The market for alternative assets is diverse and depending on asset class and manager selection, investors can be rewarded with varying returns. The Fund's investment in alternative assets returned 4.6% in 2017/18, well in excess of a benchmark of 2.1% (see graph on page 15). Within this asset class, Private Equity performed well with returns of 9.6%, driven in part by the low value of sterling. Hedge Funds returned 2.3%, whilst Private Debt did not see any return during the year as the asset class was new and only a small portion of the Fund's commitment had been drawn down.

How much of the investments each manager looks after (by market value at 31 March 2018)

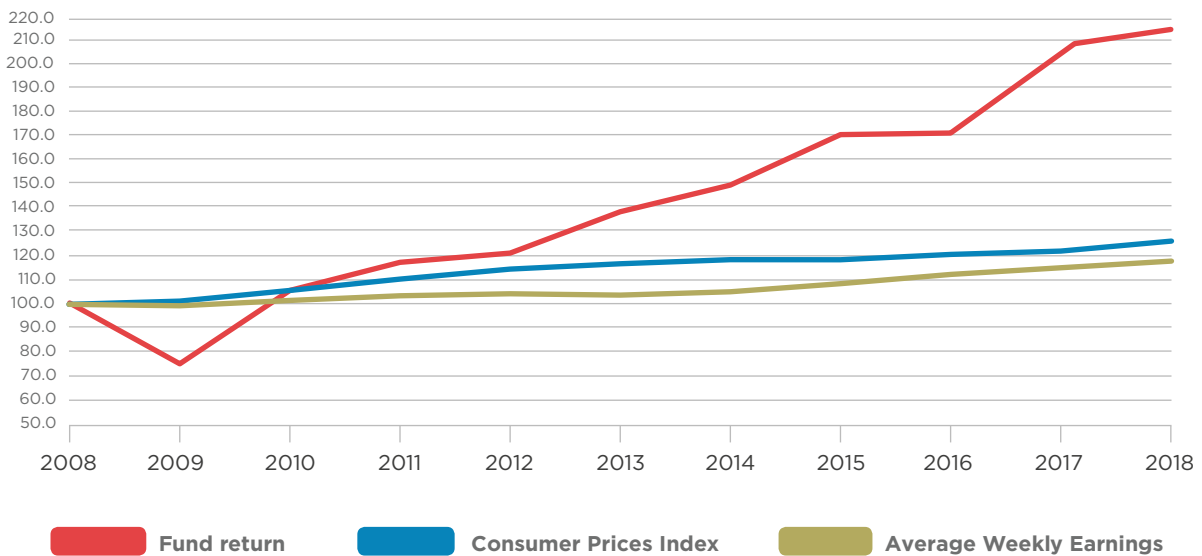


Pension Fund investment returns



For the year ending 31 March 2018, the Fund’s total investments earned a return of 3.1%. This outperformed the Fund’s benchmark by 0.1% and increased the Fund value to £4,775m. All primary asset classes had significant positive returns for the year. The above graph shows how the Fund has outperformed its own benchmark over the 1, 3, 5 and 10 year periods.

10 year investment performance versus inflation and earnings

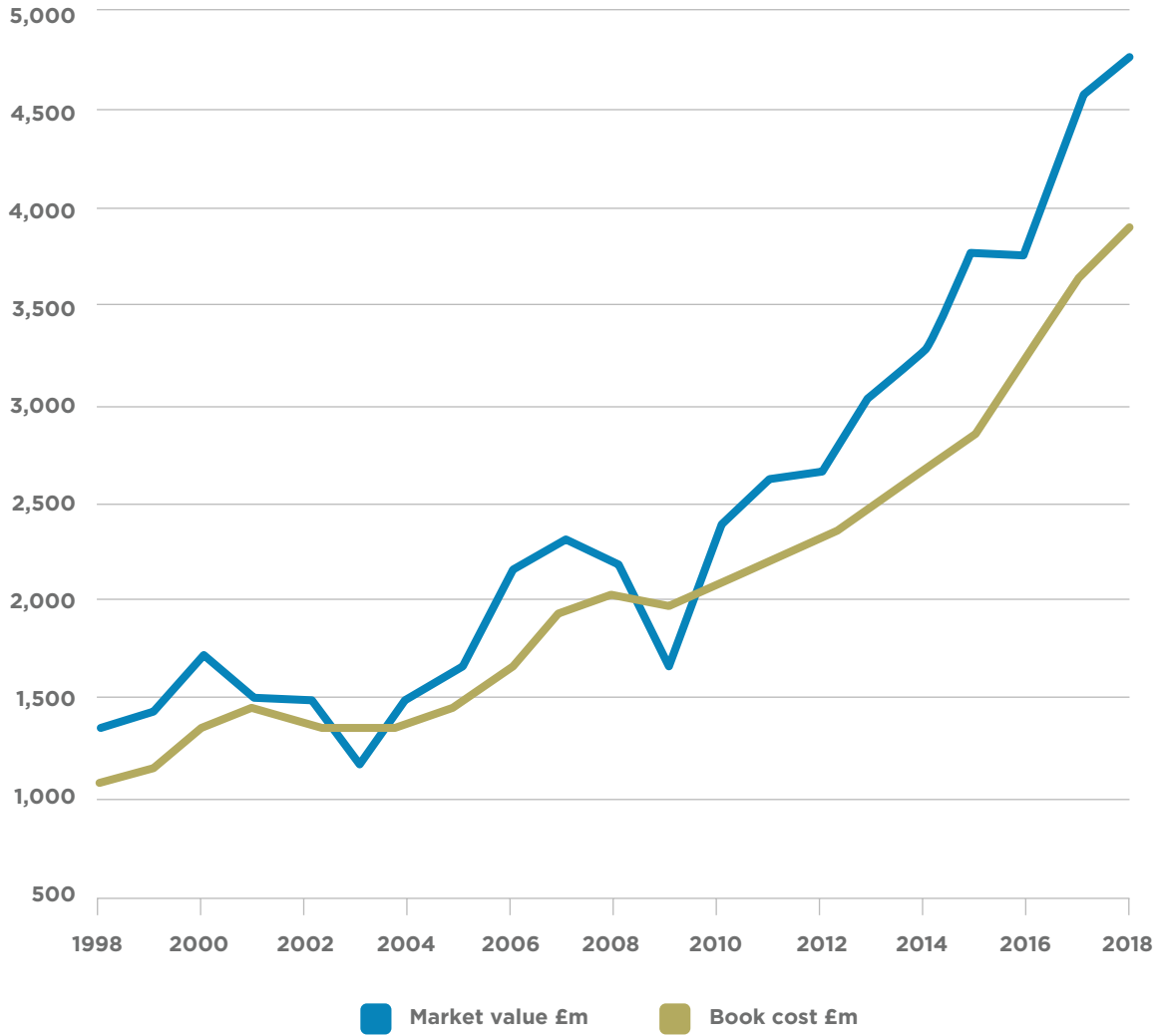


The graph above compares the Fund return over the past 10 years against inflation, in the form of the Consumer Prices Index, and Average Weekly Earnings. The value of all three measures was indexed to 100 at 31 March 2008 and revalued at 31 March every year thereafter.

It can be clearly seen that the Fund has performed well and significantly outperformed the other two measures over the past decade, bar the dip in 2009 attributed to the financial crisis during that year.

Market Value versus book cost

The graph below shows the market value of the Fund over the past 20 years against its book cost (what we paid for the assets). The graph shows the effect of the 2008/09 financial crisis on the market value of the Fund and the strong performance since.



Responsible Investment report 2017/2018

The Pensions Panel recognises its role in promoting Responsible Investment (RI) and endorses the United Nations Principles of Responsible Investing (UNPRI). The Fund's equity managers are encouraged to sign up to the UNPRI to ensure they incorporate Environmental, Social and Governance (ESG) issues into their investment process. Currently all of the Funds equity managers are signatories to the UNPRI.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016, require the Pension Fund to have an Investment Strategy Statement (ISS). An ISS must make reference to the way in which the authority takes RI into account in the selection, non-selection, retention and realisation of investments. The Staffordshire Pension Fund's ISS was revised to better reflect RI arrangements for asset pooling and approved at Pensions Committee in March 2018. The ISS is available on the Pension Fund website www.staffspf.org.uk.

As per the 2016 regulations, the Pension Fund is now a signatory to the Financial Reporting Council's UK Stewardship Code and has been categorised as a Tier 1 signatory (providing a good quality and transparent description of their approach to stewardship). The Fund's Statement of Compliance with the UK Stewardship Code is available on the Pension Fund's website www.staffspf.org.uk.

Currently all of the Fund's equity managers are signatories of the UK Stewardship Code. Individual investment manager's RI policies, their statements of compliance with the UK Stewardship code and the UNPRI, are also available on the Staffordshire Pension Fund website. www.staffspf.org.uk.

Local Authority Pension Fund Forum

To further enhance the commitment to matters of responsible investment the Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 77 LGPS funds with total assets under management of over £230bn. Formed in 1990 the forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting social responsibility and high standards of corporate governance at the companies in which they invest.

You can find more about LAPFF at their website www.lapfforum.org

During the year LAPFF engaged with a variety of companies. Below is a selection of issues they engaged on to promote RI:

- LAPFF raised cybersecurity at the SSE AGM, asking for greater detail on how SSE and its customers would be protected from system failures and attacks on their network. The Chairman of SSE confirmed they would need to tighten up in this area and were now classifying cybersecurity as a separate risk in the in risk register with a higher level of priority.
- In November 2017, LAPFF issued its Climate Change Investment Policy Framework to help member funds in their approach to the risks and opportunities from the impact of climate change. The framework also provides practical guidance for considering climate risk in investment strategy for funds.

- On human rights, LAPFF enquired about BHP Billiton's operational risks in joint ventures, specifically in relation to the Samarco mine in Brazil, where a dam collapsed killing 19 people. The Chairman of BHP responded by stating more resources had been added to deal with such projects and that they would now be complying with the International Council on Mining and Metals (ICMM). In addition, senior leadership were open in discussing how joint ventures were structured and governed.

Annual voting summary

The Pensions Panel receives quarterly updates from investment managers on details of votes cast on corporate resolutions for holdings in their relevant portfolios. Below is a summary of their activity in 2017/2018. The managers quarterly voting summaries can be obtained by contacting the Treasury and Pension Fund team at: treasury.pensionfund@staffordshire.gov.uk or 01785 276330.

	Total resolutions	Vote with management	Votes against management	Abstain	Not voted
JP Morgan	3,321	2,995	303	21	2
Standard Life	1,715	1,662	53	0	0
Longview	527	490	37	0	0
Legal & General	46,446	40,380	5,993	73	0



**Kinver Edge
Rock Houses**



Trentham Monkey Forest



Latitude: N - 52° - 57m - 8.444s
Longitude W - 2° - 12m - 10.914s



Fund Administration

Overview of the Staffordshire Pension Fund

Staffordshire Pension Fund is part of the Local Government Pension Scheme. It is administered by Staffordshire County Council for the purpose of providing pensions and other benefits for current members, deferred members, pensioners and dependents of the County Council, Stoke-on-Trent City Council, the district councils in Staffordshire as well as a range of other Scheduled and Admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they all have other national pension schemes.

The Fund is governed by the Public Services Pensions Act and is administered in accordance with the following legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and investment of Funds) Regulations 2016

Responsibility for the administration of the Fund has been delegated to the Treasury and Pension Fund Section which is part of the Finance and Resources Directorate of the County Council. The Pensions team uses the nationally recognised Aquila Heywood's "Altair" pension software, to provide all aspects of pensions administration including pensioner payroll, member and employer self-serve.

There are 50 full time equivalent staff involved in the administration of the scheme, split in to three main teams:

- **Administration** - responsible for all casework, managing member enquiries and paying pensioners
- **Technical** - responsible for communications, systems, employer maintenance and training together with other projects.
- **Investment** - responsible for the oversight of the fund's investment portfolio, it's accounting records and the production of annual accounts.

Employer Activity

Over the last 12 months the Fund has experienced an increase in our employer base, as local authorities, academies and schools continue to outsource services together with a number of Local Authority schools choosing to convert to Academy status.

In addition there has also been an increase in the number of third party HR and payroll providers, which has created further training and communication needs. Some larger employers within the Fund are also currently undertaking significant structural changes, which have required additional resources from within the section to support.

Pension Data Requirements

The Pensions Regulator has a growing interest in the quality of the data held by Pension Funds and this is one of the reasons we are striving to ensure that we receive accurate and prompt data returns from all our employers.

Employers are required to submit data to the Staffordshire Pension Fund on a regular basis. Employers submit members data through various sources e.g. spreadsheets, interfacing, paper forms etc. We recognise the significant resource required by the Pensions Team and Employers to ensure member records are accurate and up to date. The Pensions Regulator also requires pension schemes to obtain data at member level on a monthly basis which will considerably increase the processing requirements outlined above.

As a consequence, the Fund has been working with its software partner to install a system called 'i-Connect'. This system reduces the cost and risks associated with the processing of pension data.

With i-Connect, data is taken directly from the Employer's payroll system, automatically identifying new starters, leavers, opt-outs and generating an extract for submission to the Fund. This greater efficiency enables both the Fund and Employers to improve the accuracy of member data plus the processing of the administration casework.

In the last 12 months, 7 Employers now provides monthly member updates through i-Connect. In addition a number of larger employers are also expected to 'go live' with the new software in the coming months.

Fund Membership Trends

The table below sets out the relevant metrics that demonstrate how the overall membership in the Staffordshire Pension Fund has increased. The increased membership results in increased demands both in terms of individual member casework and wider reporting and monitoring requirements.

Active Members are employees who currently contribute to the LGPS and include some employees who have more than one contract of employment, each being treated separately for administration purposes.

Retired Members are in receipt of a pension, including spouses and dependents in receipt of a pension in respect of a former member.

Deferred Members are former active members who have elected to retain their rights in the Scheme until they become payable.

	March 2014	March 2015	March 2016	March 2017	March 2018
Actives	36,119	36,991	36,785	34,963	33,776
Retired	28,260	28,713	30,051	31,713	33,156
Deferreds	36,604	38,079	38,446	39,362	40,552
Total	100,983	103,783	105,282	106,038	107,484

Analysis of Membership as at 31 March 2018

The following table provides a breakdown of the Fund membership of active members, deferred members and pensioners at 31 March 2018.

Age Group	Active	Deferred	Retired	Spouse/Dependant
0-14	0	0	0	74
15-19	381	6	0	83
20-24	1,215	532	0	47
25-29	2,111	1,878	2	2
30-34	2,835	3,520	2	1
35-39	3,493	4,172	1	4
40-44	4,193	5,092	10	19
45-49	5,690	7,233	47	47
50-54	6,065	8,411	123	97
55-59	4,678	7,063	1,205	213
60-64	2,529	2,493	5,902	267
65-69	451	95	8,128	368
70-74	135	57	6,709	579
75-79	0	0	3,616	542
80-84	0	0	2,018	637
85-89	0	0	1,049	496
90+	0	0	501	367
Totals	33,776	40,552	29,313	3,843

Total membership 107,484

Additional Voluntary Contributions (AVC's)

The Fund commissioned a third party advisor (Aon Hewitt) to undertake a review of the existing AVC provision provided by Clerical Medical , Standard Life and Equitable Life. Equitable Life is closed to new members.

Aon Hewitts' findings confirmed that the existing provision was fit for purpose, but made recommendations relating to performance monitoring, member communications and funding options.

As a result officers held discussions with both Clerical Medical and Standard Life to implement the recommendations including the switch of all Funds held in Clerical Medical to Scottish Widows. Both Clerical Medical and Scottish Widows are owned by Lloyds Banking Group. The Scottish Widows product is more aligned to the LGPS and is an established brand with a well-resourced customer service strategy.

The switch between Clerical Medical and Scottish Widows was completed in 2017/18 on the existing terms under the current Clerical Medical funds, so members rights were protected.

Guaranteed Minimum Pension (GMP) reconciliation

The GMP data reconciliation exercise, which all public service pension schemes including the LGPS are undertaking, is to be completed by December 2018. The purpose of this exercise is to ensure that records held by the Fund and by HMRC, in relation to periods of contracting out employment, are correct.

This is a significant exercise which involves liaising with HMRC, validating data and identifying overpayments / underpayments. Significant progress has been made in the last year to meet the deadline of December 2018.

Reporting breaches

With effect from 1 April 2015, the Fund has been required to comply with the Pension Regulators Code of Practice no 14; Governance and Administration of Public Service Pension Schemes. The Code applies to all scheme managers, employers and members of pension boards.

The Code requires Funds to introduce a Breaches Policy, to maintain a Breaches Log and to report any material breaches to the Pensions Regulator. The Breaches Log is updated by Officers and recommendations for whether the individual breaches are reported can be made to the Pensions Committee. The full Breaches Log is also presented to the Pensions Board annually.

To assist both the Fund and employers, who each have responsibilities under the Code, the Fund introduced an Administration Strategy. The Strategy clearly sets out the responsibilities of both parties. **Administration Strategy**

Member Self-Service

The Fund offers a self-service facility for active and deferred scheme members to view their pension record and perform individual benefit calculations securely via the Fund's website. During the last year we have promoted this service and will continue to do so through further targeted communication. New members joining the scheme are now issued with member self -service activation details with their joining information pack.

Collaborative Working

The Fund keeps abreast of administration best practice by participating in collaborative groups such as the Local Government Association's Communication Group and attending the regional Pensions Officer Group.

Representatives from the Fund also sit on a Regional Communications Working Group with other LGPS Funds who meet regularly to discuss communications issues within the LGPS and to share resources for joint communication projects.

We also hold a seat on the National Communication Working Group for the LGPS, at which we help produce documentation and assistance to other Funds with the Local Government Association.

Website

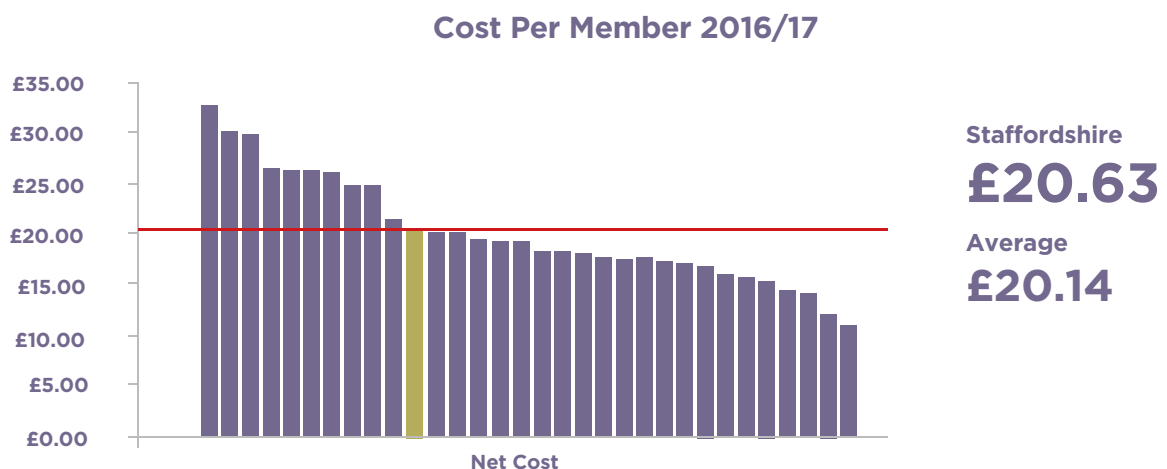
The Fund's website is the primary source for Scheme information for both Scheme members and employers. The information held on the website is regularly reviewed to provide important updates and links to other information provided by Government organisations about the LGPS.

Chartered Institute of Public Finance and Accountancy (CIPFA)

Staffordshire Pension Fund participates in the CIPFA Benchmarking Club. Data is submitted annually and the Fund is measured against several other Administering Authorities.

Annual data is supplied on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators. Data supplied includes the number of entrants to the scheme, early leavers, retirements and deaths; details of how calculations are processed and staffing experience such as salary and pensions experience.

The most recent figures we hold for cost per scheme member for administering the Staffordshire Pension Fund is £20.63. (2016/17) compared to the national average of £20.14. The graph below illustrates that the service continues to be cost effective and remains in line with the Government's key indicator, as reported in the national benchmark return.



Performance

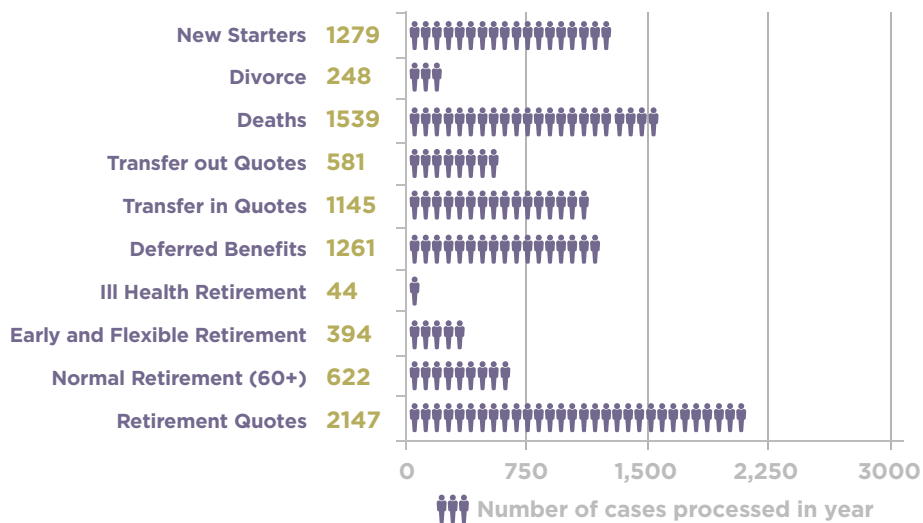
As part of our commitment to continued service improvements we operate a system of performance monitoring.

The Pensions administration system monitors the key procedures that are performed by the administration team. Each procedure is measured against its target and monitored on a monthly basis.

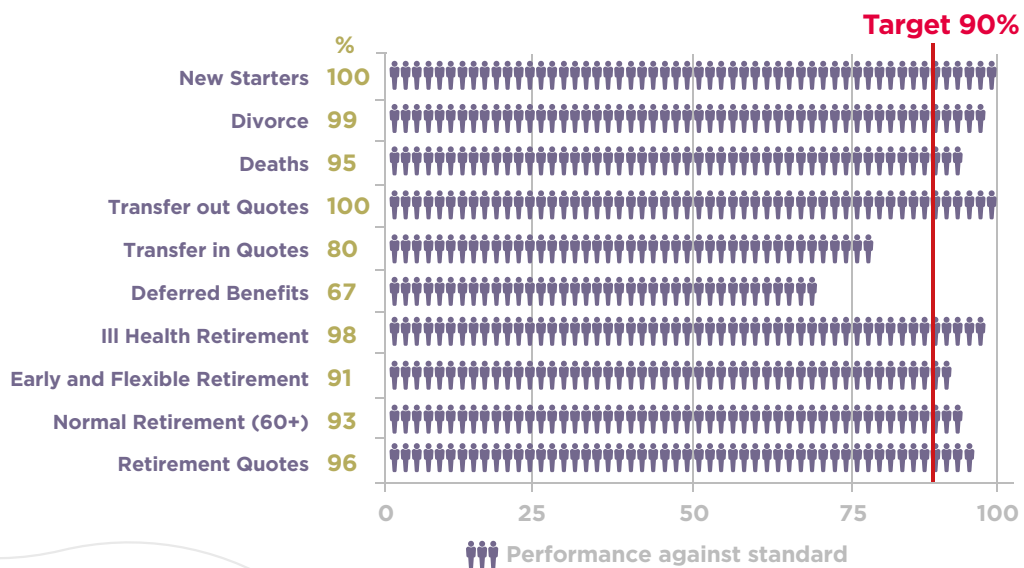
The Pensions Committee also receives regular reports on the administration of the Fund, ensuring that best practice standards are met and to justify to all stakeholders, including members and employers, that the Fund is being run in an efficient and effective way

The following table highlights the performance of the administration unit against the key procedure targets .

Analysis of Workload 2017/18



Performance against standard 2017/18



Staff Training and Development

The Fund provides a comprehensive range of training programmes including:

- In House Training
- Local Government Employers Association Training
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pension Network events
- Pensions Managers Conference
- Subject specific training from the Fund's professional advisers

Employer Training

The Fund holds an Annual Training Day for its Employers each year, as well as an Annual General Meeting, pension workshops and a pension induction course for Schools converting to Academies.

All Employers have access to a password protected dedicated area of the Fund's website, which contains factsheets and technical guides. We also issue regular Employer Bulletins, keeping employees up to date with the latest pensions developments.

General Data Protection Regulation (GDPR)

May 2018 saw the introduction of the GDPR which replaces the Data Protection Act and gives individuals more rights about how their personal data is managed and used. GDPR applies to all personal data and information that can be used to identify a living individual either directly or indirectly.

Under GDPR the Fund is a Data Controller and over the last 12 months we have reviewed our processes, policies, documents and data sharing agreements to ensure the Fund complies with the new GDPR requirements.

Fund's Privacy Notice – for Members and Beneficiaries

The Fund's Privacy Notice sets out:

- what data we hold
- how we obtain data
- how we use data and organisations that we may share data with
- how long we keep data
- individual's rights.



This can be found at: ***General Data Protection Regulation.***

Fund's Data Protection Policy

The Policy sets out the Fund's responsibility under GDPR, providing assurances to members that their data is managed in compliance with the statutory obligation placed upon the Fund.

The Policy also details:

- categories of individuals and data
- compliance with the 6 principles of GDPR
- lawfulness of processing conditions
- individual's rights.

Internal Dispute Procedure

There are times when Scheme members, Employers and the Fund may find themselves in disagreement about a pensions issue. The first approach in these situations is for those involved to talk to each other to reach a resolution. However should this not be possible, the Fund has established an Internal Dispute Resolution Procedure (IDRP).

The IDRP is a two stage process. When the Fund or an Employer makes a decision about a beneficiary's benefit under the LGPS rules, if for any reason a member, pensioner, deferred pensioner or potential beneficiary is not satisfied with a decision, they can apply to the Employer or the Fund to have their complaint reviewed under a stage 1 IDRP.

If the beneficiary is dissatisfied with the stage 1 decision, they may move to stage 2 of the IDRP within 6 months of the stage 1 decision.

If after the stage 2 decision the member or beneficiary is still dissatisfied, they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member or beneficiary has three years in which to apply to the Pensions Ombudsman for a decision.

Such cases are few and far between. The table below is a summary of the IDRP cases the Fund has received directly, or has been made aware of, that went to an Employer.

	Cases Submitted	Dismissed	Upheld	Ongoing
Stage 1	7	3	1	3
Stage 2	9	5	2	2

Communication

The Staffordshire Pension Fund is committed to delivering a consistently high level of performance and customer service. Excellent communication is core to this commitment.

We try to ensure that all our communication meets the following criteria:

- Provide clear, relevant, accurate and accessible and timely information.
- Carefully listen, consider and respond to communications we receive.
- Use plain English where possible and avoid unnecessary jargon.
- Use the communication method that best suits the audience and the information being passed on.



The Fund's Communications Policy Statement outlines its policy with regard to:

- information to members, representatives and Employers.
- the format, frequency and method of distributing such information.
- the promotion of the Scheme to prospective members and their employing authorities



The policy can be found at: *Communication policy*

List of participating Employers at 31 March 2018

Employer Name	Employee Contributions	Employer Contributions
The Cannock Chase Academy	£45,533.27	£183,928.21
Weston Road Academy	£29,137.83	£95,046.38
The Eaton Park Academy	£42,457.84	£154,120.94
The Praxis Trust - Bursley Academy	£12,240.98	£49,012.54
The Praxis Trust - Manifold Primary School	£2,897.40	£12,792.78
The Praxis - Hollinsclough Primary School	£1,456.44	£6,112.66
St. Joseph's College Edmund Rice Academy	£51,775.82	£193,486.89
The Rural Enterprise Academy	£6,536.52	£21,969.52
Alpha Academies Trust LTD Studio School	£24,877.05	£78,228.59
Alpha Academies Trust - The Discovery Academy	£78,483.45	£279,194.28
Alpha Academies Trust - Maple Court Primary	£25,085.91	£98,485.38
Alpha Academies Trust - The Excel Academy	£37,160.10	£139,571.01
Academy Enterprise Trust - Anglesey	£41,417.99	£157,995.41
Academy Enterprise Trust - Rawlet	£37,853.00	£139,891.67
Academy Enterprise Trust - Belgrave High	£30,835.92	£110,373.76
The Painsley Catholic College	£65,370.15	£236,219.49
The Painsley Catholic College - St Filomenas	£10,109.41	£39,056.44
The Painsley Catholic College - St Giles	£11,456.65	£44,632.43
The Painsley Catholic College - St Josephs	£12,182.98	£46,963.45
The Painsley Catholic College - St Mary's	£11,135.57	£43,656.70
The Painsley Catholic College - St Thomas	£12,263.53	£48,306.99
The Painsley Catholic College - Faber	£4,278.95	£16,466.06
The Sutherland Academy	£29,497.36	£107,954.17
West Stafford Multi Academy Trust - Haughton St Giles	£5,135.64	£21,366.43
West Stafford Multi Academy Trust - St Lawrence	£20,759.20	£80,984.46
West Stafford Multi Academy Trust - Woodseaves	£4,372.87	£16,337.81
Invictus Trust - Kinver High School	£18,431.42	£71,900.59
Invictus Trust - Ounsdale High School	£28,169.72	£106,562.21
Future Generation Trust - St Johns Primary	£31,530.14	£121,022.23
Future Generation Trust - Gentleshaw Primary	£5,702.66	£21,952.59
Congleton Multi Academy Trust - Castle Primary	£5,375.26	£21,264.51
Manor Hall Academy Trust - Loxley Hall Academy	£56,631.80	£198,193.05
Manor Hall Academy Trust - Cicely Haughton Academy	£38,143.37	£132,842.00
Manor Hall Academy Trust - The Meadows Special School	£37,247.92	£141,160.50
Manor Hall Academy Trust - Springfield Community Special School	£24,788.24	£92,904.42
Manor Hall Academy Trust - Merryfields School	£34,259.36	£125,853.49
The Small Schools Multi Academy Trust - Howard Primary Academy	£2,604.28	£10,855.93
The Small Schools Multi Academy Trust - St Mary's Primary Academy Colton	£3,982.83	£15,584.71
The Small Schools Multi Academy Trust - Richard Crosse Primary Academy	£10,320.16	£40,095.15
Moorlands Primary Federation - Dilhorne	£3,304.51	£12,223.71
Moorlands Primary Federation - St Werbergh's	£9,926.76	£37,805.30
Moorlands Primary Federation - Valley Primary	£3,466.92	£13,676.97
Moorlands Primary Federation - Great Wood School	£1,392.23	£5,494.37
Moorlands Primary Federation - Bishop Rawle	£4,391.07	£16,756.23
United Endeavour Trust - Newcastle Academy	£22,170.94	£81,183.95
United Endeavour Trust - Clayton Hall Academy	£45,547.88	£162,720.64

Employer Name	Employee Contributions	Employer Contributions
United Endeavor Trust - Sir Thomas Boughy High	£15,510.17	£58,580.12
Mid Trent Academy Trust - St Andrews CE Primary	£5,916.72	£23,679.74
Mid Trent Academy Trust - Colwich CE Primary	£8,590.28	£33,279.76
Mid Trent Academy Trust - St Peters CE Primary	£6,155.34	£24,526.86
Endeavor Academy Trust - Cherry Trees	£7,720.57	£30,258.17
Endeavor Acaemy Trust - Wightwick Hall School	£13,441.18	£50,217.07
Holy Trinity MAC - St.Anne's Catholic Primary	£9,183.58	£35,795.75
Holy Trinity MAC - St.Austin's Catholic Primary	£9,889.76	£37,955.64
Holy Trinity MAC - St.Dominic's Catholic Primary	£9,346.83	£36,451.78
Holy Trinity MAC - St.John's Catholic Primary	£4,885.27	£19,663.11
Holy Trinity MAC - St. Mary's Catholic Primary	£8,426.50	£32,210.11
Holy Trinity MAC - St. Patricks Catholic Primary	£9,994.19	£38,177.74
Holy Trinity MAC - Blessed Mother Teresa's Catholic Primary	£10,076.69	£38,888.64
Holy Trinity MAC - Blessed William Howard Catholic High School	£29,250.89	£104,849.76
Talentum - Westwood College	£32,433.10	£117,200.76
Talentum - Leek High School	£18,555.28	£69,248.29
Talentum - Churnet View	£26,792.54	£99,015.45
Central Co-operative Learning Trust - Grange Infants	£1,135.64	£4,208.15
South East Stafford MAT - Barnfields Primary School	£18,069.76	£68,852.16
South East Stafford MAT - Leasowes Infant and Junior	£17,722.10	£69,313.41
The Arthur Terry Learning Partnership - Scotch Orchard Primary School	£698.68	£2,661.76
Creative Learning Partnership - Hempstall's Primary School	£37,536.51	£141,730.88
Creative Learning Partnership - Parkside	£24,104.86	£91,551.59
Creative Learning Partnership - Thursfield Primary School	£16,790.30	£62,798.02
St Marys CofE Primary School	£2,817.67	£10,792.55
Walton MAT - Walton High School	£46,453.59	£167,727.22
Sir Graham Balfour MAT - Sir Graham Balfour	£35,672.62	£134,272.91
The Lighthouse Trust - Newford Primary Academy	£33,620.62	£130,180.33
Community Academies Trust - Wilnecote	£41,502.37	£152,960.39
Community Academies Trust - The Chadsmead Academy	£19,789.61	£77,268.76
Codsall MAT - Codsall Middle School	£24,408.36	£92,392.14
Codsall MAT - St. Nicholas CE(VC) First School, Codsall	£20,047.11	£77,309.14
Codsall MAT - Birches First School	£3,069.16	£11,882.68
Societas MAT - Ellison Primary School	£22,261.10	£81,836.11
Societas MAT - Goldenhill Primary Academy	£11,594.46	£45,571.41
Societas MAT - Summerbank Primary	£16,927.27	£65,643.13
Societas MAT - Gladstone Primary	£22,331.55	£86,352.47
Societas MAT - Ash Green Primary Academy	£8,516.69	£33,414.78
The Learning Village Academy Trust - Greenways Primary	£13,265.30	£52,056.60
The Learning Village Academy Trust - Milton Primary Academy	£12,358.90	£47,955.77
St Bartholomew's CE MAT - St Benedict Biscop CE Primary	£8,965.63	£34,515.76
Stephen Sutton MAT - Chase Terrace Tec College	£41,833.87	£155,199.41
Uttoxetter Learning Trust MAT	£77,653.29	£297,626.17
Queen Elizabeth Grammar School MAT - Waterhouses Primary	£9,401.63	£35,996.70
Stoke On Trent Sixth Form College	£35,536.82	£113,140.36
Esprit Multi Academy Trust - Grove Junior	£12,564.22	£49,282.00
Esprit Multi Academy Trust - Hamilton Infants	£8,544.15	£34,380.06
Esprit Multi Academy Trust - Northwood Broom	£15,737.57	£60,231.59
City Learning Trust - Haywood Engineering College	£75,778.44	£267,010.50

Employer Name	Employee Contributions	Employer Contributions
City Learning Trust - Smallthorne Primary Academy	£16,219.34	£63,146.75
City Learning Trust - Mill Hill Primary	£26,599.93	£97,509.82
City Learning Trust -Trentham Academy	£25,540.07	£96,877.87
The Mosely Academy	£5,958.91	£22,683.34
St Edwards	£26,979.16	£98,405.88
The Academy Transformation Trust - Star Academy	£14,871.80	£58,172.66
The Academy Transformation Trust - Sun Academy	£13,096.74	£50,243.90
Creative Education Academies - Harpfield	£12,013.20	£49,937.10
Creative Education Academies - Thistley Hough Academy	£29,688.47	£108,802.38
Creative Education Academies - Three Peaks Academy	£18,107.76	£70,076.50
Creative Education Academies - The Hart School	£59,396.86	£216,576.32
Landau Forte Acadmey Trust - Woodhouse Academy/Post 16	£76,069.30	£269,309.27
Landau Forte Academy Trust - QUEMS	£47,311.30	£175,393.95
Landau Forte Academy Trust - Greenacres	£23,847.20	£88,907.64
REACH2 - Scientia Academy	£14,259.05	£41,242.59
REACH2 - Springhill	£13,320.62	£50,218.21
REACH2 - Norton Canes Community Primary School	£16,679.34	£64,673.04
REACH2 - Heath Hayes Primary School	£10,868.13	£42,005.99
REACH2 - Silkmore Academy	£19,887.01	£78,661.28
REACH2 - Five Spires Academy	£6,257.19	£22,813.08
REACH2 - Veritas Academy	£15,150.93	£43,743.87
Ormiston - Sir Stanley Matthews Academy	£89,896.28	£317,307.03
Ormiston - The Ormiston Horizon Academy	£60,160.47	£209,554.38
Ormiston - Packmoor	£30,516.78	£117,084.13
Ormiston - Meridian Academy	£29,955.25	£112,603.94
University Of Chester Academy Trust - Uttoxeter	£31,832.95	£118,355.25
University Of Chester Academy Trust - Maryhill Primary	£11,300.39	£40,516.86
Christ The King Catholic Collegiate - St John Fisher Catholic College	£50,910.29	£186,604.68
Christ The King Catholic Collegiate - St Mary's Catholic Primary School	£23,533.29	£90,892.24
Christ The King Catholic Collegiate - St Teresa's Catholic Primary	£16,554.07	£65,400.09
Christ The King Catholic Collegiate - St Thomas Aquinas Catholic Primary School	£15,493.63	£61,050.38
Christ The King Catholic Collegiate - St Wulstan's Catholic Primary	£25,922.78	£104,237.19
Newman Catholic Collegiate - St. Margaret Ward	£65,165.58	£234,372.12
Newman Catholic Collegiate - St. Peters Primary School	£13,991.00	£55,358.17
Newman Catholic Collegiate - Our Lady & St. Benedict Catholic	£10,932.90	£39,744.77
Newman Catholic Collegiate - St. George & St. Martin's Catholic	£15,826.87	£61,596.48
Newman Catholic Collegiate - St. Joseph Catholic Primary School	£12,041.58	£47,751.59
Newman Catholic Collegiate - St. Mary's Catholic Primary School	£15,969.01	£63,226.23
Newman Catholic Collegiate - St. Wilfrid's Catholic Primary School	£19,203.94	£74,877.45
Newman Catholic Collegiate - St. John Evangelist Catholic Primary School	£14,213.51	£55,357.53
Newman Catholic Collegiate - Our Lady of Grace	£7,603.47	£28,345.36
All Saints Catholic Collegiate - St. Thomas Moore Academy	£50,871.55	£188,213.50
All Saints Catholic Collegiate - Our Lady's Academy	£16,397.46	£64,390.53
All Saints Catholic Collegiate - St. Augustine's Academy	£16,396.82	£63,797.55
All Saints Catholic Collegiate - St. Gregory's Academy	£33,814.14	£126,337.60
All Saints Catholic Collegiate - St. Maria Goretti Academy	£18,403.54	£71,612.25
Inspirational Learning Academies Trust - Newstead Primary	£23,807.52	£85,431.74

Employer Name	Employee Contributions	Employer Contributions
Inspirational Learning Academies Trust - Norton Le Moors Primary Academy	£15,458.86	£53,679.37
Inspirational Learning Academies Trust - Whitfield Valley Primary Academy	£22,613.15	£87,625.54
St Chads Academy Trust - St Matthews Primary	£6,694.36	£25,612.68
St Chads Academy Trust - Havergal Primary Academy	£7,722.82	£29,898.18
St Chads Academy Trust - St. Peter's CE(VC) Primary School, Stonnal	£8,280.24	£31,953.02
St Chads Academy Trust - Bishop Lonsdale CofE Primary	£11,511.19	£44,148.22
St Chads Academy Trust - St Johns Primary	£17,297.78	£64,845.69
St Chads Academy Trust - St James CofE Primary	£6,500.70	£26,041.74
St Chads Academy Trust - Churchfields Primary	£13,725.52	£54,752.92
St Chads Academy Trust - Stoke Minster Primary	£2,181.44	£8,510.91
Collective Vision Trust - Chesterton Community Sports College	£40,458.76	£147,892.72
Collective Vision Trust - Churchfield Primary	£15,418.44	£59,680.24
Collective Vision Trust - Chesterton Primary School	£16,967.62	£59,137.34
Collective Vision Trust - Crackley Bank Primary School	£15,850.78	£61,054.68
Mercia Primary Academy Trust - Lark Hall Academy	£9,109.60	£32,984.66
Mercia Primary Academy Trust - Flax Hill Academy	£15,727.26	£54,442.59
United Learning Trust - Silverdale Primary Academy	£12,249.03	£46,488.52
Co-operative Academy	£63,880.10	£228,826.81
John Taylor Multi Academy Trust - John Taylor Academy	£63,088.73	£227,293.95
John Taylor Multi Academy Trust - Kingsmead School Academy	£47,497.07	£178,313.80
John Taylor Multi Academy Trust - Thomas Russell Infants	£7,410.69	£30,252.80
John Taylor Multi Academy Trust - Yoxall St Peters	£9,314.54	£36,391.61
John Taylor Multi Academy Trust - Rykneld Primary School	£8,568.95	£34,843.11
De Ferrers Academy	£105,908.90	£386,721.85
De Ferrers Academy - Lansdowne	£18,954.79	£72,625.29
De Ferrers Academy - Horninglow	£17,200.33	£66,423.35
De Ferrers Academy - Eton Park	£19,516.53	£74,872.30
Belgrave Academy (not part of the St Barts MAT)	£42,410.19	£157,968.07
St Barts MAT - St Nathaniels Academy	£34,736.93	£134,734.39
St Barts MAT - Knutton, St Mary's CE(VC) Primary School	£15,456.92	£59,683.41
St Barts MAT - Park Hall	£26,654.65	£104,112.16
St Barts MAT - Meir Heath Primary	£12,338.99	£48,917.58
St Barts MAT - St Saviours CE Academy	£8,685.15	£33,148.38
St Barts MAT - Kingsland CE Academy	£17,538.10	£66,596.46
St Barts MAT - Weston Junior Academy	£5,880.52	£23,380.01
St Barts MAT - Weston Infant Academy	£10,189.96	£38,744.30
JCB Academy	£60,721.16	£178,733.93
Fierte MAT - The Violet Way Academy	£22,696.97	£79,924.47
Fierte MAT - Glascote Heath Academy	£17,563.68	£69,103.23
Fierte MAT - Anker Moor Primary School	£7,667.79	£29,091.02
Fierte MAT - Dosthill Primary Academy	£6,952.36	£25,899.35
The Erasmus Darwin Academy	£52,240.40	£186,485.07
The Key Educational Trust - The Christchurch Academy	£20,024.18	£72,550.13
The Key Educational Trust - Oulton CE	£1,730.62	£9,774.06
The Key Educational Trust - Christ Church First School	£9,320.39	£31,967.25
The Crescent Academy	£49,486.69	£192,256.81
The Cheadle Academy	£22,811.97	£80,757.21
Staffordshire University MAT - Staffordshire University Academy	£57,743.12	£194,099.41

Employer Name	Employee Contributions	Employer Contributions
Staffordshire University MAT - Moorgate Primary Academy	£15,898.02	£59,585.60
Staffordshire University MAT - John Wheeldon Academy	£16,291.59	£63,895.03
Staffordshire University MAT - Perton Sandown First School	£15,780.43	£61,855.26
Staffordshire University MAT - Boney Hay Primary	£9,830.92	£38,395.03
Staffordshire University MAT - Littleton Green Community Primary	£18,743.35	£75,031.64
Staffordshire University MAT - St Edwards First	£11,032.17	£43,844.30
Staffordshire University MAT - Tynsel Parkes First	£6,887.09	£27,619.36
The Biddulph Academy	£43,855.52	£163,484.79
Lichfield Diocese/Woodard Academy	£49,724.99	£181,734.13
Victoria Academy Trust - Rowley Park Primary Academy	£18,537.54	£69,072.82
Education Central Multi Academy Trust - Featherstone Academy	£15,088.13	£59,271.62
Education Central Multi Academy Trust - Pye Green Academy	£19,112.97	£73,581.64
The Shaw Trust - Blackfriars Academy	£87,688.20	£330,769.29
The Shaw Trust - The Coppice Academy	£22,701.01	£86,701.26
The Shaw Trust - Walton Hall Academy	£48,343.92	£179,669.41
The Shaw Trust - Wolstanton High School (The Shaw Trust)	£40,137.58	£146,765.32
The Shaw Trust - Saxon Hill Academy	£56,737.27	£220,210.35
The Shaw Trust - Madeley High School	£26,900.86	£99,586.44
The Shaw Trust - Seabridge Primary	£23,680.54	£93,823.08
The Shaw Trust - Meadows Primary	£2,081.66	£8,553.60
Burton and South Derbyshire Education Trust - King Fisher Academy	£9,840.65	£37,697.59
Central Co-operative Learning Trust - John of Rolleston Primary School	£7,119.43	£27,701.12
Central Co-operative Learning Trust - William Shrewsbury Primary School	£16,695.49	£63,843.61
Central Co-operative Learning Trust - Outwoods Primary School	£13,140.43	£49,515.79
Carmountside Academy	£18,437.76	£70,486.44
Alleyne's High School	£26,362.92	£93,915.37
Glebe Primary School	£22,601.38	£83,862.83
Sandon Primary Academy	£20,543.84	£77,998.88
Woodhouse Academy	£18,405.11	£71,028.57
St Giles and St George Academy	£22,194.53	£81,787.47
South Staffordshire College	£323,596.82	£1,206,636.84
Newcastle and Stafford Colleges Group	£443,064.44	£1,369,069.34
Staffordshire University	£1,360,572.50	£5,023,049.55
Sixth form College - Stoke on Trent	£24,540.63	£78,024.29
Stoke on Trent College	£280,846.12	£1,026,369.18
Burton on Trent Technical College	£200,739.83	£740,034.75
Keele University	£10,011.60	£183,595.28
The Office of the Police and Crime Commissioner Staffordshire	£65,315.26	£125,354.12
The Office of the Chief Constable Staffordshire	£2,444,143.50	£7,437,561.36
Tattenhill Parish Council	£311.54	£1,257.32
Tutbury Parish Council	£1,955.28	£3,036.10
Silverdale Parish Council	£417.46	£1,684.76
Bilbrook Parish Council	£521.76	£2,105.76
Forsbrook Parish Council	£871.20	£3,334.30
SCC Schools (Capita/Entrust)	£2,139,982.31	£8,356,500.79
SCC Schools (Stoke City Council)	£1,167,392.63	£5,980,610.05
SCC Schools (Dudley MBC)	£26,899.34	£94,083.62
Alrewas Parish Council	£827.40	£3,166.92

Employer Name	Employee Contributions	Employer Contributions
Fradley and Streethay Parish Council	£908.52	£3,477.44
Heath Hayes & Wimblebury Parish Council	£1,105.56	£4,231.68
Swinfen & Packington	£111.60	£450.24
Bridgtown Parish Council	£122.88	£495.82
Cheslyn Hay Parish Council	£4,768.56	£16,242.40
Unitas	£132,295.68	£356,758.50
Staffordshire County Council	£5,904,512.71	£48,222,723.76
Staffordshire Moorlands District Council	£317,732.64	£2,670,308.99
Newcastle Under Lyme Borough Council	£710,037.04	£6,462,591.83
Stoke City Council	£7,066,928.46	£42,237,705.33
Stafford Borough Council	£482,358.45	£4,098,699.29
East Staffordshire Borough Council	£475,763.22	£4,187,571.71
South Staffordshire Council	£342,453.41	£2,400,961.13
Cannock Chase District Council	£632,406.34	£6,720,258.67
Lichfield District Council	£510,250.09	£3,551,501.62
Tamworth Borough Council	£541,516.26	£3,860,985.20
Cheadle Town Council	£3,141.41	£11,170.28
Burntwood Town Council	£7,526.58	£24,244.60
Great Wyrley Parish Council	£2,461.15	£9,497.85
Leek Town Council	£2,102.23	£7,150.04
Uttoxeter Town Council	£7,735.71	£26,883.37
Anglesey Parish Council	£452.84	£1,827.81
Lichfield City Council	£17,491.93	£60,619.04
Penkridge Parish Council	£7,112.00	£25,321.90
Wombourne Parish Council	£1,849.43	£6,630.47
Stone Town Council	£5,921.92	£21,415.67
Norton Cane Parish Council	£856.08	£3,206.28
Brereton and Ravenhill Parish Council	£1,906.84	£6,766.78
Codsall Parish Council	£2,195.35	£7,749.61
Kinver Parish Council	£4,184.47	£15,478.54
Brewood & Coven Parish Council	£3,643.43	£13,719.02
Lapley, Stretton & Wheaton Aston PC	£1,050.35	£3,957.16
Perton Parish Council	£6,554.34	£23,657.07
Shenstone Council	£944.75	£2,486.52
Hednesford Town Council	£2,936.05	£10,737.96
Essington Parish Council	£1,446.36	£4,939.68
Kidsgrove Town Council	£2,519.40	£8,644.43
Eccleshall Parish Council	£790.15	£3,113.15
Cheddleton Parish Council	£1,588.77	£5,426.34
Audley Parish Council	£928.36	£3,553.32
Biddulph Town Council	£4,644.43	£15,905.22
Horninglow and Eaton Parish Council	£669.00	£2,770.19
Colwich Parish Council	£2,967.78	£11,857.31
Draycott in the Clay Parish Council	£338.28	£1,365.72
Abbots Bromley Parish Council	£328.56	£1,320.39
Gnosall Parish Council	£1,943.04	£6,636.24
Branston Parish Council	£911.56	£3,474.69
Rugeley Town Council	£5,257.78	£18,692.37
Stoke and Staffs Combined Fire Authority	£323,456.77	£1,763,585.70

Employer Name	Employee Contributions	Employer Contributions
Chartwells	£361,456.16	£1,181,566.10
Mellors - Newcastle	£5,861.04	£19,743.57
Mellors - Biddulph	£542.54	£2,061.59
Mellors - Burton	£7,071.33	£25,777.22
Mellors - Holy Trinity Primary	£171.90	£715.82
Mellors - Thomas Russell Jr	£1,051.49	£4,378.14
Mellors - Thomas Russell Infants	£1,536.79	£6,761.84
Mellors - Shobnall Primary	£512.75	£1,929.92
Accord Housing Association	£99,348.09	£358,979.29
Silvertree Cleaning	£962.29	£3,751.04
Catering Academy Ltd UCAT	£2,624.57	£10,570.67
ABM Catering Ltd - Kingfisher	£630.87	£2,626.62
Kier Facilities Services Limited	£1,124.99	£4,629.72
Kier - OPCC	£15,169.81	£64,570.16
Elite - Chase Terrace	£1,015.52	£2,172.82
Elite - Norton Canes	£282.56	£952.85
Service Master - Mill Hill	£28.70	£114.80
Service Master - Oaklands Nursery	£203.40	£846.60
Service Master - The College Academies Trust	£2,008.49	£9,128.67
Enviroserve - St.Dominic's CPS	£60.91	£258.28
Aspens Services - Excel Academy	£1,807.19	£7,009.39
Aspens Services - Great Wyrley	£3,765.18	£14,507.85
Aspens Services - Cannock Chase High	£605.61	£2,521.46
Aspens Services Ltd - The Shaw Academy Trust	£1,692.84	£7,047.64
Aspens - Westwood College	£2,668.80	£11,154.26
Aspens - Leek High	£1,639.37	£6,639.38
Aspens - Churnet View	£1,524.58	£6,222.43
Aspens - St.Edwards Academy	£1,177.86	£4,904.16
Aspens - The Hart School	£1,670.94	£6,912.31
Aspens - Blythe Bridge	£1,210.62	£5,983.93
Aspens - Madeley High School	£933.87	£3,605.27
Aspens - Horton Lodge Special School	£779.35	£2,933.20
Chartwells - Glebe Primary School	£1,027.90	£3,942.49
Chartwells - Nether Stowe School	£1,417.06	£5,900.95
Chartwells - Kingsmead School	£1,904.55	£8,869.91
Chartwells - St.John's Primary School	£66.40	£265.65
Chartwells - Moorgate Primary Academy	£1,279.48	£5,427.41
Chartwells - St.Matthews Academy	£285.79	£1,143.44
Boeing	£125,659.28	£411,844.24
Biffa	£21,714.83	£80,718.88
Freedom Leisure - Stafford Borough Council	£34,622.00	£146,934.32
Freedom Leisure - Lichfield	£8,127.00	£37,266.61
Superclean Services Wothorpe Ltd	£406.96	£1,694.49
Cleantec Services Ltd - AET	£826.75	£3,788.08
Taylor Shaw - Birches Head	£1,949.24	£7,439.68
Busy Bee Catering Services - CET	£3,117.26	£12,682.84
St Thomas More Catholic Academy	£7,340.74	£32,566.17
Wates Housing Repairs	£9,562.27	£36,153.13
Brilliant Hygiene Services Ltd John Bamford School	£175.18	£659.25

Employer Name	Employee Contributions	Employer Contributions
Alliance in Partnership Ltd Norton Canes	£778.41	£2,929.58
Alliance In Partneship Ltd - Hugo Meynell	£173.55	£653.16
Alliance In Partneship Ltd - Langdale	£335.67	£1,263.31
Alliance In Partneship Ltd - Sir John Offley	£170.09	£640.17
Alliance in Partnership Ltd - St.Giles	£100.60	£460.91
Alliance in Partnership Ltd - Seabridge	£242.59	£1,111.48
ServiceMaster Mercia - Rocklands	£31.17	£117.30
ServiceMaster Mercia - Charnwood	£295.08	£1,111.08
ServiceMaster Mercia - Woodlands	£725.13	£2,728.14
RM Education Ltd - Thistley Hough	£680.00	£1,893.51
RM Education Ltd - Ormiston Horizon	£680.00	£1,893.51
RM Education Ltd - St.Peter's	£603.34	£1,680.14
RM Education Ltd - Sir Stanley Matthews	£270.44	£753.06
Fidelis - Two Rivers	£729.64	£2,746.11
South Staffs and Shrops Health Care	£24,022.02	£81,021.01
North Staffs Combined Healthcare Trust	£13,347.71	£49,901.92
Make Some Noise	£2,497.61	£8,300.71
Entrust	£645,912.14	£1,689,947.65
Staffs & Stoke Partnership Trust	£547,719.99	£1,711,353.31
Community Council of Staffordshire	£5,377.57	£20,132.35
Lichfield Garrick Academy	£1,290.93	£5,004.49
North Staffs Combined Health Care	£4,089.68	£26,014.87
Tiny Toez	£7,608.85	£30,840.37
South Staffordshire Housing Association	£29,076.64	£84,574.65
Bromford Housing	£87,142.83	£886,023.50
Moorlands Housing	£12,805.42	£201,120.07
Aspire Housing	£299,845.86	£1,278,602.19
Stafford and Rural Homes	£219,049.50	£561,838.26
Trent and Dove Housing		£234,027.94
Central Borders Housing Group	£254,240.74	£918,537.55
R M Education	£4,462.36	£12,425.96
Liverpool Personal Services Society	£363.09	£1,154.59
Northgate IS Ltd	£3,866.05	£15,940.19
Landscape Group Ltd	£1,094.76	£3,775.21
Amey Services Ltd	£264,784.69	£812,738.46
Midland Heart Ltd	£8,156.02	£34,196.53
Keir Group	£408,010.61	£1,252,995.65
KGB New Castle College	£3,207.34	-£5,825.11
North Gate (Moorlands)	£6,240.15	£26,278.86
North Gate (Lichfield)	£1,168.19	£4,652.52
Taylor Shaw (Alleynes)		£2,400.00
Wigan Leisure and Culture Trust	£46,084.30	£178,363.69
Lovell's Partnership	£428.16	£7,026.64
Wates	£1,418.04	£6,693.90
Aspens Services Ltd	£838.48	£3,364.12
Service Master - St.Giles & St.Georges	£755.94	£3,392.28
Choices Housing Association	£1,456.77	£5,610.47
	£34,739,709.03	£190,051,192.83

Financial Statements

1 April 2017 to 31 March 2018

Pension Fund account

Staffordshire Pension Fund account for the year ended 31 March 2018

Contributions and benefits	Notes	2016/2017	2017/2018
		£ 000	£ 000
Contributions receivable	4	155,621	232,391
Transfers in	5	11,193	12,531
		166,814	244,922
Benefits payable	6	(165,244)	(171,205)
Leavers	7	(12,024)	(15,294)
		(177,268)	(186,499)
Net additions/(withdrawals) from dealings with Fund members		(10,454)	58,423
Management expenses	8	(16,425)	(16,750)
Returns on investments			
Investment income	9	64,127	68,899
Change in the market value of investments	10	801,338	76,688
Net returns on investments		865,465	145,587
Net increase in the Fund during the year		838,586	187,260
Opening net assets of the Fund		3,751,927	4,590,513
Closing net assets of the Fund at 31 March		4,590,513	4,777,773

Net assets statement

Net assets statement at 31 March 2018

	Notes	2016/2017 £ 000	2017/2018 £ 000
Investment assets			
Bonds	10/10a	324,582	367,682
Equities	10/10a	890,756	920,657
Pooled investment vehicles	10/10a	2,497,325	2,544,465
Property	10/10a	370,601	386,143
Cash deposits	10/10a	185,190	180,491
Other investment balances	10a	321,783	386,320
Derivatives	10a	1,446	2,449
		4,591,683	4,788,207
Investment liabilities			
Derivatives	10a	(266)	(880)
Other investment balances	10a	(8,327)	(12,480)
		4,583,090	4,774,847
Net Investment assets			
Long term assets	12	3,012	2,008
Current assets	12	11,893	12,265
Long term liabilities	13	(100)	(88)
Current liabilities	13	(7,382)	(11,259)
		4,590,513	4,777,773
Net assets of the Fund at 31 March			

The financial statements summarise the transactions of the Fund and deal with the net assets available to us. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position on the scheme, which does take account of these obligations, is set out in the actuary's report on page 44.

The notes on pages 48 to 77 also form part of the Pension Fund financial statements.

Actuarial statement

Staffordshire Pension Fund (“the Fund”) Actuarial Statement for 2017/18

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £3,753 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £1,059 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	3.8%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.4 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund or on the Fund's website at www.staffspf.org.uk.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.



Douglas Green FFA

For and on behalf of Hymans Robertson LLP
13 April 2018
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Pension Fund accounts reporting requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2018	31 March 2017
Active members (£m)	3,102	2,875
Deferred members (£m)	1,418	1,427
Pensioners (£m)	2,261	2,351
Total (£m)	6,781	6,653

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £138m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.4 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	565
0.5% p.a. increase in the Salary Increase Rate	2%	113
0.5% p.a. decrease in the Real Discount Rate	11%	720

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Douglas Green FFA 13 April 2018
For and on behalf of Hymans Robertson LLP

Notes to the accounts

1. Basis of preparation

The scheme is governed by the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Statement of Recommended Practice (SORP) The Financial Reports of Pension Schemes (as amended in 2014).

The financial statements follow the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector and issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

You can get more information on the Pension Fund, including the Fund Governance Statement, the Investment Strategy Statement and the Funding Strategy Statement at www.staffspf.org.uk.



2. Accounting policies

When preparing the Pension Fund financial statements we have adopted the following significant accounting policies, which we have applied consistently.

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid (buying) price.

Pooled investment vehicles are valued at the bid market price provided by the relevant fund managers, which reflects the market value of the underlying investments.

The value of bonds are recorded at the net market value based on their current market yields. The value does not include interest earned but not paid at the year end, which is included separately within accrued investment income.

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation by Savills, as at 31 March 2018. The valuation has been made in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the “RICS Red Book”).

The private equity, private debt and hedge fund valuations are valued based on the Fund's share of the net assets of the underlying funds using the latest financial statements provided by the respective fund managers.

Derivative contracts are valued at bid market price.

Investment income is recognised as follows:

- Interest income as it accrues
- Dividend income on the date the shares are quoted ex-dividend
- Property related income, which primarily consists of rental income, is received in advance and is accrued into the correct year
- Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Contributions

Normal contributions, both from Members and Employers, are accounted for in the payroll month they relate to, at the rates given on the rates and adjustments certificate. Additional contributions such as employer deficit funding and actuarial strain are accounted for in line with the agreement under which they are paid, or when they are received if there is no agreement. Amounts not due until future years are classed as a deferred debtor.

Transfer values

Transfer values represent the amounts either due to the Fund from new members' previous pension funds, or which the Fund is due to pay to the new pension funds of members who have left the Fund. Transfer values are accounted for on a receipts basis.

Foreign currency transactions

Dividends, interest and the purchase and sale of investments in foreign currencies have been accounted for at the spot rates at the date of transaction. Where forward foreign exchange contracts are in place for assets and liabilities in foreign currencies, the exchange rate set out in the contract is used. Other assets and liabilities in foreign currencies are given in Sterling (£) at the rates of exchange that apply at the end of the financial year.

Surpluses and deficits arising when converting currency are dealt with as part of the change in market value of investments.

Management expenses

All costs related to managing investments, administration, oversight and governance are reported in one line in the Fund Account called 'Management expenses'.

Investment management expenses, including performance-related fees, are accounted for on an accruals basis and are recognised before any VAT the Fund can recover.

Investment management transaction costs include fees, commissions, stamp duty and other fees (see note 8a).

The fees of external investment managers and the custodian are agreed in their respective mandates governing their appointments. They are broadly based on the market value of investments and can increase or decrease as the value of these investments change.

All administrative expenses and oversight and governance costs are accounted for on an accruals basis. All staff costs of the Pensions Administration team are charged to the Fund. Management, accommodation and other support service costs are charged to the Fund based on Staffordshire County Council policy.

Taxation

The Fund is a registered public service scheme and as such is exempt from paying tax in the UK on interest received and on the proceeds of investments sold. The Fund may suffer withholding tax on overseas investments in the country of origin, where this is not recoverable it is accounted for as an expense when it arises.

Benefits payable

Under pension fund rules, members may receive a lump-sum retirement grant on top of their annual pension. Lump-sum retirement grants are accounted for from the date of retirement.

Other benefits are accounted for on the date the member leaves the Fund or dies.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments of the Fund have to be classified into the following categories under International Financial Reporting Standards (IFRS):

- Financial assets and liabilities at fair value through profit or loss, these have two categories: **Designated**, where assets and liabilities are measured at fair value with fair value changes through profit and loss; and **Held for trading**, where financial assets and liabilities are held for the purpose of selling in the short-term for which there is a pattern of short-term profit making
- Available for sale financial assets: any financial asset designated on initial recognition as available for sale
- Loans and receivables: any financial asset with fixed or determinable payments not quoted in the open market such as debtors
- Held to maturity investments: any financial asset which is intended to be held to maturity at amortised cost
- Other financial liabilities measured at amortised cost using the effective interest rate.

3. Pension Fund investments 2017/2018

The market value and percentage of assets held by each of the investment managers at the end of the financial year is shown below:

External fund manager	31 March 2017		31 March 2018	
	£ 000	%	£ 000	%
Insight Investment (corporate bonds)	332,616	7%	380,162	8%
Aberdeen Standard Investments (UK equity)	299,696	7%	301,184	6%
JP Morgan Asset Management (global equity)	397,750	9%	414,932	9%
Longview Partners (global equity)	218,263	5%	223,208	5%
Legal & General Investment Management (passive all world equity)	2,137,459	47%	2,050,129	43%
Legal & General Investment Management (passive UK index-linked gilts)	244,634	5%	367,007	8%
Russell Investments (emerging markets equity)	110,563	2%	122,175	3%
Colliers International UK plc (property)	371,098	8%	386,291	8%
HarbourVest Partners (private equity)	116,166	3%	109,160	2%
Knightsbridge Advisors (private equity)	16,271	0%	15,418	0%
Partners Group (private equity)	10,730	0%	12,148	0%
Lazard Technology Partners (private equity)	1,144	0%	779	0%
Capital Dynamics (private equity)	1,769	0%	4,140	0%
Hayfin Capital Management (private debt)	19,850	0%	35,211	1%
Highbridge Capital Management (private debt)	19,531	0%	38,145	1%
Alcentra Limited (private debt)	35,188	2%	61,119	1%
Goldman Sachs Asset Management (hedge funds)	86,455	2%	88,147	2%
Director of Finance and Resources (central cash)	157,555	3%	155,919	3%
	4,576,738	100%	4,765,274	100%

Stock lending

The Fund lends stock in return for payment. The table below summarises the value of the stock lent out by the Fund at the end of the last two years.

	31 March 2017	31 March 2018
	£ 000	£ 000
Equities - UK	57,606	49,366
Equities - Global	26,600	61,938
Fixed interest - UK	2,089	1,089
Fixed interest - Global	6,622	2,200
	92,917	114,593

Securities released to a third party under the stock-lending agreement are included in the net assets statement to reflect the Fund's continuing economic interest in those securities.

Collateral holdings, supporting the loans, are not identified as individual loans but are kept in a pooled structure. As security for the stocks on loan, as at 31 March 2018 the Fund held £121.5 million (£99.5 million at 31 March 2017) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.2 million for the year ending 31 March 2018 (£0.4 million for year ending 31 March 2017). This is included within the investment income figure shown on the Pension Fund account.

4. Contributions receivable

	2016/2017	2017/2018
	£ 000	£ 000
Employers		
Normal	112,945	107,501
Actuarial strain	6,137	5,613
Deficit recovery contributions	0	84,099
Scheme members		
Normal	36,539	35,178
Total	155,621	232,391

The deficit recovery contributions in 2017/2018 relate to the prepayment of employer deficit funding made by eleven employing bodies in respect of 2017/2018 and future years, as agreed by the actuary.

The 31 March 2016 valuation does not include a common contribution rate for the whole Fund, as it is deemed inappropriate due to the change in regulatory regime and guidance on contribution rates.

Contributions receivable can be analysed by type of member body as follows:

	2016/2017	2017/2018
	£ 000	£ 000
Staffordshire County Council	44,116	75,897
Scheduled bodies	90,036	138,852
Admitted bodies	21,469	17,642
Total	155,621	232,391

5. Transfers in

	2016/2017	2017/2018
	£ 000	£ 000
Individual transfers in from other schemes	11,193	12,531
Group transfers in from other schemes	0	0
Total	11,193	12,531

6. Benefits payable

	2016/2017 £ 000	2017/2018 £ 000
Pensions	128,843	134,249
Commutations and lump-sum retirement benefits	31,885	33,284
Lump-sum death benefits	4,516	3,672
Total	165,244	171,205

Benefits payable can be analysed by type of member body as follows:

	2016/2017 £ 000	2017/2018 £ 000
Staffordshire County Council	68,552	68,945
Scheduled bodies	81,984	86,575
Admitted bodies	14,708	15,685
Total	165,244	171,205

7. Payments to and on account of leavers

	2016/2017 £ 000	2017/2018 £ 000
Individual transfers to other schemes	11,082	14,799
Group transfers to other schemes	570	0
Payments for members joining / (leaving) state scheme	(67)	(36)
Refunds to members leaving service	439	531
Total	12,024	15,294

8. Management expenses

	2016/2017 £ 000	2017/2018 £ 000
Administration expenses	2,161	2,383
Investment management expenses (see note 8a)	13,322	13,355
Oversight and governance costs	942	1,012
Total	16,425	16,750

Included within administration expenses are the Fund's external audit costs of £0.03m for 2017/18 (£0.03m for 2016/2017).

8a. Investment management expenses

A breakdown of the costs we had to pay in connection with the investment of the Fund is set out below:

	2016/2017	2017/2018
	£ 000	£ 000
Transaction costs	1,570	1,113
Management fees	10,644	11,736
Performance related fees	926	370
Custody fees	182	136
Total	13,322	13,355

The Fund was also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments.

9. Investment income

	2016/2017	2017/2018
	£ 000	£ 000
Bonds	10,221	15,013
Dividends from equities	29,755	23,905
Income from pooled investment vehicles	1,450	1,980
Rents from property	18,518	20,209
Interest on cash deposits	853	837
Stock lending	378	158
Other	3,174	7,119
	64,349	69,221
Withholding tax we cannot recover	(222)	(322)
Total	64,127	68,899

10. Investment reconciliation

	Value at 1 April 2017	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2018
	£ 000	£ 000	£ 000	£ 000	£ 000
Bonds	324,582	113,740	(48,275)	(22,365)	367,682
Equities	890,756	530,222	(502,849)	2,528	920,657
Pooled investment vehicles	2,497,325	120,000	(142,000)	69,140	2,544,465
Derivatives	1,180	2,035,618	(2,045,808)	10,579	1,569
Property	370,601	3,277	0	12,265	386,143
Other	307,104	92,443	(35,144)	(136)	364,267
	4,391,548	2,895,300	(2,774,076)	72,011	4,584,783
External cash deposits (central cash)	151,500				148,685
Investment manager cash	33,690			4,677	31,806
	4,576,738			76,688	4,765,274
Outstanding dividend entitlements and recoverable withholding tax	9,061				10,207
Amount receivable for sales of investments	5,618				11,846
Amounts payable for purchases of investments	(8,327)				(12,480)
Net Investment assets	4,583,090				4,774,847

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2018 (also at 31 March 2017):

- LGIM, passive UK equity - £332.6m or 7.0% (£328.1m or 7.1%)
- LGIM, passive all world equity - £992.9m or 20.8% (£1,105.7m or 24.1%)
- LGIM, passive all world equity - £642.5m or 13.5% (£628.2m or 13.7%)
- LGIM, passive index-linked gilts - £367.0m or 7.7% (£244.6m or 5.3%)

As at 31 March 2018 (also at 31 March 2017) the Fund was committed to the following contractual commitments:

- £127.8m of private equity investments (£128.5m)
- Investment in a UK pooled property fund of £7.4m (£10m)
- £161.8m of private debt investments (£139.6m)

A further analysis of the market value of investments at 31 March is provided below.

10a. Analysis of investments

Investment assets	31 March 2017		31 March 2018	
	£ 000		£ 000	
Bonds				
UK corporate quoted	108,350	2%	159,169	3%
Global corporate quoted	216,232	5%	208,513	5%
	324,582	7%	367,682	8%
Equities				
UK quoted	341,079	7%	340,955	7%
UK unquoted	0	0%	1,315	0%
Global quoted	549,677	12%	578,387	12%
	890,756	19%	920,657	19%
Pooled investment vehicles				
UK	450,450	10%	445,951	9%
UK index-linked	244,634	5%	367,007	8%
Global	1,802,241	40%	1,731,507	36%
	2,497,325	55%	2,544,465	53%
All companies operating unit trusts or managed funds are registered in the United Kingdom.				
Derivatives (see note 11)				
Forward foreign currency	160	0%	1,015	0%
Futures	1,286	0%	1,434	0%
	1,446	0%	2,449	0%
Property				
UK directly held property	340,675	7%	352,715	7%
UK pooled property funds	29,926	1%	33,428	1%
	370,601	8%	386,143	8%
Other				
Private equity	146,080	3%	141,645	3%
Private debt	74,569	2%	134,475	3%
Hedge funds	86,455	2%	88,147	2%
	307,104	7%	364,267	8%
Cash				
External deposits	151,500	4%	148,685	4%
Investment manager cash (Sterling £)	19,867	0%	14,292	0%
Investment manager cash (non Sterling £)	13,823	0%	17,514	0%
	185,190	4%	180,491	4%
	4,577,004	100%	4,766,154	100%
Outstanding dividend entitlements and recoverable withholding tax	9,061		10,207	
Amount receivable for sales of investments	5,618		11,846	
Total Investment assets	4,591,683		4,788,207	

10a. Analysis of investments (continued)

	31 March 2017	31 March 2018
	£ 000	£ 000
Total Investment assets (from previous page)	4,591,683	4,788,207
Investment liabilities		
Derivatives (see note 11)		
Forward foreign currency	(55)	(33)
Futures	(211)	(847)
	(266)	(880)
Amounts payable for purchases of investments	(8,327)	(12,480)
Total Investment liabilities	(8,593)	(13,360)
Net Investment assets	4,583,090	4,774,847



**Castle Garden
Band Stand**
(Tamworth)

Latitude: N - 52° - 37m - 57.437s
Longitude E - 1° - 41m - 48.42s

11. Derivative contracts

The holding of derivative contracts is to hedge exposures and reduce risk for the Fund. The use of derivative contracts is managed in line with the investment management agreement between the Fund and the various investment managers who use them.

Forward foreign currency contracts

A significant proportion of the Fund's equity holdings are held in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, some of the Fund's investment managers hold forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) below against other major currencies.

	31 March 2017		31 March 2018	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Swiss Franc	0	0	0	(19)
Euro	0	(50)	357	0
Hong Kong Dollar	0	0	0	(4)
United States Dollar	160	(5)	658	0
Swedish Krona	0	0	0	(3)
Turkish Lira	0	0	0	(7)
	160	(55)	1015	(33)

Futures contracts

Futures contracts are used to manage interest rate risk. All are traded on a stock exchange and are listed below at 31 March.

The Fund invests in fixed-rate corporate bonds denominated in US dollars and Euros. In order to avoid taking duration risk in relation to movements in US dollar and Euro based interest rates, positions are taken in the corresponding government bond futures.

	31 March 2017			31 March 2018	
	Nominal Value £ 000	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Euro Bund Future (Euro €) - June 2017	15,768	0	(2)	0	0
Long Gilt Future (Sterling £) - June 2017	75,007	1,286	0	0	0
US 10 year Note (US \$) - June 2017	69,401	0	(192)	0	0
US 5 year Note (US \$) - June 2017	13,024	0	(17)	0	0
Euro Bund Future (Euro €) - June 2018	15,872	0	0	0	(229)
Long Gilt Future (Sterling £) - June 2018	73,363	0	0	1,434	0
US 10 year Note (US \$) - June 2018	59,853	0	0	0	(542)
US 5 year Note (US \$) - June 2018	16,182	0	0	0	(76)
		1,286	(211)	1,434	(847)

12. Long term/current assets

	2016/2017 £ 000	2017/2018 £ 000
Long term assets		
Contributions due – employers (see note 18)	3,012	2,008
Current assets		
Contributions due - employers	6,780	8,030
Contributions due - members	1,883	2,100
Cash balances	2,742	0
HM Revenue & Customs	11	11
Other	477	2,124
	11,893	12,265
Total	14,905	14,273

An analysis of assets above by type of body is provided below:

	2016/2017 £ 000	2017/2018 £ 000
Central government bodies	5,970	6,334
Other local authorities	5,068	5,128
NHS bodies	281	214
Public corporations and trading funds	492	561
Other entities and individuals	3,094	2,036
Total	14,905	14,273

13. Long term/current liabilities

	2016/2017	2017/2018
	£ 000	£ 000
Long term liabilities		
Income received in advance (see note 19)	(100)	(88)
Current liabilities		
Cash overdrawn	0	(2,789)
Investment management expenses	(1,030)	(1,086)
Income received in advance	(556)	(2,166)
Benefits payable	(4,055)	(4,365)
Other	(1,741)	(853)
	(7,382)	(11,259)
Total	(7,482)	(11,347)

An analysis of liabilities above by type of body is provided below:

	2016/2017	2017/2018
	£ 000	£ 000
Central government bodies	0	0
Other local authorities	0	(453)
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(7,482)	(10,894)
Total	(7,482)	(11,347)

14. Directly held property net asset account

The Fund had investments in property of £386.1m at 31 March 2018 (£370.6m at 31 March 2017), of which £352.7m was in directly held property (£340.7m at 31 March 2017). The account below reconciles the movement in the Fund's investments in directly held property.

The Fund is required to classify its directly held property into a hierarchy by reference to the quality and reliability of information used to determine fair values (See note 25 for more information on the hierarchy). The Fund has classified its directly held property as Level 3, as fair values are based on significant unobservable inputs and estimated using valuation techniques.

Transaction costs for directly held property in 2017/2018 were £0.1m (£3.9m in 2016/2017).

	2016/2017	2017/2018
	£ 000	£ 000
Balance at start of year	284,535	340,675
Purchases at cost	66,672	679
Sale proceeds	(10,164)	0
Change in market value	(368)	11,361
Balance at 31 March	340,675	352,715

15. Directly held property fund account

A summary of the income and expenses associated with the Fund's directly held property is provided below:

	2016/2017 £ 000	2017/2018 £ 000
Rental income	18,518	20,209
Direct operating expenses	(1,180)	(1,406)
Net gain	17,338	18,803

16. Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contributions (AVC) scheme run by external providers. Contributions are paid directly from scheme members to the providers.

The contributions are not included within the Fund accounts, in line with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The table below shows the activity for each AVC provider in the year.

	Clerical Medical £m	Scottish Widows £m	Equitable Life £m	Standard Life £m
Opening value	956	3	554	2,135
Income	4	955	0	206
Expenditure	(963)	(203)	(59)	(379)
Change in market value	3	44	7	37
Closing value	0	799	502	1,999

17. Related-party disclosure

Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.1m (£2.2m in 2016/2017) in relation to the administration of the Pension Fund. The County Council was subsequently reimbursed by the Fund for these expenses.

The Pension Fund holds a proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the Fund's Annual Investment Strategy, which sets out the permitted counterparties and limits. At 31 March 2018 the Fund held £146m in cash (£154m at 31 March 2017).

New regulations stopped Staffordshire County Councillors from joining the scheme from 1 April 2014. Only Councillors who were members of the scheme at 31 March 2014 could continue to accrue benefits in the scheme up until the end of their term of office, which occurred when the local elections were held in May 2017. At 31 March none of the members of the Pensions Committee and the Pensions Panel remained members of the scheme.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

No services were provided by LGPS Central Ltd during 2017/2018 as operation only commenced on 3 April 2018.

£1.3m has been invested in share capital and £0.7m in a loan to LGPS Central Ltd during the year for regulatory capital purposes. These are the balances at year end.

£0.4m has been spent by Staffordshire Pension Fund on setting up LGPS Central Ltd during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the eight administering authorities. A total of £0.5m is due to be refunded to Staffordshire Pension Fund by LGPS Central during 2018/2019 reflecting the cost of setting up the enterprise to the end of March 2018.

17a. Key management personnel

The key management personnel of the Fund are the Staffordshire County Council Director of Finance and Resources (Section 151 Officer), Head of Financial Strategy and Support, and the Head of Treasury and Pensions. Total remuneration payable to key personnel in respect of the Pension Fund is set out below:

	2016/2017 £ 000	2017/2018 £ 000
Short Term Benefits	85	72
Post-employment Benefits	105	98
	190	170

18. Deferred debtor

A transfer was made from the Fund to the Civil Service Pension Scheme on 1 April 2005 in respect of Magistrates Courts. As at 31 March 2011 agreement had been reached that the Fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the Fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the Fund of £1.004m. At 31 March 2018, the remaining balance was £2.008m as per the long term assets in note 12.

19. Deferred liability

A cash transfer of £0.188m was made to the Fund in 2011/2012 by the Environment Agency. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2017/2018 and £0.013m will be released per year until 2025/2026. At 31 March 2018 the remaining balance was £0.088m as per the long term liabilities in note 13.

20. Events after the balance sheet date

On 31 May 2018 the Director of Finance and Resources authorised the Statement of Accounts to be issued. When preparing the accounts we have considered events between the date we produced the balance sheet and 31 May 2018. No events have occurred which require disclosure in the accounts.

21. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19, the assumptions underpinning the valuation are given in the Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

Private Equity

The private equity market valuations at 31 March 2018 were not available at the time of the preparation of the financial statements, therefore, adjusted 31 December 2017 market valuations have been included. The market values at 31 December 2017 were adjusted for capital calls and capital distributions for the period from 1 January 2018 to 31 March 2018 and the applicable change in exchange rate for the same period.

22. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the net assets statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

Item	Uncertainty	Effect if actual results differ from assumptions
Private equity	Private equity funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £141.6m. There is a risk that this investment may be under or overstated in the accounts.
Private debt	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of private debt funds in the financial statements is £134.5m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Hedge funds in the financial statements is £88.2m. There is a risk that this investment may be under or overstated in the accounts.
Freehold/leasehold property and pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The total value of all property in the financial statements is £386.1m. There is a risk that this investment may be under or overstated in the accounts.

23. Classification of financial instruments

The net assets of the Fund disclosed in the Net assets statement and in notes 10 and 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2017/2018.

The analysis within notes 23, 24 and 26 on financial instruments does not include the Pension Fund's directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed in note 14 - Directly held property net asset account and note 15 - Directly held property fund account.

31 March 2018	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets				
Bonds	367,682	0	0	367,682
Equities	920,657	0	0	920,657
Pooled investment vehicles	2,544,465	0	0	2,544,465
UK pooled property funds	33,428	0	0	33,428
Cash	0	177,702	0	177,702
Other investment balances	364,267	22,053	0	386,320
Derivatives	2,449	0	0	2,449
Long term assets	0	2,008	0	2,008
Current assets	0	12,265	0	12,265
	4,232,948	214,028	0	4,446,976
Financial liabilities				
Derivatives	(880)	0	0	(880)
Other investment balances	0	0	(12,480)	(12,480)
Long term liabilities	0	0	(88)	(88)
Current liabilities	0	0	(8,470)	(8,470)
	(880)	0	(21,038)	(21,918)
	4,232,068	214,028	(21,038)	4,425,058

23. Classification of financial instruments (continued)

The previous years data is provided below:

31 March 2017	Designated as fair value through profit and loss £ 000	Loans and receivables £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Financial assets				
Bonds	324,582	0	0	324,582
Equities	890,756	0	0	890,756
Pooled investment vehicles	2,497,325	0	0	2,497,325
UK pooled property funds	29,926	0	0	29,926
Cash	0	187,932	0	187,932
Other investment balances	307,104	14,679	0	321,783
Derivatives	1,446	0	0	1,446
Long term assets	0	3,012	0	3,012
Current assets	0	9,151	0	9,151
	4,051,139	214,774	0	4,265,913
Financial liabilities				
Derivatives	(266)	0	0	(266)
Other investment balances	0	0	(8,327)	(8,327)
Long term liabilities	0	0	(100)	(100)
Current liabilities	0	0	(7,382)	(7,382)
	(266)	0	(15,809)	(16,075)
	4,050,873	214,774	(15,809)	4,249,838

24. Net gains on financial instruments

The gains recognised in the accounts in relation to financial instruments are made up as follows:

	2016/2017 £ 000	2017/2018 £ 000
Financial assets		
Designated as fair value through profit and loss	795,638	60,650
Loans and receivables	6,068	4,677
	801,706	65,327

25. Fair value - basis of valuation

The basis of the valuation of each asset class of investment is set out below. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The new procedure for private equity market valuations has been disclosed in note 21, there have been no other changes in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments (equities and bonds)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Bonds are valued at a market value based on current yields	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not required
Freehold and leasehold properties	Level 3	Valued at fair value by Savills in accordance with International Valuation Standards and RICS Valuation Standards	<ul style="list-style-type: none"> - Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate 	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled property funds	Level 3	The Funds ownership share in property limited partnerships is applied to the partnership net assets. The net assets are based on the fair value of the underlying investment properties in accordance with International Valuation Standards and RICS Valuation Standards	<ul style="list-style-type: none"> - Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate 	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

Table continued on following page

25. Fair value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	<ul style="list-style-type: none"> - Comparable valuation of similar assets - EBITDA multiple - Revenue multiple - Discounted cash flows - Enterprise value estimation 	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Hedge funds	Level 3	Closing bid price and offer prices are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) Updated	<ul style="list-style-type: none"> - EBITDA multiple - Revenue multiple - Discount for lack of marketability - Control Premium 	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts (See note 21)
Forward foreign currency contracts	Level 2	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Futures	Level 1	Published exchange prices at the year-end	Not required	Not Required

25a. Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. The three levels are detailed below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. Products classified as Level 1 are quoted equities and bonds.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 products include pooled investment vehicles, as they are not traded in a market that is considered to be active and where the asset value can be determined by observed values for the underlying assets.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). Examples include private equity, private debt and hedge funds, which are valued using valuation techniques that require significant judgement.

The following table provides an analysis by the three levels based on the level at which the fair value is observable.

31 March 2018	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,288,458	2,545,480	399,010	4,232,948
Non-financial assets at fair value through profit and loss (See note 14)	0	0	352,715	352,715
Financial liabilities				
Designated as fair value through profit and loss	(847)	(33)	0	(880)
	1,287,611	2,545,447	751,725	4,584,783

The previous years data is provided below:

31 March 2017	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	1,216,624	2,497,485	337,030	4,051,139
Non-financial assets at fair value through profit and loss (See note 14)	0	0	340,675	340,675
Designated as fair value through profit and loss	(211)	(55)	0	(266)
	1,216,413	2,497,430	677,705	4,391,548

25b. Reconciliation of fair value measurements within level 3

	Market Value 1 April 2017 £ 000	Purchases during the year and derivative payments £ 000	Sales during the year and derivative receipts £ 000	Unrealised gains / (Losses) £ 000	Realised gains / (Losses) £ 000	Market Value 31 March 2018 £ 000
UK equities unquoted	0	1,315	0	0	0	1,315
Private equity	146,080	24,550	(33,925)	(14,110)	19,050	141,645
Private debt	74,569	67,893	(1,219)	(8,085)	1,317	134,475
Hedge funds	86,455	0	0	1,692	0	88,147
Pooled property funds	29,926	2,598	0	904	0	33,428
Freehold and leasehold properties	340,675	679	0	12,063	(702)	352,715
	677,705	97,035	(35,144)	(7,536)	19,665	751,725

The previous years data is provided below:

	Market Value 1 April 2016 £ 000	Purchases during the year and derivative payments £ 000	Sales during the year and derivative receipts £ 000	Unrealised gains / (Losses) £ 000	Realised gains / (Losses) £ 000	Market Value 31 March 2017 £ 000
Alternative funds	102,046	0	(104,971)	(5,546)	8,471	0
Private equity	120,646	22,186	(28,439)	20,218	11,469	146,080
Private debt	0	95,481	(24,714)	3,802	0	74,569
Hedge funds	83,290	0	0	3,165	0	86,455
Pooled property funds	41,386	1,056	(16,508)	(1,220)	5,212	29,926
Freehold and leasehold properties	284,535	66,672	(10,164)	(2,838)	2,470	340,675
	631,903	185,395	(184,796)	17,581	27,622	677,705

26. Nature and extent of risks arising from financial instruments

The primary objective of the Fund is to ensure that sufficient funds are available to meet all Pension liabilities as they fall due for payment. The Fund aims to do this by adopting an investment strategy that balances risk and return.

The majority of the Fund is invested through external investment managers. Each has an investment management agreement in place which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions.

Risks are managed through diversification; by investing across asset classes, across managers and styles and ensuring managers maintain a diversified portfolio of investments within their mandate. The majority of the Fund is invested in liquid investments.

Market risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investment portfolio to all these market risks.

Market risk also represents the risk that the value of a financial instrument will fluctuate caused by factors other than those mentioned above. These changes can be caused by factors specific to the individual instrument or those affecting the market in general and will affect each asset class the Fund holds in different ways.

A high proportion of the Fund is invested in equities and therefore fluctuation in equity prices is the largest risk the Fund faces. The Fund relies on the fact that it has positive cash flows and a strong employer covenant to underpin its investment in equities and maintains its high exposure to equities over the long-term as they are expected to deliver higher returns.

The Fund manages market risk through a diversified investment portfolio and instructing individual investment managers to diversify investments within their own individual portfolios in line with their investment strategies and mandate guidelines. The Pensions Panel and Pensions Committee regularly receive reports which monitor such risks.

Market risk – sensitivity analysis

In consultation with the Fund's investment advisor the following movements in market prices have been judged as possible for the 2018/2019 financial year. The potential market movement figures also allow for interest rate and currency rate fluctuations.

Asset type	Possible market movements
UK equity	+/- 18%
Global equity	+/- 22%
Private equity	+/- 27%
Private debt	+/- 7%
UK fixed interest bonds	+/- 11%
UK index-linked bonds	+/- 9%
Corporate bonds	+/- 7%
Cash	+/- 1%
UK pooled property funds	+/- 14%
Hedge funds	+/- 13%

This movement in the market prices would increase or decrease the net assets at 31 March 2018 to the amounts shown overleaf.

Asset type	31 March 2018 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
UK corporate bonds	159,169	7%	170,311	148,027
Global corporate bonds	208,513	7%	223,109	193,917
UK equities	340,955	18%	402,327	279,583
UK equities unquoted	1,315	18%	1,552	1,078
Global equities	578,387	22%	705,632	451,142
UK pooled investments	445,951	18%	526,222	365,680
UK index-linked pooled investments	367,007	9%	400,038	333,976
Overseas pooled investments	1,731,507	22%	2,112,439	1,350,575
UK pooled property funds	33,428	14%	38,108	28,748
Private equity	141,645	27%	179,889	103,401
Private debt	134,475	7%	143,888	125,062
Hedge funds	88,147	13%	99,606	76,688
Cash	180,491	1%	182,296	178,686
Derivatives	1,569	0%	1,569	1,569
Outstanding dividend entitlements and recoverable withholding tax	10,207	0%	10,207	10,207
Amount receivable for sales of investments	11,846	0%	11,846	11,846
Amounts payable for purchases of investments	(12,480)	0%	(12,480)	(12,480)
Long term assets	2,008		2,008	2,008
Current assets	12,265	0%	12,265	12,265
Long term liabilities	(88)		(88)	(88)
Current liabilities	(11,259)	0%	(11,259)	(11,259)
	4,425,058		5,199,485	3,650,631

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Changes in market interest rates would affect the value of the Fund's bonds. The amount of income the Fund generates from its cash holdings would also be affected.

The Fund's direct exposure to interest rate movements as at 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	31 March 2018 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
Cash and cash equivalents	148,685	0%	148,685	148,685
Cash balances	(2,789)	0%	(2,789)	(2,789)
Bonds	367,682	1%	371,359	364,005
	513,578		517,255	509,901

Foreign currency risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in Sterling (£) will fluctuate because of changes in foreign exchange rates.

A high proportion of the Fund's equity portfolio is held in global stock markets. Any short term volatility associated with fluctuating currencies is balanced by the long term nature of investments in equity markets.

Foreign currency risk - sensitivity analysis

Following consultation with the Fund investment advisors, the council considers the likely volatility associated with foreign exchange movements to be 10%.

On the assumption that all other variables, in particular interest rates, remain constant, a 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	31 March 2018 £ 000	Percentage change (+/-) %	Value on increase £ 000	Value on decrease £ 000
Global corporate bonds	208,513	10%	229,364	187,662
Global equities	578,387	10%	636,226	520,548
Overseas pooled investments	1,731,507	10%	1,904,658	1,558,356
Private equity	141,645	10%	155,810	127,481
Private debt	134,475	10%	147,923	121,028
Hedge funds	88,147	10%	96,962	79,332
	2,882,674		3,170,943	2,594,407

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. The biggest exposure the Fund has is through its investment in corporate bonds and private debt.

The Fund is also exposed to credit risk through other investment managers that hold assets and the custodian. The Fund minimises credit risk through the careful selection and monitoring of high quality counterparties. Assets and cash held by the custodian are held in individual accounts in the Pension Fund's name, clearly segregated from the assets of other clients and the custodian.

Through the stock lending programme, operated by the Fund's custodian, the Fund is exposed to the collateral provided by the borrower against the securities lent. To manage this risk the collateral permitted is restricted to government obligations (such as Gilts) and equities. Collateral is held in excess of the securities lent.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

Another source of credit risk for the Fund is the cash it holds to meet short-term commitments. The cash is managed by the Staffordshire County Council Treasury and Pensions Fund team in line with the Pension Fund's Annual Investment Strategy which sets out the permitted counterparties and limits.

Cash Summary	Rating	31 March 2017 £ 000	31 March 2018 £ 000
Bank current account			
Lloyds Bank	A+	2,742	(2,789)
Loan			
LGPS Central Limited	N/A	0	685
Money market funds			
Deutsche Managed Sterling Platinum	AAA	20,000	18,000
Federated (PR) Short-Term GBP Prime Fund Class 3	AAA	17,000	15,000
Goldman Sachs Sterling Liquid Reserve Institutional Inc	AAA	10,000	5,000
Standard Life Investments Short Duration	AAA	24,500	20,000
JPMorgan Sterling Liquidity Capital	AAA	10,000	7,000
Morgan Stanley Sterling Liquidity Inst	AAA	15,000	3,000
Royal London Cash Plus Fund	AAA	25,000	20,000
Local Authority Loans			
Conwy County Borough Council	N/A	5,000	0
Fife Council	N/A	5,000	0
London Borough of Hackney	N/A	10,000	0
Surrey County Council	N/A	10,000	0
Birmingham City Council	N/A	0	20,000
Eastleigh Borough Council	N/A	0	10,000
Rhondda Cynon Taff County Borough Council	N/A	0	5,000
Slough Borough Council	N/A	0	5,000
Telford and Wrekin Borough Council	N/A	0	10,000
Thurrock Borough Council	N/A	0	10,000
		154,242	145,896

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. To manage this risk the Fund holds an allocation of its assets in cash, the majority of which Staffordshire County Council Treasury and Pensions Fund team have same day access to. This is to ensure short term commitments can be met.

The majority of the stocks held by the Fund's investment managers are quoted on major stock markets and may be realised quickly if required. Less liquid investments such as property, private equity, hedge funds and private debt currently make up a smaller proportion of the Fund's assets.

In the short-term the Fund can borrow money on the money markets to cover any shortfall that may arise. Overall there is very little risk that the Fund will not be able to raise cash to meet our commitments.

27. Accounting Standards issued but not yet adopted

At the balance sheet date new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.

Church of the Holy Cross (*Ilam*)

📍 Latitude: N - 53° - 3m - 12.154s
Longitude E - 1° - 48m - 12.616s



Independent Auditor's Statement

To the Members of Staffordshire County Council on the Pension Fund Financial Statements

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2018, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Staffordshire County Council for the year ended 31 March 2018 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts on 31 July 2018 and the date of this statement.

Respective responsibilities of the Director of Finance and Resources and the auditor

As explained more fully in the Statement of the Director of Finance and Resources Responsibilities, the Director of Finance and Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Staffordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the Chairman's Report, Reports on Fund Governance, the Investment Report and report on Fund Administration.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Suresh Patel

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
13 September 2018

Glossary Of Terms

Actuarial valuation

A valuation carried out by an actuary to check what a pension scheme's assets are worth versus its future liabilities. This is then used to work out how much contributions must be so there will be enough money in the scheme for all people to get their pensions.

Actuarial strain

This is a charge paid to the Pension Fund for paying pensions early.

Additional voluntary contributions (AVCs)

This is an extra contribution a member can pay to their own pension scheme to increase future pension benefits.

Alternative investments

Investments considered outside of the traditional asset classes of stocks, bonds and cash.

Benchmarks

These are investment performance standards that we expect our investment managers to achieve and against which we measure their investment return.

Bid-market price

The price a buyer pays for a stock.

Bond

A bond is a written promise to repay a debt at an agreed time and to pay an agreed rate of interest on that debt.

Collateral holdings

Assets pledged to a lender until the loan is repaid. If the borrower does not pay off the loan, the lender has the legal right to seize the asset and sell it to pay off the loan.

Corporate governance

The systems by which companies are directed and controlled.

Derivatives

Investments that derive their value from underlying assets such as currencies or are linked to indices such as a stock market index.

Equities

Stocks representing ownership interest in companies.

Financial instrument

A contract between two parties that involves a monetary exchange for some type of debt or asset.

Fixed-interest investments

Where you loan money to a government or individual company for a fixed rate of income.

Hedge funds

A portfolio of investments that use advanced investment strategies with the goal of generating high returns.

Index-linked securities

Investments in stock where the rate of interest and capital value are linked to the rate of inflation.

Investment management expenses

All expenses relating to managing the Fund's investments.

Investment managers

Firms we appoint to deal with the Fund's investments on a day-to-day basis.

Local Pensions Board

The board assists and supports the management and governance of the Pension Fund in complying with the LGPS and other legal and regulatory requirements.

Pensions Committee

A committee formed under the constitution of the County Council to deal specifically with pension's administration and investment.

Pensions Panel

An independent panel we set up to provide advice on investments and to report to the Pensions Committee.

Pooled investment vehicles

A fund that combines the resources or capital from a number of investors and pursues a clearly defined investment plan.

Private debt

Loans to private companies from lenders other than banks, often to small or medium sized companies to expand or manage their operations.

Private equity

Ownership in a company that is not publicly-traded.

Property

All buildings and land that the Fund owns including pooled property funds.

Refunds of contributions

2008 Scheme: The amount employees will receive if they stop their pensionable employment within the first three months of working for us.

2014 Scheme: The amount employees will receive if they stop their pensionable employment within the first two years of working for us.

Responsible Investment

Investments which take into consideration environmental, social and governance factors as well as financial factors.

Stock lending

The act of loaning securities to another investor in return for a fee. When a security is loaned the ownership is also transferred to the borrower.

Transfer values

The value of a pension scheme members benefits available to buy benefits in another scheme.

Withholding tax

A tax on dividend income that is charged at source. Some of this may be recoverable and some may not.

How to Contact Us

If you have any questions or need more information about our Pension Fund, please contact the relevant person below.

Investment and Fund Governance

Melanie Stokes – Head of Treasury and Pensions
Phone: 01785 276330
E-mail: treasury.pensionfund@staffordshire.gov.uk

Benefits, Contributions and Pensions Payroll

John Wiggins and Simon Jackson - Pensions Managers
Phone: 01785 276482/274450 or for Payroll
01785 278222 (option 2)
E-mail: pensions.enquiries@staffordshire.gov.uk

Or, you can write to us at:

Treasury and Pension Fund
Staffordshire County Council
2 Staffordshire Place
Tipping Street
Stafford ST16 2DH.

You can also visit our website at:
www.staffspf.org.uk

If you would like this information in large print, in Braille, on audio tape or CD, in British Sign Language or in any other language, please ring 01785 276330.

Staffordshire Pension Fund Audit results report

Year ended 31 March 2018

30 July 2017

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

30 July 2018



Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Standards Committee.

We have substantially completed our audit of Staffordshire Pension Fund for the year ended 31 March 2018. Subject to completing the final procedures listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Audit and Standards Committee meeting on 30 July 2018.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

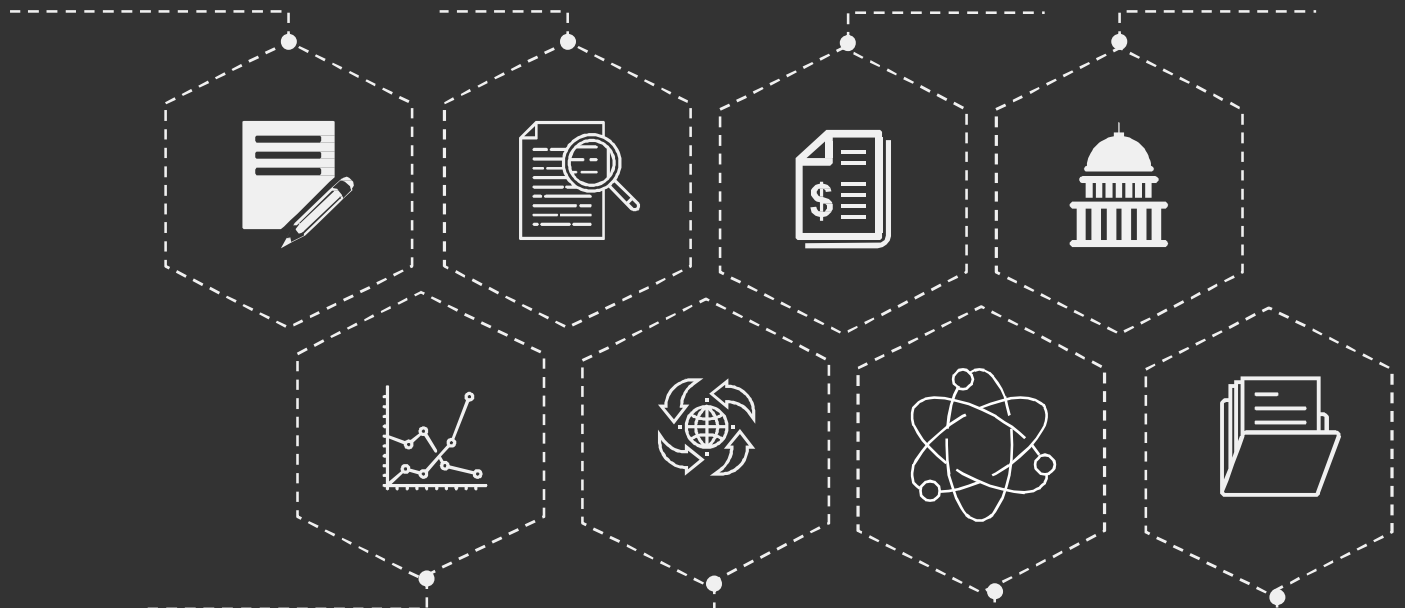
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05 Other reporting issues

06 Assessment of Control Environment

07 Independence

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Standards Committee and management of Staffordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, and management of Staffordshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee and management of Staffordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the March 2018 Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the exception of a change to materiality.

We have updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% net assets, we have updated our overall materiality assessment to £95.5 million (Audit Planning Report – £91.8 million). This results in updated performance materiality, at 75% of overall materiality, of £71.6 million, and an updated threshold for reporting misstatements of £4.8 million.

Status of the audit

We have substantially completed our audit of the Pension Fund's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following items we expect to issue an unqualified opinion on the Staffordshire Pension Fund's financial statements in the form which appears at Section 3.

Completion of subsequent events review

- Receipt of the signed management representation letter
- Receipt and review of the final version of the financial statements;
- Receipt and review of the Pension Fund Annual Report
- Final review procedures

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Standards Committee.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which are unknown to you.

Audit differences

There are no unadjusted audit differences arising from our audit that we wish to bring to your attention. We identified a small number of amendments to the statements, which management has amended. These are set out in section 4.

Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

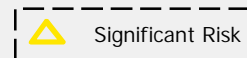
Misstatements due to fraud and error - Management Override

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every engagement.



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What did we do?

- ▶ Tested journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Tested the valuation of investments provided in fund manager reports and independent bid prices; and
- ▶ Tested the occurrence and measurement of investment income notified in fund manager reports to confirmations from custodians.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias. Our journals testing also specifically considered the risk of inappropriate or incomplete journaling of investment income and changes in market value of investments at year-end. We also consider whether there are any significant or unusual transactions outside of the Pension Fund's usual course of business.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



Areas of Audit Focus

Significant risk

New General Ledger System

What is the risk?

The administering authority has implemented a new General Ledger system in year (Integra). Any significant system change creates risks associated with data migration and integrity which could result in a material misstatement.



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What did we do?

Carried out a review of Internal Audits planned work on the system migration to inform our risk assessment and planned audit response.

In conjunction with our IT Risk Assurance (ITRA) specialists within EY, we carried out a review of the Council's approach and execution of the transfer of data to the new system. We performed tests on the data migrated to the new system to gain assurance on the opening balances in Integra.

We have documented and walked through the IT general controls, assessing the design of those controls.

We have also documented and walked through the old system (SAP) and the new system (Integra) in the year to gain an understanding of the design of the operation of the systems and identify any areas of weakness.

What are our conclusions?

Subject to completion of the work outstanding as set out in section 1, we have not identified any material misstatements in the migration of data from the SAP to Integra general ledger systems.

Our ITRA specialist work did not identify any specific areas of weakness as a result of the transfer from SAP to Integra and we have identified no significant weaknesses in IT general controls.

Our review of the Internal audit report on the system migration did not identify any material weaknesses and no further risks were identified from our documentation and walkthrough the SAP or Integra systems.



Significant risk

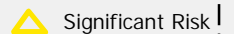
Valuation of unquoted investments

What is the risk?

The Fund's investments include unquoted pooled investment vehicles and limited partnerships (approximately 9% of fund assets). Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the Fund year end. Such variations could have a material impact on the financial statements.

Additionally, for 2017/18 the Fund has been required to close their accounts within a shortened time frame to previous years. As such the Pension Fund will be taking the latest valuation available from the fund managers and making adjustments for capital calls and distributions, and other material fluctuations to year end to enable them to meet the shorter deadline of 1 June 2018 for submission of the financial statements to audit. As such there is a greater risk that the year end valuation could be materially misstated.



Significant Risk



Areas of Audit Focus

Significant risk (Valuation of unquoted investments cont'd)

What did we do?

- The level 3 investments identified as having a higher risk of misstatement due to the judgemental nature of the valuations are set out in the table below.

Type of investment	Value in 2017/18 financial statements	Balance tested	Basis of the valuation	Audit work completed
Hedge Funds	£88,146 k	£88,146 k	Valuation of the funds are based on net asset value. This is carried out by the Fund Manager.	<ul style="list-style-type: none"> We have documented and walked through the process and design of the controls over the valuation process. As set out, the level 3 investments are typically prepared by fund managers. These fund managers are subject to independent review and assessment of the control environment. We have reviewed these control reports to identify any potential areas of weakness in the control environment which may increase the risk of material valuation misstatements. For each type of asset we have reviewed the basis of the valuation for and compared to the Pension Fund's accounting policy to ensure the basis aligns with accounting policy. For each type of investment we have substantively tested the valuation of the assets by agreeing the net asset value per the confirmation received to the audited accounts provided. Where the audited accounts have not do not have the same year end as the Fund we have performed tests of valuation such as reviewing transactions (purchases and sales or calls and distributions) around the year end, performing 'look through' testing or obtaining latest available audited accounts and fund statements and auditing any subsequent cash movements between the date of the audited accounts and the Fund's year end; and testing of trading and movements in year.
Private Equity	£141,645 k	£54,786 k	Valuation of the funds are based on net asset value. This is carried out by the Fund Manager.	
Private Debt	£132,531 k	£132,531 k	Valuation of the funds are based on net asset value. This is carried out by the Fund Manager.	

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What are our conclusions?

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Fund's financial position.



Areas of Audit Focus

Other areas of audit focus – valuation of directly held properties



Details on procedures/work performed

As detailed in our Audit planning report, the Fund has a significant portfolio of directly held property investments. The balance as at 31 March 2018 is £386 million.

We consider this as a higher inherent risk as the valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements.

- In the previous year's financial statements we engaged with our internal valuers to carry out specific procedures to consider the work performed by the Pension Fund's external valuers, which included reviewing the adequacy of the scope of the work performed, their professional capabilities and the results of their work. The detailed work included testing to confirm the valuation was undertaken in accordance with relevant financial reporting guidance, and the key assumptions used in the valuation were appropriate and within expected ranges.

We did not identify any weaknesses in valuation basis or material misstatements to report to you in 2016/17.

For 2017/18, we carried out the following procedures:

Considered the work performed by the Pension Fund's external valuers, including reviewing the adequacy of the scope of the work performed, their professional capabilities and the results of their work.

- Carried out an analysis of the movement in valuation and reviewed any significant property movements by reference to the asset register, and referencing expected indices.

We did not identify any significant uncertainties in the valuations that we need to report to you.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORDSHIRE PENSION FUND

Opinion

We have audited the Pension Fund financial statements for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Director of Finance and Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Director of Finance and Resources

As explained more fully in the Statements of Responsibilities set out on page 165, the Director of Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Staffordshire Pension Fund, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

As set out in section 1, our threshold for reporting misstatements to you is £4.6 million.

We did not identify any material misstatements that we wish to report to you. The Pension Fund has made a small number of adjustments over our reporting threshold which are set out below. These adjustments have been made to the final set of statements.

There are no unadjusted misstatements

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Note 4- Incorrect contributions classification.

Contributions classification per note 4 of the financial statements was not correctly presented with regards to the split between employer normal contributions and contributions towards actuarial deficit funding.

£24.7 million was disclosed as normal employer contribution. It should have been disclosed as actuarial deficit.

Note 10- commitments

We have noted incorrect disclosure for pooled property and private debt commitments. The amounts were misstated as follows:

UK pooled property- overstated by £10m

Private debt- Highbridge Private Lending Opportunities Fund understated by £2m

Note 26 – Financial Risk Management

The Pension Fund has not adequately disclosed the financial risk management within their financial statements as they had omitted key disclosures such as foreign exchange risk and credit risk. Management have now revised note 26 and incorporated all the relevant disclosures as required by the CIPFA SORP.



05 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Staffordshire Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit; Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested; Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process; Related parties;
- External confirmations; Going concern; and Consideration of laws and regulations.

There are no matters that we need to report to you.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have however identified the following control and process related matters. These matters are limited to those deficiencies identified during the audit and important enough for us to report to you.



Assessment of Control Environment

Area	Pensionable salary
Observation	<p>As part of our audit we are required to test the accuracy and completeness of contributions received we normally obtain pensionable salary reports.</p> <p>The Pension Fund were unable to provide evidence from Staffordshire County Council at the time of testing as had not received the return from Liberata – the new payroll provider.</p> <p>We recommend that this information is provided in a timely fashion as a matter of course to the County Council to enable them to review their payroll deductions.</p>
Page 117 Management comment	<p><u>Management Response</u></p> <p>The County Council payroll returns are received from three payroll providers – Capita, Stoke City Council and Liberata. In all three cases the Pensions Section has received required payroll/contribution returns from the providers, although the Liberata return, in an acceptable format, was not received until the 5th July 2018.</p> <p>There are some identified discrepancies with data provided in all three returns, which the Pensions Section will resolve, through its checking process, before finalising year end data.</p> <p><u>Date / Responsibility</u></p> <p>02/08/2018</p> <p>Head of Treasury and Pensions</p> <p>Payroll Providers</p>



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07

Independence

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated March 2018. We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this.

We confirm we have undertaken no non-audit work outside the PSAA Code requirements.

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The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Pension Fund, and its directors and senior management and its affiliates, including all services provided by us and our network to your Pension Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Fees

As part of our reporting on our independence, we confirm that our fees of £28,637 for the year ended 31 March 2018 are in line with the scale fee set by PSAA and have remained consistent to the prior year.

As reported in the Audit planning report there is additional fee of £5,500 will be charged to take into account the additional work required to respond to IAS19 assurances from scheduled bodies. This additional fee has been approved by the PSAA.

We anticipate there will be a further fee for additional work required as a result of the new general ledger system. We are in the process discussing the additional fee with management.



07 Appendices

Audit approach update

We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2017/18 we have again taken a fully substantive approach to the audit and there have been no significant changes to our approach.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items

Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework





Appendix B

Summary of communications



Date 	Nature 	Summary 
Throughout the year	Meetings, calls and e-mails	The Senior Manager has been in regular contact with the Head of Treasury and Pensions and her team throughout the year in respect of the Fund's risks, accounts closedown and the audit approach.
12 March 2018	Meeting	The Senior Manager presented the Audit Plan to the Audit and Standards Committee.
30 July 2018	Meeting	Presentation of the Audit Results Report to the Audit and Standards Committee.

Required communications with the Audit and Standards Committee





There are certain communications that we must provide to the Audit and Standards Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement Page 123	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	12 March 2018 Audit and Standards Committee Audit Plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	12 March 2018 Audit and Standards Committee Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	30 July 2018 Audit and Standards Committee – Audit Results Report

Appendix C

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>12 March 2018 Audit and Standards Committee – Audit Plan and 30 July 2018 Audit and Standards Committee – Audit Results Report</p>

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	30 July 2018 Audit and Standards Committee – Audit Results Report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	30 July 2018 Audit and Standards Committee – Audit Results Report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	30 July 2018 Audit and Standards Committee – Audit Results Report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and Standards Committee responsibility. 	30 July 2018 Audit and Standards Committee – Audit Results Report

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Pension Fund 	30 July 2018 Audit and Standards Committee – Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	12 March 2018 Audit and Standards Committee – Audit Plan and 30 July 2018 Audit and Standards Committee – Audit Results Report
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of 	30 July 2018 Audit and Standards Committee – Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	30 July 2018 Audit and Standards Committee – Audit Results Report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	30 July 2018 Audit and Standards Committee – Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	30 July 2018 Audit and Standards Committee – Audit Results Report
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor's report 	30 July 2018 Audit and Standards Committee – Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	12 March 2018 Audit and Standards Committee – Audit Plan and 30 July 2018 Audit and Standards Committee – Audit Results Report

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Management representation letter

Staffordshire Pension Fund

Management Rep Letter

30 July 2016

Suresh Patel
Associate Partner
1 More London Riverside
London
SE1 2AF

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This letter of representations is provided in connection with your audit of the financial statements of Staffordshire Pension Fund (“the Fund”) for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2017 to 31 March 2018 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.*
- 2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.*
- 3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and are free of material misstatements, including omissions. We have approved the financial statements.*

Management representation letter

Staffordshire Pension Fund

Management Rep Letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

Management representation letter

Staffordshire Pension Fund

Management Rep Letter

4. We have made available to you all minutes of the meetings of the Fund and Audit and Standards Committees held through 2017/18 to the most recent meeting of the Audit and Standards Committee on 30 July 2018.
 5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at 31 March 2018. These transactions have been appropriately accounted for and disclosed in the financial statements.
 6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
 7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
 9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
 3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note xx to the financial statements all guarantees that we have given to third parties.
- E. Subsequent Events
1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
- F. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Staffordshire County Council Annual Report 2017/18.
 2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

Merton Pension Fund

Management Rep Letter

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary, Hymans Robertson as at 31 March 2018, has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Management representation letter

Merton Pension Fund

Management Rep Letter

L. Estimates

Level 3 Investment Valuation Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of International Financial Reporting Standards.
2. We confirm that the significant assumptions used in making the accounting estimate appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with International Financial Reporting Standards.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

J. Investment Managers' Control Reports ISAE 3402

1. The latest reports available for all fund managers cover the whole of the 2017/18 audit year, or we have obtained bridging letters to cover the period to 31 March 2018. We can confirm that we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours faithfully,

Director of Finance and Resources

Chair, Audit and Standards Committee

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

Local Members Interest	
Nil	

PENSIONS COMMITTEE – 27 SEPTEMBER 2018

Report of the Director of Finance & Resources

REVIEW OF GOVERNANCE POLICY STATEMENT AND COMMUNICATIONS POLICY STATEMENT

Recommendation of the Chair

1. That the Pensions Committee approves the revised and updated Governance Policy Statement attached as Appendix 2.
2. That the Pensions Committee approves the revised and updated Communications Policy Statement attached as Appendix 3.

Background

3. Regulation states, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Having such, not only proves regulatory compliance, but more importantly demonstrates good governance and provides a range of information to stakeholders.
4. Whilst the Staffordshire Pension Fund is compliant in having the full range of policies in place, following an initial audit by Officers, it appears many of them are out of date and in need of review. An ongoing work program has therefore been put in place to ensure that over the next 12-18 months, the Fund's policies are reviewed and updated. These will be brought to Pensions Committee for approval in the first instance, prior to any wider consultation, if such is required.

Governance Policy Statement

5. **Regulation 55** of the Local Government Pensions Scheme Regulations 2013 states:

55. -(1) An administering authority must prepare a written statement setting out-

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so-

(i) the terms, structure and operational procedures of the delegation,
(ii) the frequency of any committee or sub-committee meetings,
(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

6. The Governance Policy Statement was last updated in December 2014 to reflect the introduction of the Local Pensions Board in 2015. The latest version has been reformatted slightly and has also been updated to reflect the governance arrangements for LGPS Central Limited. As the statement reflects the actual Governance arrangements in place, no wider consultation is considered necessary.

Communications Policy Statement

7. **Regulation 61** of the Local Government Pensions Scheme Regulations 2013 states:

61. -(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with-

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on-

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

8. As the Communication Policy Statement (previously Communication Strategy) was last reviewed in 2017, the latest version has been reformatted slightly and updated to reflect several minor procedural changes. Therefore, as there have been no significant changes, wider consultation is considered unnecessary.

Andrew Burns
Director of Finance & Resources

Contact: Melanie Stokes
Telephone No: (01785) 276330

Background Documents:
Local Government Pensions Scheme Regulations 2013

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

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

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



Staffordshire
Pension Fund
Local Government Pension Scheme

Staffordshire Pension Fund

Governance Policy Statement

1 October 2018



1. Introduction

Staffordshire County Council is the administering authority for the Staffordshire Pension Fund (the Fund). Local Government Pension Scheme (LGPS) regulations require all administering authorities to publish a Governance Policy Statement which sets out how the County Council discharges its responsibilities in response to the regulatory requirements.

This statement combines the overall governance arrangements which meet the requirements set out in Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013.

This statement also takes account of the guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) entitled Local Government Pension Scheme Governance Compliance Statement Statutory Guidance. The basic principles are accountability and transparency and both principles are achieved by setting clear responsibilities and appropriate reporting mechanisms.

Further sources of information are available on the Fund's website www.staffspf.org including the Annual Report and Accounts, Funding Strategy Statement and Investment Strategy Statement.

2. Purpose of the Governance Policy Statement

The LGPS regulations require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:

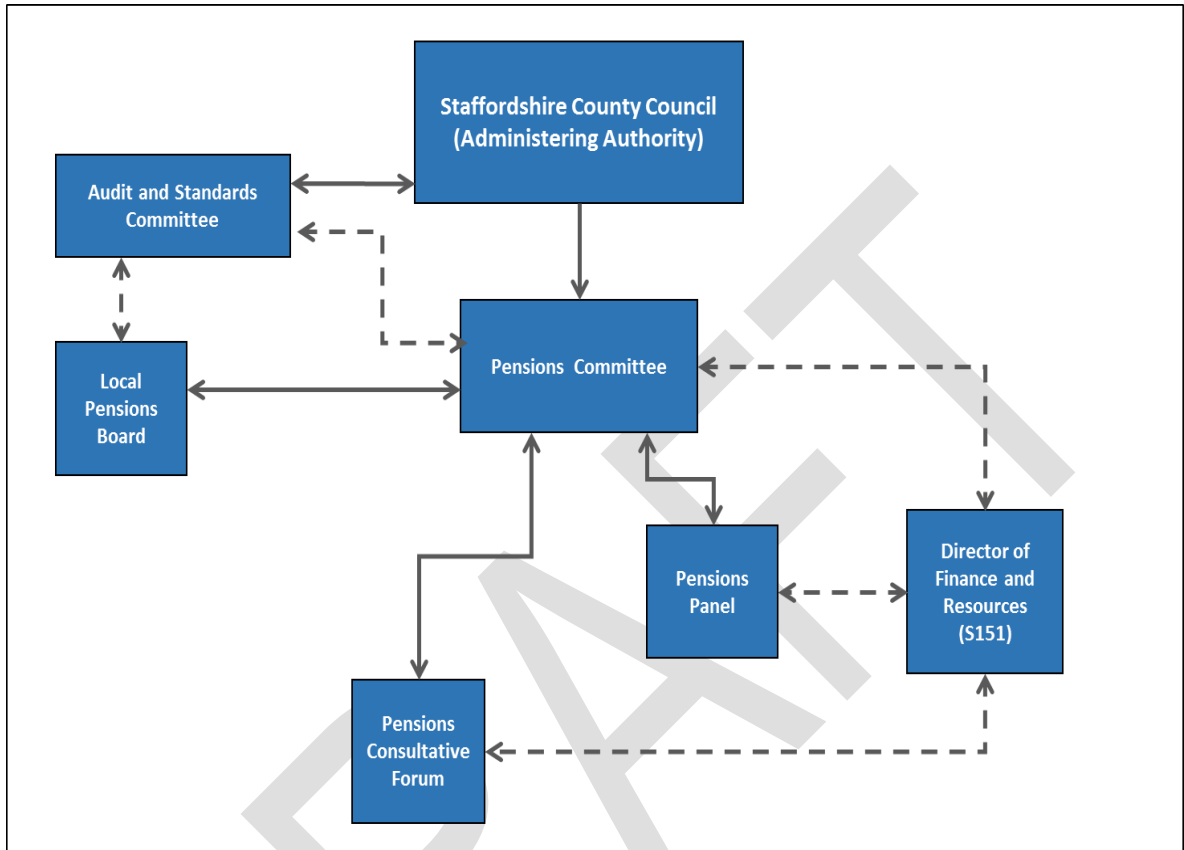
- whether it delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- the terms, structure and operational procedures of the delegation;
- whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the Local Pension Board.

3. Governance of the Staffordshire Pension Fund

Overall responsibility for managing the Fund lies with the full Council of Staffordshire County Council in its role as administering authority. Under the County Council's Constitution, further delegations for the management, administration and investment

of the Fund are made to the Pensions Committee, the Pensions Panel and the Director of Finance and Resources and his Staff.

Governance Structure of the Staffordshire Pension Fund



In all areas of the Governance Structure, the 7 Principles of Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership) are widely acknowledged and practiced; both within the decision-making framework and within day to day activities.

4. The Pensions Committee

The Pensions Committee has full delegated powers to deal with all functions relating to Local Government Pensions on behalf of Staffordshire County Council, including the management of the administration of benefits and the strategic management of the Funds' assets.

The Pensions Committee is made up of:

9 Elected Councillor Members; and

6 non-voting representatives from the Pensions Consultative Forum representing the following categories:

- Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)
- Contractors (1)
- Other Scheduled Bodies (1)
- Trade Unions (2)
- Pensioner Recipients (1)

The Pensions Committee principally fulfils its role by.

- Approving and keeping under review the Investment Strategy Statement and Funding Strategy Statement;
- Maintaining a Communication Strategy;
- Approving the Pension Fund Annual Report and Accounts;
- Receiving a report, at least annually on pensions administration activities;
- Approving and keeping under review the Fund's Additional Voluntary Contribution (AVC) arrangements;
- Approving the formal Actuarial Valuation;
- Approving the admission of employing organisations to the Fund where there is discretion to do so;
- Dealing with any other matters arising in respect of Local Government Pensions; and
- Appointing a Pensions Panel of five Members of the Committee.

In making its decisions, the Pensions Committee is obliged:

- To have due regard to the advice of the Director of Finance and Resources and to the advice of Consultants appointed by the Committee for the purpose (the appointment of whom may be made by the Committee on such terms and conditions and for such duration as the Committee may consider appropriate) with expertise in either or both of the following fields:-
 - Actuarial matters and Risk/Liability assessment
 - Investment Strategy and Allocation;
- To monitor from time to time the advice received from those Consultants; and
- To have regard to the advice of the Pensions Panel on matters referred to the Committee for consideration by the Panel and to call for advice from any Adviser or Manager who could have been asked by the Pensions Panel to give the Panel advice.

If the Pensions Committee shall disregard the advice of Consultants their reasons for so doing shall be recorded in the minutes of the Committee.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Over time, as assets move into pooled structures the Pensions Committee will also become responsible for:

- The selection, appointment and dismissal of an investment pooling operator to manage the assets of the Fund;
- Determining what the administering authority requires the pool to provide to enable it to execute its local investment strategy effectively;
- Receiving and considering reports and recommendations from the Joint Committee and Practitioners Advisory Forum, established to oversee the pool, to ensure that the Fund's investor rights and views are represented effectively;
- Identifying and managing the risk associated with investment pooling;
- Ensuring that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling; and
- Ensuring the responsible investment, corporate governance and voting policies of the Fund are delivered effectively.

5. The Pensions Panel

Each year, the Pensions Committee will constitute a Pensions Panel of 5 Elected Councillor Members of the Committee, with full delegated powers (and voting rights in accordance with the County Council's Constitution) to deal as and when appropriate to the following investment matters:

- The structure of the investment management arrangements necessary to achieve the effective management of the Pension Fund to meet the objectives set by the Pensions Committee;
- The selection, appointment and dismissal of, and the monitoring of the performance of, the Investment Managers of the Pension Fund;
- The allocation of the assets of the Pension Fund and the generic selection of asset portfolios in order to meet the objectives set by the Pensions Committee;
- The monitoring of the performance of the Pension Fund and its portfolios on a regular and routine basis across all sectors of investment and management, and the reporting arrangements to Panel that may be required from time to time for this purpose;
- The monitoring of the performance and effectiveness of the investment pooling operator to ensure it is providing an effective means of delivering the investment strategy (e.g. types of assets and style of investment management) and it is meeting the objectives that have been set (including requirements in relation to responsible investment);
- To agree from time to time any restrictions to be placed on any one or more Managers of the Pension Fund as to particular classes of authorised investment or decisions they may take on behalf of the Pension Fund or as to the exercise of voting rights.

The Pensions Panel will review regularly and make recommendations to the Pensions Committee on the following:

- Strategic Asset Allocation;

- Strategic Benchmarks;
- Strategic Performance Targets;
- The performance of Investment Fund Managers;
- The Investment Strategy Statement and the Funding Strategy Statement;
- Legislative, financial and economic changes which impact on the investment activity of the Fund;
- Responsible Investment (RI) considerations; and
- The advice from Advisers appointed by the Panel.

The Pensions Panel shall have regard to the advice of the Director of Finance and Resources and to the advice of the Independent Advisors, or other service providers, appointed by the Panel for the purpose (the appointment of whom may be made by the Panel on such terms and conditions and for such duration as the Panel may consider appropriate) with expertise in any one or more of the following fields:-

- Tactical Asset Allocation/Investment Strategy Implementation;
- Equities/Stocks/Shares/Securities (whether in UK or Overseas);
- Property;
- Bonds and Gilt-edged Investments;
- Alternative Investments e.g. Private Equity, Private Debt; and
- Manager Selection and Performance Monitoring

In addition, the Pensions Panel may make recommendations to the Pensions Committee on any matter, whether or not it falls within the powers delegated to the Pensions Panel.

6. The Local Pensions Board

The role of the Local Pensions Board is defined by the Public Service Pensions Act 2013. The Board aims to assist the administering authority in ensuring the effective and efficient governance and administration of the Pension Fund including:

- Securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the Fund;
- Securing compliance with requirements imposed in relation to the Fund by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

The Local Pensions Board comprises 6 representatives with equal representation from Employer Bodies and Scheme Membership.

As well as meeting sufficiently regularly to discharge its duties and responsibilities effectively, all Board representatives have an open invitation to attend all meetings of the Pensions Committee and Pensions Panel, in an observer capacity.

7. Pensions Consultative Forum

The Pensions Consultative Forum, consisting of representatives from all Scheme Employers in the Fund, as well as Trade Unions, meets at least annually (for an Annual General Meeting (AGM)). The Forum's 6 nominated representatives also attend the quarterly meetings of the Pensions Committee in a non-voting capacity.

The AGM provides a formal means for communication and consultation about the activities and governance of the Staffordshire Pension Fund, and will typically:

- receive the Annual Report and Accounts of the Fund;
- consider a report on the assets, liabilities and the solvency of the Fund;
- consider a report of the investment arrangements of the Fund;
- consider an account of the performance of the investment arrangements of the Fund;
- discuss the principles and practices of the interaction between the administering authority and Participating Bodies regarding the Fund; and
- consider any other business that is consistent with the purpose and objectives of the meeting.

Outside of the AGM, the Forum is also used as a means of consultation with Scheme Employers; for example, this may include consultation on changes to the Funding Strategy Statement or the Investment Strategy Statement.

A recent addition to the Fund's Governance arrangements includes an Employer Focus Peer Group. The group will consist of about 15 representatives from a cross section of the Fund's Scheme Employers and will be used for more regular engagement for the purposes of delivering appropriate training and timely information via Employer Focus Newsletters.

8. The Director of Finance and Resources

The Director of Finance and Resources and his staff are responsible for all matters of Fund administration, including recording each member's years of service and calculating and paying out pensions. They are also responsible for all administration and accounting functions that relate to the investment of the Fund's assets.

Under the County Council's Constitution (Appendix 1 Table 4), the Director of Finance and Resources may:

- Take any decision relating to the investment or management of the Pension Fund which is within the framework of the strategic or policy decisions of the Pensions Committee or the Pensions Panel; and

- After taking advice from Independent Advisers appointed by the Pensions Panel, take any decisions relating to the investment and management of the Pension Fund which cannot reasonably await the next meeting of the Pensions Committee or the Pensions Panel.

There is also a Finance and Resources Directorate sub-scheme of delegation which further delegates some practical elements of the day to day running of the Fund to the Head of Treasury and Pensions and Pensions Services staff.

9. LGPS Central (LGPSC)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. As a result of this, the Staffordshire Pension Fund has joined with 8 other LGPS Funds across the Midlands (Partner Funds) to form an asset pool, known as LGPS Central.

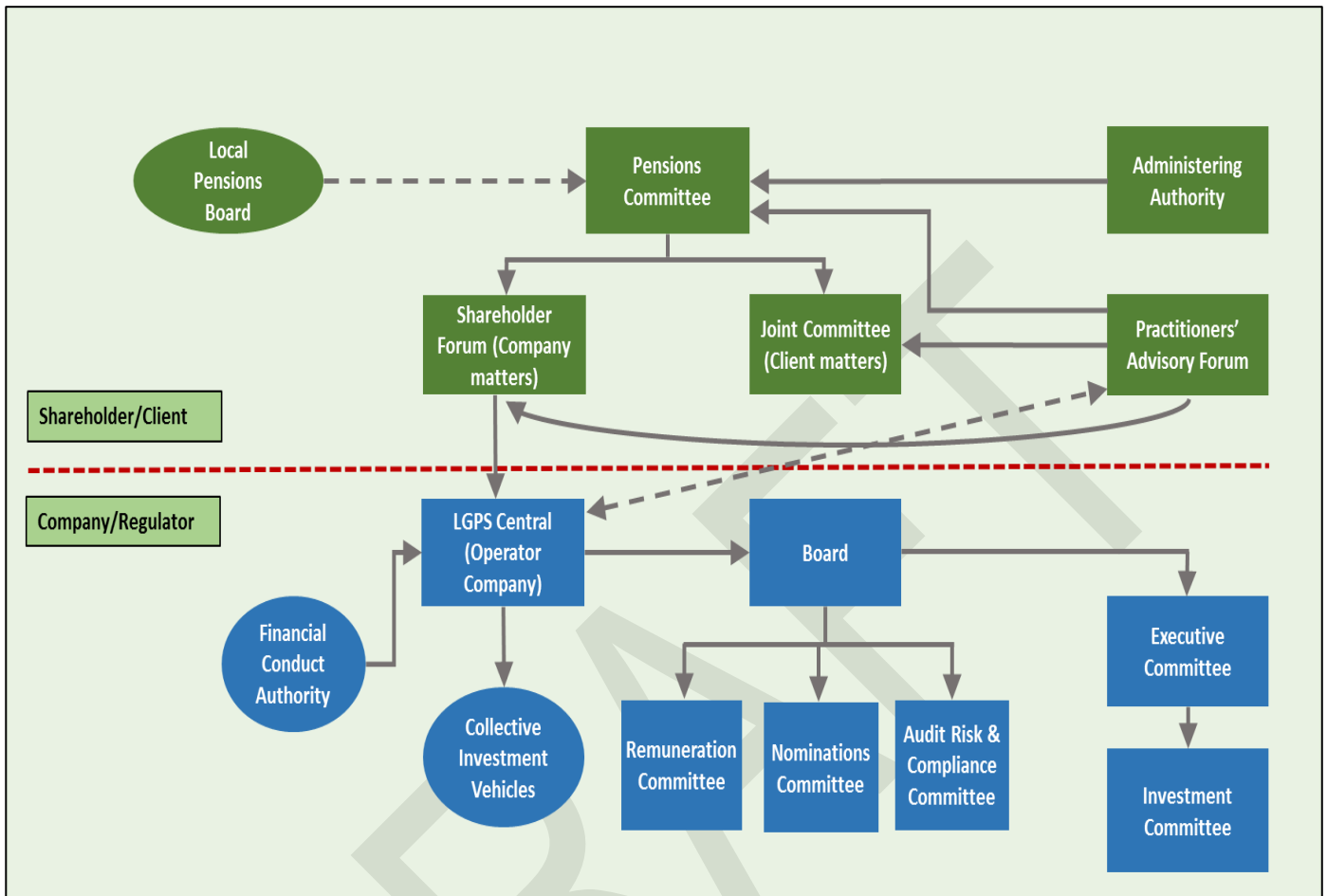
LGPS Central Limited is the Company formed by the Partner Funds which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the Partner Funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

It is important to note that the Councils of each of the Partner Funds retain their core duties and responsibilities as the administering authorities of their respective LGPS Funds.

Asset allocation decisions remain with the Partner Funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the Operator is the responsibility of LGPS Central Limited. Manager selection for the remainder of the Pool's assets currently remains with the Partner Funds. The Operator is responsible for selecting the custodian for the assets in the ACS; the Partner Funds are responsible for selecting the custodian for the remaining assets.

The formation of LGPS Central Limited on 1 April 2018 will begin to have an impact on the roles of the Staffordshire Pensions Committee and the Pensions Panel. However, changes will be gradual as the transfer of the management activity to the new company progresses. Consequently, the existing Governance arrangements and Terms of Reference need to run concurrently with new terms required to facilitate changes.

Governance Structure of LGPS Central



The governance structure of LGPS Central will allow Partner Funds to exercise control (both individually and collectively) over the pooling arrangements; not only as investors in the ACS but also as shareholders of the operator company.

The **LGPS Central Joint Committee** has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The membership of the Joint Committee consists of one elected member from each Council within the LGPS Central pool. The first meeting of the Joint Committee took place on 23 March 2018 and at that meeting it was agreed that a Trade Union representative would be appointed as a non-voting member of the Joint Committee to represent the scheme members across the Councils' pension funds.

Staffordshire's representative on the LGPS Central Joint Committee is the Chair of the Pensions Panel.

The primary role of the **Shareholders' Forum**, is to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the Shareholding Councils within the LGPS Central pool. The Shareholders' Forum is independent of the Company and its meetings are distinct from Company meetings, however, members of the Shareholders' Forum represent the Councils at Company Meetings. The Councils as individual investors in the Company have in place local arrangements to enable their Shareholder representatives to vote at Company meetings.

The Staffordshire Pension Fund, as a shareholder in LGPS Central has equal voting rights alongside the other Partner Funds and unanimous decisions are required on certain reserved matters before the actions can be implemented. These are specified in the Company's Shareholder Agreement and Articles of Association. Other matters, not directly related to the control of the company to manage its operation are subject to a majority approval (75%).

Staffordshire's representative on the Shareholders Forum is the Chair of the Pensions Committee.

The **Practitioners' Advisory Forum (PAF)** is a working group of officers appointed by the Shareholding Councils within the LGPS Central pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. PAF seeks to manage the Pool's conflicting demands and interests, either between the participating Councils or between the Councils (collectively) and the Company, recognising that speaking with "one voice" reduces the duplication of costs and resources and maximises the benefits of scale. PAF will also report back to Partner Fund's Pensions Committees on matters requiring their attention.

Staffordshire's representatives on PAF are the Director of Finance and Resources and the Head of Treasury and Pensions.

Terms of Reference have been approved for the Joint Committee, the Shareholders' Forum and the Practitioners' Advisory Forum. These are "live" documents which are likely to evolve as the practical day to day experience of working within the LGPS Central pool evolves.

10. Governance Compliance Statement

LGPS Regulations require Pension Fund's to issue a statement confirming the extent to which their governance arrangements comply with guidance issued by the Secretary of State. The statement below confirms the mechanism in place to satisfy each requirement.

Principle	Explanation of Approach	Compliance
STRUCTURE		
The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	The Pensions Committee is clearly responsible for these areas under the terms of reference contained in the Council's constitution. Details are included in the main body of this document.	FULL
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Representatives of employing bodies and employees are included as non-voting representatives of the Pensions Committee through the Pensions Consultative (Employers) Forum as follows: <ul style="list-style-type: none"> • Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1) • Contractors (1) • Other Scheduled Bodies (1) • Trade Unions (2) • Pensioner Recipients (1) 	FULL
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	The Pensions Panel meets quarterly. Minutes from the Pensions Panel meetings are presented to the Pensions Committee. Six members of the Pensions Consultative Forum are co-opted onto the Pensions Committee, as non-voting members.	FULL
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member of the secondary committee or panel.	The five members of the Pensions Panel are also voting members of the Pensions Committee and meet quarterly. Six members of the Pensions Consultative Forum are co-opted on to the Pensions Committee.	FULL

Principle	Explanation of Approach	Compliance
REPRESENTATION		
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <p>a) Employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>b) Scheme members (including deferred and pensioner scheme members);</p> <p>c) Independent professional observers; and</p> <p>d) Expert advisors (on an ad-hoc basis).</p>	<p>a) and b)</p> <ul style="list-style-type: none"> • The following are co-opted on to the Pensions Committee: Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1) • Contractors (1) • Other Scheduled Bodies (1) • Trade Unions (2) • Pensioner Recipients (1) <p>c) The Committee does not include an independent professional observer as the value add, given the likely cost, is unclear. However, professional independence is evidenced in a number of other ways, including:</p> <ul style="list-style-type: none"> • The Director of Finance providing impartial and independent advice; • Auditors using the new Chartered Institute of Public and Accountancy (CIPFA) template to give an independent view of the overall governance of the Fund; • The Fund being visibly accountable through the wide range of information published, including Annual Reports, Investment Strategy Statement, Funding Strategy Statement, Governance Policy Statement and Communications Policy; and • The 6 non-voting members, including the Pensioner Representative, of the Pensions Consultative Forum operating as independent observers. <p>d) Expert advisors attend the Pensions Committee as required for the nature of the main decisions. For example, the Actuary attends when the valuation is being considered, and the main Investment Consultant attends when the Strategic Asset Allocation decision is being made. The Investment</p>	<p>FULL</p> <p>b) non-compliant for reasons explained</p>

	<p>Consultant and two independent Advisors regularly attend the Pensions Panel meeting.</p> <p>All members are treated equally in terms of access to papers and to training that is given as part of the Committee process.</p> <p>Additionally, new members of the Committee are automatically offered attendance on the three day LGC Trustee Training Fundamentals course.</p>	
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Principle	Explanation of Approach	Compliance
SELECTION AND ROLE OF LAY MEMBERS		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	The elected members are aware of their status, role and function (which are set out in the constitution).	FULL

Principle	Explanation of Approach	Compliance
VOTING		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	<p>Voting rights remain with Elected Members (County Councillors) on the main Pensions Committee because the Council retains legal responsibility as the administering authority. Outside of their delegated powers, neither the Pensions Panel nor the Local Pensions Board have any independent voting rights, but they do make recommendations to the Pensions Committee.</p> <p>The Pension Consultative Forum does not have voting rights as they are not members of the administering authority. However, the 6 members of the Forum who attend the Pension Committee will bring the perspectives of all</p>	FULL

	stakeholders to the main Committee.	
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Principle	Explanation of Approach	Compliance
TRAINING / FACILITY TIME / EXPENSES		
That in relation to the way the statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time, and reimbursement of expenses in respect of members involved in the decision-making process	This falls within the County Council's normal approach to member expenses. Co-opted members do not receive expenses. Training has been referred to above.	FULL
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	The policy applies equally to all elected members. However, unelected co-opted representatives do not ordinarily receive expenses from the administering authority.	PARTIAL

Principle	Explanation of Approach	Compliance
MEETINGS (Frequency / Quorum)		
That an administering authority's main committee or committees meet at least quarterly.	The Pensions Committee meets quarterly.	FULL
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The Pensions Panel meets quarterly. In addition, the Fund invites all its Employers to attend meetings twice a year. One such meeting is the Fund's AGM with the other being an Employer Training Day. The Employers also select 5 members to attend the Pensions Committee as non-voting representatives, therefore, bringing the stakeholders perspective to the Fund's governance arrangements.	FULL
That administering authorities who do not include lay members in their formal governance	Not applicable	Not applicable

arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		
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Principle	Explanation of Approach	Compliance
ACCESS		
That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members of the Pensions Committee, Pensions Panel and Pensions Board have the same access.	FULL

Principle	Explanation of Approach	Compliance
SCOPE		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	The terms of reference are: <ul style="list-style-type: none"> • set out under the constitution; and • cover all aspects of investment, administration and benefits and the wider issues of governance. 	FULL

Principle	Explanation of Approach	Compliance
PUBLICITY		
That administering authorities have published details of their governance arrangements in such a way that the stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	The Governance Policy Statement is published and available on the internet: http://www.staffspf.org.uk/Governance/Policies.aspx The main direct stakeholders (employing bodies and staff (via Trades Unions)) are part of the Pensions Consultative Forum that meets twice a year. Employing bodies are in turn accountable to Council Tax payers and other interested parties. As a result the	FULL

	<p>Governance Policy Statement covers all the main stakeholders.</p> <p>It is arguable that retired pensioners are not specifically included, although they do receive an annual newsletter.</p> <p>Contact details are provided in the Communications Policy and in the Annual Report, as well as on the website, so other interested parties can find out more if they wish.</p>	
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11. To Contact Us or for Further Information

In writing or in person at:

Treasury and Pension Fund
Staffordshire County Council
2 Staffordshire Place
Tipping Street
Stafford ST16 2DH.

Email us: pensions.enquiries@staffordshire.gov.uk

Telephone us: on 01785 278222

You can also visit our website at:

www.staffspf.org.uk



Staffordshire
Pension Fund
Local Government Pension Scheme



Pensions Services

Communication Policy Statement



1 October 2018



 Staffordshire

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Introduction

This document is the Communication Policy Statement of the Staffordshire Pension Fund which is administered by Staffordshire County Council, the administering authority. All Local Government Pension Schemes (LGPS) in England and Wales are required to prepare, maintain and publish a written statement setting out their policy concerning communications with their key stakeholders.

The statement must set out our policy on:

- The provision of information and publicity about the Scheme to our Members and representatives of Members of the Scheme Employers;
- The format, frequency and method of distributing such information or publicity; and
- The promotion of the Scheme to prospective Members and their Employers.

(The terms 'Pensions Services' and 'We' have been used interchangeably throughout this document).

Review

We continuously look at ways to enhance our communication offering to our various stakeholders and this Communication Policy Statement will be reviewed annually. However, a revised version will be published following any material change.

Key Objectives

We recognise that communicating with our stakeholders and customers is a critical activity for the Fund. We have a set of well, established practices that exceed the minimum standards required by legislation and we include these in our Communication Policy.

The key objectives of our Communication Policy are:

- To provide clear, jargon free and timely communication to our customers and stakeholders;
- To recognise that different styles and methods of communication suit different customers and stakeholders;
- To use the most effective communication medium for the audience receiving the information;
- To adapt our communication where possible following feedback from customers and stakeholders;
- To seek continuous improvement in the way we communicate;
- To inform our customers and stakeholders to enable them to make the decisions they need to make regarding pensions;

- To inform customers and stakeholders about the management and administration of the Fund;
- To consult major stakeholders on changes to regulations, policies and procedures that affect the Fund and its stakeholders;
- To promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to employers;
- To support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme;
- To deliver the Communication Policy in a cost-effective way and encourage the use of electronic/online/ multimedia communication and information sharing;
- To evaluate the effectiveness of the communication objectives; and
- To treat information security with the utmost importance.

Key Stakeholders

As Pensions Services, we aim to communicate with a diverse group of different customers and stakeholders; for the purpose of this Communication Policy Statement, we have categorised these into 6 main groups.

Our Communication Policy recognises that the objectives and key messages to the various groups needs to differ and we also recognise that different styles and methods of communication will suit different groups.

We will aim to use the most effective communication medium for each group and will adapt our communication wherever possible following constructive feedback.

The 6 groups are:

- Scheme Members (and their representatives);
- Scheme Employers;
- Prospective Scheme Members;
- Pension Fund Staff
- Elected Members & Local Pension Board; and
- Other Bodies.

Methods of Communication

As Pensions Services, we aim to provide our customers and stakeholders with a comprehensive range of communication deliverables and will strive to use the most effective communication medium; adapting our communication where possible following constructive feedback.

How we will communicate with Scheme Members (and their representatives)

Communication Method	Description
Internet	There is a dedicated website www.staffspf.org.uk for all members of the Staffordshire Pension Fund. The website contains a full range of information about the Scheme and an on-line self-service calculator (MSS).
Pensions Online (MSS)	Members of the Local Government Pension Scheme can use a benefit calculator on the website to help them with their retirement planning. The facility also allows members to provide Pensions Services with updates of changes to their personal details.
Pension Fund publications for Members	<p>Information guides and leaflets are available on line or by request covering different aspects of the Local Government Pension Scheme.</p> <p>A newsletter is issued once a year, but more frequently if necessary, to both active and deferred members of the Fund.</p> <p>We also issue an annual newsletter to retired members of the Fund, the content of which will focus on retirement related topics.</p> <p>Payslips are issued to retired members with their first pension payment. After this point they are only sent when the value of their monthly pension alters by £1 or more. Payslips are always issued in April or May every year as well as a paper P60.</p>
Annual Benefit Statements	An annual benefit statement is sent directly to the home address of all active and deferred members. Our intention is that, overtime these statements will move to being issued electronically.
Email and Post	Pensions Services accept correspondence

	<p>received by Email and Post. We have a designated email account (pensions.enquiries@staffordshire.gov.uk) for our Members which has an in-built acknowledgement system. There is also a postal address.</p>
<p>Helpline</p>	<p>Pensions Services has a dedicated helpline number (01785 278222) or members can speak directly to the person who is handling their case, by using direct line numbers.</p>
	<p>Personal callers are welcome at our office, which is at 2 Staffordshire Place, Tipping Street, Stafford, Staffordshire, ST16 2LP.</p>
	<p>Our office hours are Monday – Thursday 8.30am-5.00pm. Friday 8.30am–4.30pm No appointment is necessary.</p>
<p>Pension Roadshows</p>	<p>Pensions Services stage pension roadshows, incorporating presentations and surgeries, where we visit locations around the County to facilitate face-to-face contact with the Fund’s Members.</p>
<p>Members wishing to Opt Out</p>	<p>Pensions Services has specially prepared material to inform Fund Members of the consequences of opting out of the LGPS.</p>
<p>Satisfaction Surveys</p>	<p>We periodically survey members to obtain their views on the service and information we provide.</p>
<p>Annual Report and Accounts</p>	<p>The Report and Accounts are produced annually and can be viewed electronically on the Fund’s website.</p>
<p>Existence Validation</p>	<p>As well as monthly mortality tracing for pensioners residing in the UK, Pensions Services undertakes an annual exercise, conducted through correspondence, in order to establish the continued existence of pensioners living abroad.</p>

How we will communicate with Scheme Employers

Communication Method	Description
<p>Contact Database</p>	<p>An e-mail contact database has been set-up for Scheme Employers. This enables Pensions Services to communicate information quickly and efficiently.</p>
<p>Administration Strategy</p>	<p>This policy sets out the expected levels of performance of both Pensions Services and the Employers. It provides details about how we monitor performance.</p>
<p>Technical Updates for Employers</p>	<p>All Employers are issued with regular updates to inform them of any changes to the administrative procedures operated by Pensions Services. These come in the form of Infolets, Factsheets and Newsletters such as the 'Employer Focus'. We also use these documents to inform Employers about regulatory changes.</p>
<p>Individual Employer Meetings</p>	<p>Employers can schedule individual meetings with Pensions Services' Officers. These meetings are tailored to suit the Employer's needs and can be requested by contacting us directly.</p> <p>A specific meeting is held quarterly for our newly converted Academies.</p> <p>An AGM is held in the autumn and an Annual Employer Training Day in the summer.</p> <p>We also have an Employer Focus Peer Group, which meets on a quarterly basis, to discuss a variety of issues. These Issues include new regulations, internal practices and legal requirements.</p>
<p>i-Connect</p>	<p>i-Connect is data capture interface which reduces the cost and risks associated with processing of pension data.</p> <p>Data is taken directly from the Employers payroll system, automatically identifying new starters, leavers, opt-outs and generating an extract for submission to the scheme. This greater efficiency enables both ourselves and our Employers to improve the accuracy of member data plus the processing of the administration casework.</p> <p>There are 5 nominated, non-voting Employer representatives that sit on the Pensions</p>

Pensions Committee (Employer Representatives)

Committee. They present the views and opinions of the Employers they represent to the Pensions Committee.

These Employer representatives, along with the elected Members of the Pensions Committee receive presentations and updates on topical issues affecting the administration and investment of the Pension Fund. The nominated representatives attend the Pensions Committee meetings to take forward ideas and suggestions from the Employer groups they represent.

Website

We have established a password protected Employers' area on the website www.staffspf.org.uk . The area contains technical information about the LGPS in relation to Staffordshire Pension Fund.

We are also creating a comprehensive Employer's Guide, and a number of factsheets, for the website which will be regularly reviewed and updated with current Scheme rules and operational practices.

Welcome Packs

We issue specially tailored Welcome Packs. These are provided to new Scheme Employers such as Academies and new Transferee Admission Bodies and advise our new Employers of their role and responsibilities as well as their relationship with Pensions Services.

Employer's Surveys

We intend to introduce an annual survey of our Employers, to obtain their views on the service and information we provide.

How we will communicate with Prospective and New Scheme Members

Communication Method	Description
<p>New Starter Pack</p>	<p>Each time a new employee begins employment with a Scheme Employer, a 'New Starter Pack' is issued. Under the Automatic Enrolment (AE) legislation and the Statutory Scheme requirement, certain categories of employees must be brought into the LGPS. This pack contains a link to the basic scheme guide and a logon to the On-line pension calculator facility.</p>
<p>Messages on pay advices slips</p>	<p>Periodically, Pensions Services will use this facility to communicate information to a specific target audience. In the past this has included the introduction of the new pension scheme and changing legislation covering the benefits of the Scheme that non-members may find of interest.</p>
<p>Website</p>	<p>A wide range of membership information, in relation to the Staffordshire Pension Fund, is widely accessible via the Pension Services website.</p> <p>Our website is www.staffspf.org.uk</p>

How we will communicate within Pensions Services

Communication Method	Description
Induction	All new members of staff attend a Pensions Induction Course and individual development plans are put in place.
Training	Staff have individual Personal Development Plans and regular appraisals. They also attend internal and where appropriate, external courses.
Pensions Qualifications	All staff are encouraged and supported to attain professional qualifications.
Business Plan	Pensions Services has a Business Plan which is actively managed and discussed in regular Management Team meetings. The plan includes key performance indicators and progress against the plan is reviewed. This is also discussed with individual team members as part of My Performance Conversations (MPC's).
Pensions Strategy Meetings	The Pensions Services Management Team consists of the Head of Treasury and Pensions, the Assistant Pensions Managers and Senior Investment Accountant. They meet on a regular basis to consider and review the major issues affecting the Fund.
Pensions Team Leader Meetings	Meetings of the Management Team with Team Leaders, to discuss strategic plans and operational issues, are held monthly.
Team Meetings	Team leaders attend the monthly Team Leader Meeting and also hold regular individual Team Meetings to discuss current operational issues.
Staff Briefing Note	Where appropriate, staff receive briefing notes which update them on the activities of all areas of the business, changes in legislation and projects taking place within the Fund. The content is decided by the Management Team.
Intranet	All staff have access to the intranet containing policies, procedures, regular briefings, news updates etc. Use of the intranet ensures that the information is available to all staff at their work location in an accessible, timely and efficient way.
E-mail	All staff have an individual email account allowing them to communicate quickly, efficiently and effectively.

How we will communicate with Other Bodies

	Communication Method and Description
Administering Authority's Senior Management	The Head of Treasury and Pensions meets the Director of Finance and Resources and other Senior Finance Colleagues, on a regular basis to provide information or answer any questions. This ensures they are regularly able to seek reassurance on the administration, management and governance of the Pension Fund.
Trade Unions	We endeavour to work with the relevant trade unions to ensure the scheme is understood by all interested parties. Trade Union Representatives are represented on both the Pensions Committee and the Local Pensions Board.
Professional Advisers	The Fund's Management Team meets with and has regular dialogue with its advisers (such as actuarial / investment advisers and lawyers) to secure information and advice over a wide range of issues relating to the Fund.
Ministry of Housing, Communities & Local Government (MHCLG)	MHCLG are effectively the owners of the LGPS, responsible for drafting and laying the LGPS regulations before Parliament. Pensions Services aim to respond to consultations and draft legislation and shares our response with Employers and Scheme Members.
Department of Work and Pensions (DWP)	We communicate regularly with the DWP in relation to the State Benefits and the end of contracting out.
Local Government Employers Association	Our Communication Officer sits on the National Communication Working Group.
Regional Pension Officers Group	Pensions Officers represent Pensions Services at the Regional Pension Officers Group which meets quarterly to discuss all aspects of the LGPS; knowledge sharing and collaborative working are key features of this group's discussions.
LGPS Central Limited	Staffordshire Pension Fund is a shareholder of LGPS Central Limited, the investment pool formed to work on a collaborative platform through which administering authorities of the Partner Funds aggregate their pension assets, with a view to providing economies of scale and improved investment efficiency. The Head of

	Treasury and Pensions and the Chair of the Pensions Committee are regularly involved in meetings with the other Partner Funds.
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Data Protection

Confidentiality

To protect personal information held in relation to Scheme members, the Fund is registered under the Data Protection Act 1998 as part of Staffordshire County Council.

We are also fully compliant with the General Data Protection Regulation (GDPR), which was introduced in May 2018.

Our website has a page containing all the relevant links and documentation:

<https://www.staffspf.org.uk/Governance/GDPR.aspx>

Disclosure

The Fund may, if necessary, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Pensions Services staff; also receive regular training on data protection issues. Please see our Privacy Statement for more information.

National Fraud Initiative

The Fund participates in the National Fraud Initiative exercise by passing information about pensions in payment on to the Audit Commission. The information is matched to national databases to help prevent and detect fraud. The Fund's participation in this exercise is mandatory.

Document Control System

Pensions Services have a Document Control System to manage, review and update of all its communication material.

We are able to successfully track every version of each document produced.

Rights to Information

Freedom of Information

Nothing within this policy statement affects Scheme Members' rights to access or receive information under the Freedom of Information Act.

Equality of Access

Information produced by the Fund can be made available in several formats including large print, Braille or other languages as well as being communicated using sound and sight media.

APPENDIX A – Publication Matrix

Communication and Publications Matrix	Paper format	Electronic format (pdf)	Website	When available	When updated
Scheme Booklet and Induction Pack	✓	✓	✓	Constantly available	Annually
Online Opt-Out Facility/ Form	✓	✓	✓	Constantly available	Annually
Employee Newsletter	✓	✓	✓	Constantly available	Annually
Deferred Benefits Information Pack	✓	✓	✓	Annually	Annually
Pre-retirement Pack	✓	✓	✗	Constantly available	Annually
Pensioner Newsletter	✓	✓	✓	Constantly available	Annually
Scheme Member's Annual Benefit Statement	✓	✗	✗	Annually	Annually
Deferred Member's Annual Benefit Statement	✓	✗	✗	Annually	Annually
Scheme Promotion Leaflet	✓	✓	✓	Annually	Annually
Information Leaflets	✓	✓	✓	As required	Annually
Ways of Improving Your Benefits	✓	✓	✓	Constantly available	Annually
Payments to "buy" additional pension	✓	✓	✓	Constantly available	Annually
Funding Strategy Statement	✓	✓	✓	Constantly available	Annually
Annual Report and Accounts	✓	✓	✓	Annually	Annually
Information Letters to Employers	✓	✓	✓	As required	n/a
Administering Authorities Policies	✓	✓	✓	As required	n/a
Administration Strategy	✓	✓	✓	Constantly available	Annually
Payslip Inserts	✓	✓	✓	Constantly available	Annually
Communication Strategy	✓	✓	✓	As required	n/a
Welcome Packs	✓	✓	✓	Annually	Annually
Employer Newsletter	✓	✓	✓	Constantly available	Monthly
Pension Reform Communication Strategy	✓	✓	✓	As required	n/a
Focus Newsletter	✓	✓	✓	As required	n/a

Contact us

In writing or in person

Treasury and Pension Fund
Staffordshire County Council
2 Staffordshire Place
Tipping Street
Stafford ST16 2DH.

Email us pensions.enquiries@staffordshire.gov.uk

Telephone us on 01785 278222

You can also visit our website at:
www.staffspf.org.uk

PARTNERSHIP IS
OUR POWER...



PARTNERSHIP IS
OUR PURPOSE...



PARTNERSHIP IS
OUR POINT...



ANNUAL REPORT 2018



LGPS Central Limited

LGPS CENTRAL LIMITED

LGPS Central Limited has been established to manage the pooled investment assets of nine Local Government Pension Scheme (LGPS) funds across the centre of England (our Partner Funds). Our Partner Funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. The West Midlands Integrated Transport Authority (ITA) Pension Fund is also an investor.

The Company is jointly owned on an equal shares basis by the eight Partner Funds. West Midlands ITA Pension Fund is not a shareholder, but its rights are represented by West Midlands Pension Fund. The Partner Funds will also be the client base. The combined assets of these funds are approximately £4.0 billion, managed on behalf of around 900,000 LGPS members and some 2,000 participating employers.

The Company is authorised and regulated by the Financial Conduct Authority (the FCA) to operate as an Alternative Investment Fund Manager (AIFM). In this capacity the Company acts as the operator of a collective investment vehicle called an Authorised Contractual Scheme (ACS) and may run additional collective investment vehicles, in addition to discretionary and advisory services under our MiFID II authorisation to meet our Partner Funds' needs.

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REPORT FROM JOANNE SEGARS, CHAIR, LGPS CENTRAL LIMITED

As I look back at the year under review, LGPS Central Limited has moved from a vision to a fully-fledged, authorised and regulated asset manager in a remarkably short time frame.



Throughout the year our focus has been putting in place the building blocks so that the Company can function and manage Partner Funds assets. Our focus has been on the recruitment of staff, and I am pleased to report that we have recruited a high calibre of staff from within the LGPS community and the private sector giving us a great blend of the best of both worlds. All come to us with enthusiasm, expertise and – importantly – the right focus to deliver for our Partner Funds. We have also focused on putting in place the infrastructure needed to run a £40bn regulated asset manager. This has included appointing business partners to provide back office and middle office functions, as well as audit services to ensure we have robust internal controls and governance. Our relationships with our business partners remain strong.

I have highlighted some of the key milestones below:

KEY MILESTONES



What has been achieved to date through this activity is the delivery of an operator platform which meets Partner Funds' needs. The first three ACS sub-funds were launched on 3 April 2018 alongside the management of several discretionary and advisory mandates. As at 31 May 2018 we manage £13.9bn on behalf of Partner Funds.

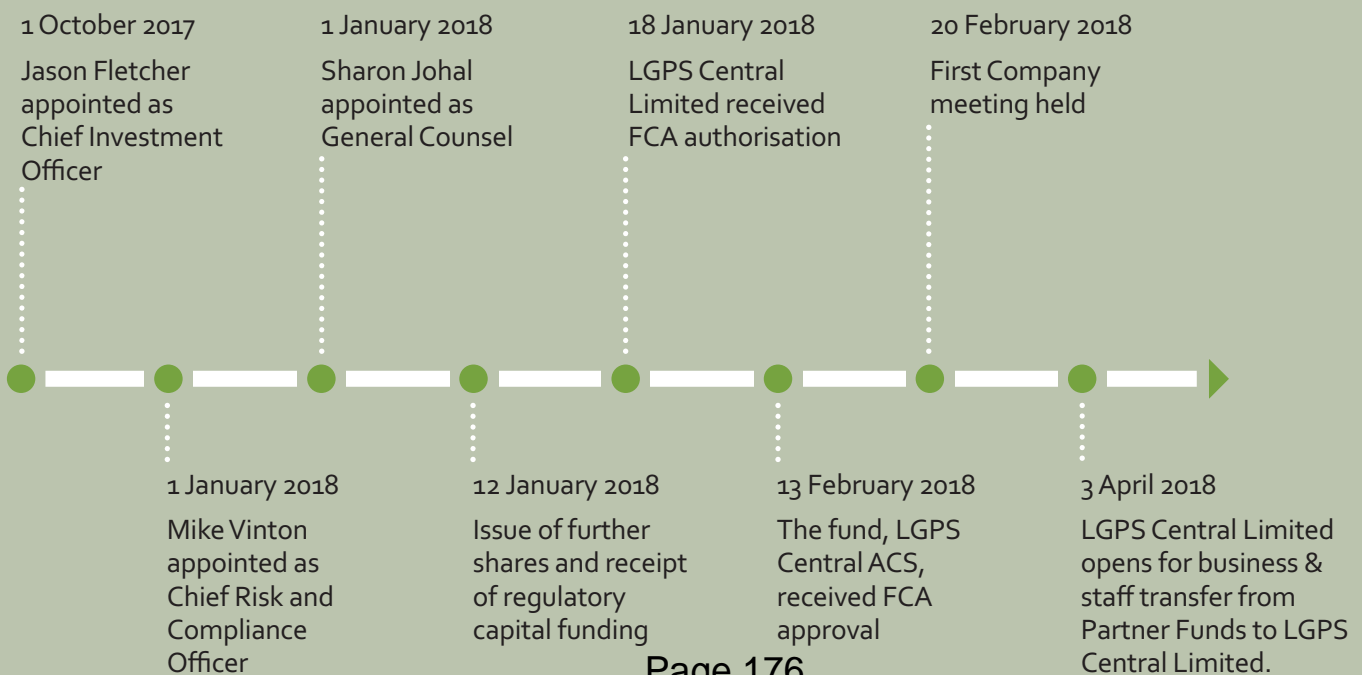
As we turn to the future, 2018/19 will be the year in which we begin to harness the opportunities to deliver the investment efficiencies presented by pooling by leveraging our scale, starting to deliver cost savings, and fulfilling the ambitions we share with our clients and shareholders as assets start to transition from Partner Funds to the stewardship and management of LGPS Central Limited. We remain committed to delivering the target of £250m of cost savings over the first 16 years of our operation and to expanding the range of investment opportunities available to funds, adding value by ensuring that our investment activities are fully aligned with those of our Partner Funds. The pace at which we can deliver these benefits will be enhanced as our assets under management grow.



Photo by Snowing - Freepik.com

Finally, I would like to thank my fellow board directors for their commitment over the year as well as Andrew Warwick-Thompson and his team for their hard work. I would also like to place on record my thanks to the elected members of our Partner Funds for setting the bold vision that created the foundations for LGPS Central and to the pensions officers and 5151 officers who worked so hard to build the Company. Our future success and our ability to deliver for our Partner Funds relies on that strong partnership which has been at the core of LGPS Central from the outset continuing. I look forward to working with Partner Funds as we continue to build and grow.

Joanne Segars
Chair



STRATEGIC REPORT FROM **ANDREW WARWICK-THOMPSON,** CHIEF EXECUTIVE OFFICER

Review of the business

The results of the Company for the year ending 31st March 2018 show a net loss of £4.414m, reflecting the costs incurred in setting up the Company. As the Company was not managing client funds during 2017/18 there is no income in the year. The costs incurred reflect the investment in building a solid foundation for the business and the future products, seeking sound professional advice, investing in staff and operating infrastructure, and establishing processes and governance.

On 11th August 2017 and on January 12th, 2018, in accordance with the Shareholders' Agreement, the shareholders subscribed to £11.2m ordinary and preference share capital and committed £4.8m loan capital. This capital is held in cash at the year end.

Immediately after the end of the financial year the Company successfully launched its first ACS sub funds and commenced managing Partner Funds' assets on a discretionary and advisory basis. The ACS funds are a range of passive funds investing in UK and Global equities and a global equity factor fund. As of 31st May 2018 we were managing £5.5bn in the ACS fund and £8.4bn on a discretionary, advisory and execution basis.

Our people have been our single biggest investment, and rightly so. We cannot deliver a top-quality investment management Company with the capability to invest the full range of asset classes required to meet the investment needs of our Partner Funds, without attracting and retaining top-class people. At 31st March 2018 we employed 17 staff.

The organisational structure suggests a full staff complement of 68, of which 65 are forecast to be in post by the end of 2018/19. This structure provides an investment team capable of supporting the anticipated initial range of products required by the Partner Funds, together with the investment operations, finance, client servicing, risk, compliance and legal functions needed to support a professional FCA-regulated asset management business at this initial stage of its development.

Our objective is to be a leading investment management Company working exclusively with and for our Partner Funds. We want to aspire to be one of the best because this is how we will deliver the superior investment returns and low costs that our Partner Funds want. The exclusivity gives us the focus to excel without the distractions of new business or excess profit generation. Over the course of 2018/19 we will develop and embed a culture that supports the delivery of this objective. That culture will be based on a public service ethos of openness, accountability, professionalism, honesty, integrity, fairness and trust. We believe that,



correctly expressed and established, our culture can help us to attract the right kind of staff to deliver our objective, and ensure the Company is perceived by Partner Funds, staff and the wider stakeholder community as aspirational, ambitious and inspiring. Our purpose is to align our activities with the interests of our Clients and Shareholders and, ultimately, to create sufficient investment returns for the Partner Funds to meet their pension obligations in full, with a minimum of additional contributions. We think it is important not to lose sight of the ultimate beneficiaries of our objective and culture – the pension scheme members whose benefit expectations will be more likely realised, and the local taxpayers whose share of the pension costs will be minimised, if we do our jobs well.

Principal risks and uncertainties

The principal risk faced by the Company is the extent to which our clients utilize the services of the Company and invest in its products. This risk is mitigated by the close collaboration the Company has with its clients in developing investment products and services. In addition, under the Shareholder Agreement the shareholders are bound to reimburse the Company for costs incurred in running the Company.



Photo by Janmoon028 and by Bigfx - Freepik.com

Future developments and outlook

2018/19 will be the Company’s first year of live operation and the Company will be changing its emphasis to the delivery of the Client and Shareholder benefits that LGPS Central Limited was established to provide.

To realise these long-term objectives, the Company Strategic Business Plan for 2018/19 focuses on seven key areas of operational delivery (our key deliverables). These build on the Business Case submitted to the Department for Communities and Local Government (DCLG) in 2016 and the Regulatory Business Plan submitted to the FCA in 2017.

OUR OBJECTIVES

Providing access to the range of asset classes to support the asset allocation strategy of Partner Funds.

Superior risk adjusted investment returns after costs – value for money.

Achieving measurable cost savings of at least £250m over 16 years.

Responsible investment and engagement at the heart of our investment processes.



A corporate culture based on transparency and fairness to clients, employees and shareholders.

Taking a long-term investment perspective aligned with Partner Funds.

Corporate governance, decision making and assurance frameworks which meet or exceeds our legal and regulatory duties.

Attracting, training, nurturing and retaining highly motivated, professional client-centric employees.

- 1 Commencing the transition of assets from Partner Funds to the ACS, and the set-up of the first tranche of internally and externally managed sub-funds. These will start to generate the expected cost-savings to Partner Funds and will aim to deliver superior risk-adjusted returns after costs for each asset class for which we are given responsibility. The Company's Responsible Investment and Engagement Policy will be embedded at the heart of our investment process from the outset.
 - 2 Begin the development of the range of products and services required to support the asset allocation strategy of each Partner Fund through joint development with Partner Funds of a series of Product Development and Delivery Plans. Access will be created either through the creation of ACS sub-funds (which may be managed internally or externally) or through partnerships or other structures, as the Company's Investment Committee deems appropriate. Some products will be determined by the Partner Funds themselves, but we will also aim to be a source of innovation in relation to the development of investment products and services. A key justification for the Company is that it delivers returns that are at least as good, or better than, those which could be achieved had the Partner Funds continued to invest themselves, or by their appointment of private sector third party managers.
 - 3 The development and delivery of the new Client Service and Reporting Framework within which we will have responsibility for the oversight and/or control of Partner Fund assets, and appropriate investment reporting, whether these are held inside or outside the ACS structure.
 - 4 The finalisation and delivery, in conjunction with Partner Funds, of the new Client servicing and Shareholder engagement plans. This will include signing up to appropriate RI frameworks that support client objectives, for example the PRI and the UK Stewardship Code.
 - 5 Creating an operating framework that embeds transparency and fairness to clients, staff and shareholders, including adherence to industry best practice, for example the Scheme Advisory Board Code of Transparency. The Board's vision of the culture of the Company is, in large part, driven by our desire to meet this deliverable. It is also entirely consistent with our approach to investment responsibility and being exemplars of the standards we expect of the companies in which we invest.
 - 6 Establishing a demonstrably robust and compliant corporate governance, decision-making, assurance and control framework which meets, or exceeds, the Company's legal and regulatory duties. This deliverable, too, is entirely consistent with our approach to investment responsibility and being exemplars of the standards we expect of the companies in which we invest.
 - 7 Attract, train, nurture and retain highly motivated employees with the necessary professional, managerial and client focus skills. We will complete the recruitment of staff in line with our Annual Budget, so that we are fully staffed and operationally capable of running the products and services specified by the Partner Funds through 2018/19.
- Having established the platform in 2017/18 we will continue to build product and support services in 2018/19. We are firmly on course to deliver successfully against our objectives.
- Approved by the Board and signed on its behalf by:
- Andrew Warwick- Thompson**
 Chief Executive Officer
 3rd July 2018
 Mander House
 Mander Centre
 Wolverhampton
 WV1 3NB

GOVERNANCE STRUCTURE

The Board

We take governance very seriously. It is key to the effective operation of the Company, and to legal and regulatory compliance. The Board has invested time and effort to establish a robust governance framework and will continue to refine this during 2018/19.

The Company Board comprises a non-executive Chair and two further non-executive directors. The Chief Executive Officer (CEO) and the Chief Operating and Financial Director (COFO) are executive Board members.



Joanne Segars OBE

Chair and non-executive director, chair of the Nominations committee and member of the Audit, Risk and Compliance and Nominations Committees.

Joanne was the Chief Executive of the Pensions and Lifetime Savings Association (PLSA) from 2006 – June 2017 having been its first Policy Director from 2005 – 2006. She joined the organisation from the Association of British Insurers where she was Head of Pensions and Savings from 2001 – 2005. Joanne held the pensions brief at the Trades Union Congress for 13 years (1988 – 2001) and started her career as a pensions researcher and journalist at Incomes Data Services (1987 – 1988).

Joanne was appointed to the Board of the Environment Agency in March 2017 and is Chair of the Environment Agency Pension Fund (EAPF). She was appointed a Trustee Director of Now: Pensions in December 2017. In May 2017, she was appointed as the first Chair of LGPS Central Limited. From 2013 – 2017 she was a Board member of the Pensions Infrastructure Platform (PIP) and Chair from 2013 – 2016. She was a Board member of Pensions Europe, the EU trade

association for pensions, from 2010 – 2017 and its Chair from 2012 – 2015.

Joanne has a degree in economics from John Moores University and an MA in Industrial Relations from the University of Warwick. She was awarded the OBE for services to pensions in the 2003 Queen's Birthday Honours.



Eithne McManus

Non-executive director, chair of the Audit, Risk and Compliance Committee and member of the Remuneration and Nominations Committees.

Eithne has worked in regulated financial services companies for over 30 years. She is an experienced non-executive director and currently sits on the board of Countrywide Assured and UIA (Insurance) Ltd which is a mutual insurer. Eithne is currently chair of the Audit Committee and a member of both the Risk Committee and the Nominations and Remuneration Committee at UIA Insurance. She is a member of the Audit and Risk Committee and Investment Committee at Countrywide Assured where she also sits on the Board Panel which provides advice on customer strategy. In her executive career she was a Director of Countrywide Assured and CEO of City of Westminster Assurance, having previously been its CFO. She is a qualified actuary.



John Nestor

Non-executive director, chair of the Remuneration Committee and member of the Audit Risk and Compliance and Nominations Committees.

John has worked in asset management for over 30 years. Over the course of his executive career, where he held FCA-approved control functions, he was responsible for a large number of LGPS investment mandates. John was CEO and Director for the UK Institutional, Retail and Chair of the Life Company at UBS Global Asset Management, CEO at Citi Group Asset Management, and Director of Institutional Marketing and Client Service at Henderson Global Investors. He is currently an Independent Member of the Independent Governance Committee for Prudential and Chairman of the Prudential Corporate Pension Trustee Limited, and Chairman of the staff pension scheme for the Marylebone Cricket Club.



Andrew Warwick-Thompson

Executive Director, Chief Executive Officer (CEO)

Andrew has extensive knowledge and experience in the financial sector, having worked in senior management positions within the pensions, insurance, investment and international practices of a "Big Three"

employee benefits consultant for most of his career, and most recently as Executive Director for Regulatory Policy at the Pensions Regulator.

He joined the Board of LGPS Central Limited as Chief Executive Officer in July 2017 where he has overall responsibility for the formulation and execution of the Company's strategy and business plan, and for representing the Company to key stakeholders and external parties. Andrew read Law at Sheffield University and Guildford College of Law and is an Affiliate Member of the Institute and Faculty of Actuaries.



John Burns

Executive Director, Chief Operating and Financial Officer (COFO)

John joined the Board of LGPS Central Limited in September 2017 where he is responsible for the oversight of the infrastructure functions and for the financial management of the Company.

John was previously Group Chief Operating Officer with Baring Asset Management, a London based global asset manager. He has extensive international COO experience in developed, emerging and frontier markets across both institutional and wholesale sectors.

Prior to this John had various COO, finance and risk management positions with Schroders, Fidelity and Visor Capital in London and in Asia. His previous experience as an Executive Management Committee member encompasses leadership, strategic business development and oversight of many aspects of asset management, together with practical knowledge of global regulatory and governance regimes.

John is a Chartered Accountant and holds a Bachelor of Commerce degree from The University of Birmingham.

To support its work, the Board has established three sub-committees:

- 1 Remuneration Committee (Rem Co).**
Its core purpose is to provide oversight of our regulatory compliance in respect of "Code Staff", to keep under review the Company's pay and benefits framework to ensure that it remains competitive, and to recommend any significant changes in the pay and benefits framework to Shareholders for their approval. The Committee met once during the year.
- 2 Audit, Risk and Compliance Committee (ARCC).**
Its core purpose is to ensure the integrity of the Company's financial statements and the financial reporting process, oversight of the Company's compliance with legal and regulatory requirements, performance of the internal audit function, checking the effectiveness of the Company's systems of internal controls and policies, and the effectiveness of the Company's procedures for risk assessment and risk management. It met twice during the year.
- 3 Nominations Committee.**
Its core purpose is the evaluation of the board of directors, examining the skills and characteristics that are needed in board candidates, and reviewing corporate governance policies. The Nomination Committee's first meeting was on 15th May 2018.

Attendance at Board and Committee meetings throughout the year has been high, demonstrating the NEDS' commitment to the Company and its governance.

The following table provides details of meeting attendance for 2017/18.

Name	Board	Rem Co	ARCC
Joanne Segars	8/8	1/1	2/2
Eithne McManus	8/8	1/1	2/2
John Nestor	8/8	1/1	2/2
Andrew Warwick-Thompson	8/8		
John Burns	8/8		

The Board has created an Executive Committee (ExCo) which is chaired by the CEO. In addition to the COFO, ExCo members are the Chief Investment Officer (CIO), Chief Compliance and Risk Officer (CCRO) and General Counsel (GC). The ExCo has primary authority and responsibility for the day-to-day management of the Company's asset management business, all operational and financial functions, the risk, compliance and legal functions, and for the formulation and implementation of the Company's strategy and budget, subject to the strategy, budget, policies and delegations approved by the Board from time to time.

The Board has also created an Investment Committee (IC) which is subordinate to ExCo and is chaired by the CIO. In addition to the CIO, IC members will be the Interim Deputy Chief Investment Officer (DCIO), six Investment Directors, the Director of Responsible Investment and Engagement and the CCRO. The IC has primary authority for the day-to-day management of the Company's investment management function, and for the formulation and implementation of the Company's investment strategy and product development, under the direction and oversight of the ExCo, and subject to the investment strategy and products approved by the Board from time to time.

In addition, the Company will operate an Operations, Risk, Compliance and Administration Committee (ORCA) which will have primary authority for the day to day management of LGPS Central Limited's support functions, and for the formulation and implementation of the Company's operations and support strategy. The ORCA will be responsible for ensuring the effective and efficient operation of the Company's infrastructure, operational oversight of key outsourcing arrangements, procurement and risk, as well as valuations and pricing and counterparty credit through two sub-committees.

COMPLIANCE AND RISK MANAGEMENT

The Company is committed to establishing and maintaining a robust risk and compliance framework and culture.



Photo by Snowing - Freepik.com

During 2017 the Company received professional advice in structuring its compliance and risk frameworks which were appropriate for the nature of the business. This framework was articulated in the approved FCA application. In January 2018 an experienced Chief Compliance and Risk Officer was appointed and commenced implementing the framework and recruiting additional resources.

Over the course of 2018/19 the Compliance and Risk Function will be responsible for delivering Risk Frameworks which are appropriate for the size and complexity of the business for approval by the Board. These frameworks are the Company's organisational arrangements which underpin the governance model and demonstrate that the Company is identifying, monitoring and managing its regulatory and risk environment.

In relation to Compliance, 2018/19 will be focussed on delivery and embedding a Compliance Framework. This includes introduction of a Compliance Manual and training being provided to all relevant staff, particularly emphasising the need for the correct behaviours and highlighting the need for an open and honest culture. Training will cover all staff but there will be an additional focus on ensuring that all Approved Persons are recorded at threshold competency by their line manager and that measures are taken, such as continuing professional development, to maintain this competence.

A Compliance Monitoring Plan, which audits the Company's compliance with regulations has been developed and presented to the Audit Risk and Compliance Committee for approval and will be rolled out over 2018/19. Registers for breaches/errors, Personal Account Deals, Gifts, Conflicts and Outside Interests will be introduced.

The Risk Framework has been designed to meet the expectations created by the risk appetite articulated by the Board. The Company's risk appetite is a statement of the baseline risk it is willing to accept in meeting its strategic goals before further action is taken. The preliminary ICAAP (internal capital adequacy assessment process), which is a measure of the amount of capital required for the risks the Company faces, was prepared for the Company's initial FCA authorisation and will be reviewed and revised to ensure that all the business risks of the Company are adequately and appropriately considered and stress tested.

A Risk Monitoring Suite will be introduced to monitor and test the risks within the client portfolios including adherence with the agreed guidelines and parameters of each mandate. Risk registers and dashboards will be established to record, assess and highlight inherent risks and ensure that controls are appropriate in design and effectiveness.

DIRECTORS' REPORT

The directors present their annual report on the affairs of LGPS Central Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31st March 2018.

Future developments

Details of future developments can be found in the Chief Executive's Strategic Report on pages 4 to 6.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in the Strategic Report on pages 4 to 6 and in note 18 to the financial statements.

Existence of branches outside the UK

The Company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK.

Financial risk management objectives and policies

The nature of the shareholder structure and the client relationship mitigates much of the Company's financial risk exposure. The Company does not use derivative financial instruments.

Cash flow risk

The Company's activities expose it primarily to the financial risks of delayed or disputed trade receivables. However, this is mitigated by the joint and several obligations of shareholders to bear the costs of the Company.

Credit risk

The Company's principal financial assets are bank balances, trade and other receivables. The Company's credit risk against its trade receivables is considered to be minimal as at 31st March 2018 as the only trade receivables were recoverable input VAT, and therefore Government-backed.

The credit risk on liquid funds is limited because the counterparty at the yearend is a UK bank with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term capital and medium-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

Dividends

The Directors do not recommend final dividend.

Directors

The Directors, who served throughout the year except as noted, were as follows:

	Position	Date of Appointment	Date of Resignation
Joanne Segars	Chair, Non-Executive Director	1st May 2017	
Andrew Warwick-Thompson	Director and Chief Executive Officer	17th July 2017	
Eithne McManus	Non-Executive Director	11th August 2017	
John Nestor	Non-Executive Director	11th August 2017	
John Burns	Director and Chief Operating and Financial Officer	21st September 2017	
Geik Drever	Director	13th October 2016	11th August 2017

Political contributions

No political donations were made during the year.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Andrew Warwick-Thompson

Chief Executive Officer
3rd July 2018
Mander House
Mander Centre
Wolverhampton
WV1 3NB

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGPS CENTRAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LGPS Central Limited (the 'Company') which comprise:

- the profit and loss and statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going

concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Other matter

As the company was exempt from audit under section 480 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

Andrew Partridge (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2018

	Notes	2018 £000	2017 £000
Revenue	5	-	-
Expenses	6		
- Staff costs		(1,130)	-
- Other operating expenses		(3,223)	-
Total expenses		(4,353)	-
Operating loss		(4,353)	-
Interest receivable		-	-
Interest payable	11, 13	(61)	-
Loss before taxation		(4,414)	-
Taxation	7	-	-
Loss for the year		(4,414)	-
Net actuarial gain/(loss) on defined benefit schemes	12	13	-
Total comprehensive income for the year		(4,401)	-

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2018

	Notes	31st March 2018 £000	31st March 2017 £000
Assets			
Trade and other receivables	8	132	-
Cash and cash equivalents	9	16,000	-
Total assets		16,132	-
Liabilities			
Trade and other payables	10	(4,148)	-
Borrowing	11	(4,847)	-
Other financial liabilities	13	(692)	-
Post-employment benefits	12	(326)	-
Total liabilities		(10,013)	-
Net assets		6,119	-
Capital and reserves			
Called-up share capital	13	10,520	-
Retained losses		(4,401)	-
Total capital and reserves		6,119	-

The financial statements on pages 15 to 27 were approved by the Board of Directors and authorised for issue on 3rd July 2018 and were signed on their behalf by:

John Burns

Director

3rd July 2018

Company Registration Number: 10425159

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH 2018

	Share Capital £000	Profit and Loss Reserve £000	Total £000
Balance at 1 April 2017	-	-	-
Loss for the year	-	(4,401)	(4,401)
Issue of share capital	10,520	-	10,520
Balance at 31 March 2018	10,520	(4,401)	6,119

Since the year ended 31st March 2018 was the first year in which LGPS Central Limited had significant transactions, no prior year comparative for the Statement of Total Changes in Equity is presented. At 31st March 2017, the Company's share capital stood at £1 (see Note 13).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31st MARCH 2018

	Notes	2018 £000	2017 £000
Net cash flows from operating activities	14	-	-
Net cash flows from investing activities		-	-
Net cash flows from financing activities			
Proceeds from issue of equity in the Company	13	10,520	
Proceeds from borrowings and issue of preference shares	11, 13	5,480	
Total net cash flows from financing activities		16,000	
Net increase in cash and cash equivalents		16,000	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		16,000	-

1 Company Information

LGPS Central Limited is a private Company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. Its registered office is Mander House, Mander Centre, Wolverhampton, WV1 3NB. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 6.

2 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the European Union and the requirements of the Companies Act applicable to companies reporting under IFRS. In adopting IFRS, LGPS Central Limited is consistent with its Partner Funds.

The financial statements have been prepared on the historical cost basis. The significant accounting policies adopted by the Company are set out in Note 4.

Future changes to IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases are not expected to have a material impact on the Company.

Basis of Consolidation

LGPS Central Limited has control over the assets held by LGPS Central ACS. However, since these are held on behalf of investors, and LGPS Central Limited has no right to the economic benefits arising from these assets, the assets, and the investment income and costs associated with them, have not been consolidated into the Company's accounts.

There are no other entities whose relationship with LGPS Central Limited would require consolidation with the Company's accounts.

Going Concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Company's accounting policies, which are described in Note 4, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Pensions Liability

Estimations of the net pension obligation to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Through its defined benefit scheme provider, West Midlands Pension Fund, the Company engages actuarial advice to provide the Company with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Further detail about the potential impact of these assumptions is included in Note 12 (Pension Benefits).

4 Principal Accounting Policies

Revenue

Revenue from the sale of services is recognised in the period in which services are delivered, provided that the amount of revenue can be measured reliably, and it being considered probable that the Company will receive the consideration due. The Company did not begin trading until April 2018, and in accordance with this policy, no revenue was recognisable during 2017/18.

Foreign Currency

Transactions entered into by the Company in a currency other than sterling are recorded at the rates ruling when those transactions occurred.

Financial Assets

LGPS Central Limited classifies its financial assets as set out below, based on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity.

Trade Receivables

Trade receivables are classified as loans and receivables, and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method, less any provision for impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and other highly-liquid short-term deposits held by the Company with maturities of less than three months. Bank overdrafts, where applicable, are presented within loans and borrowings in current liabilities.

Financial Liabilities

LGPS Central Limited classifies its financial liabilities as set out below, based on the purpose for which the liability was acquired.

Trade Payables

Trade payables are classified as other financial liabilities and are recognised at fair value.

Borrowings

Borrowings are classified as other financial liabilities and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Preference Shares

Preference shares issued by the Company are classified as other financial liabilities and are measured at amortised cost using the effective interest method.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity investments.

Defined Contribution Pension Schemes

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year to which they relate.

Defined Benefit Pension Schemes

Defined benefit pension scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less:
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high-quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less:

- The effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined benefit obligation are recognised directly within equity. The re-measurements include:

- Actuarial gains and losses;
- Return on plan interests (excluding interest);
- Any asset ceiling effects (excluding interest).

Service costs are recognised in the Statement of Comprehensive Income and include current and past service costs as well as gains and losses on curtailments. Net interest expense (or income) is recognised in the Statement of Comprehensive Income and is calculated by applying the discount rate used to measure the defined benefit obligation (or asset) at the beginning of the year to the balance of the net defined benefit obligation (or asset), considering the effects of contributions and benefit payments during the year.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in the Statement of Comprehensive Income.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Dividends on the preference shares are recognised on an accruals basis when an obligation exists at the reporting date.

Taxation

The Company incurs irrecoverable Value-Added Tax (VAT) on some of its expenses, which is shown as an operating cost in the Statement of Comprehensive Income. The actual amount of irrecoverable VAT incurred is subject to an agreement with Her Majesty's Revenue and Customs (HMRC), and the amounts shown in the Statement of Comprehensive Income have been calculated in accordance with this agreement.

5 Revenue

The Company did not begin trading until 1st April 2018, and therefore did not generate any revenue in the period ending 31st March 2018. From April 2018, the Company's principal source of income will be fees payable by its Partner Funds.

6 Expenses

The Company's expenses for the year ended 31st March 2018 are analysed as follows:

	2018 £000	2017 £000
Staff costs	1,130	-
Audit fees (financial statements)	15	-
Audit fees (CASS)	8	-
Recharges from Partner Funds for set-up costs	3,199	-
Irrecoverable VAT	1	-
Total	4,353	-

Employees of LGPS Central Limited are members of one of two pension schemes: the Local Government Pension Scheme (LGPS), administered by West Midlands Pension Fund, and a Defined Contribution (DC) scheme operated by Aviva. Further details about the pension schemes can be found in Note 12.

The number of employees rose from nil at the beginning of the year to 17 at 31st March 2018.

No fees were payable to the external auditor other than for the audit of the financial statements and CASS requirements.

Details of directors' remuneration is included in Note 17.

7 Taxation

Since the Company incurred only pre-trading costs during the year, and did not generate any income, a loss arose and therefore no corporation tax was payable.

8 Trade and Other Receivables

	31st March 2018 £000	31st March 2017 £000
Trade debtors	132	-
Total	132	-

The trade debtors above all fall due within one year.

9 Cash at Bank

	31st March 2018 £000	31st March 2017 £000
Cash at bank	16,000	-
Total	16,000	-

10 Trade and Other Payables

	31st March 2018 £000	31st March 2017 £000
Trade creditors (Partner Funds)	4,418	-
Total	4,418	-

The trade creditors figure is made up of amounts due to Partner Funds for set-up costs incurred by them in the pre-trading period, which are rechargeable to the Company. The amounts above are all due within one year.

11 Borrowing

	31st March 2018 £000	31st March 2017 £000
Loans	4,795	-
Interest payable on borrowing	52	-
Total	4,847	-

In January 2018, the Company entered into loan agreements with seven of its Partner Funds amounting to £4.795 million. These loans, all of which were entered into on identical terms, have a life of ten years and bear interest of LIBOR plus 4.5% per year, with the first payment being due on 31st March 2019, and payments annually thereafter. No payments of interest or repayments of principal have occurred to date. Interest of £52,000 has been accrued in respect of the period from 12th January 2018 (the date of receipt of the loans) to 31st March 2018. Interest payable is analysed as follows:

	2018 £000	2017 £000
Interest payable on borrowing	52	-
Net interest payable on net defined benefit liabilities	2	-
Preference dividends payable	7	-
Total	61	-

12 Pension Benefits

Defined Benefit Pension Scheme

LGPS Central Limited is an employer member of West Midlands Pension Fund, a fund of the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme for employees of local authorities and other related organisations. Benefits are defined by statute and are based on the length of membership and final salary (until March 2014) and on revalued career-average salary (from April 2014).

Employees make contributions according to a tiered structure which ranges from 5.5% to 12.5% of pensionable pay, and in addition LGPS Central Limited makes a contribution of 20.2% of pensionable pay.

Some of the Company's employees were members of the LGPS before joining the Company and transferred their membership on a continuing service basis. At the time of their joining the Company, LGPS Central Limited was allocated notional shares of the Fund assets equal to 100% of the value of the associated liabilities. As such, the Company's pension liabilities were fully-funded at the date of transfer.

LGPS Central Limited has not yet undertaken a full actuarial valuation at this time. Depending on the outcome of the valuation, future contributions to the scheme may vary from the amounts shown and lump sum deficit funding may become due.

The LGPS is accounted for as a defined benefit scheme. The liabilities of the fund attributable to LGPS Central Limited are included in the Balance Sheet on an actuarial basis using the projected unit method – that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees.

As at 31st March 2018, the net pensions liability was £326,000 (31st March 2017: nil). The following table sets out the movements in the net liability during 2017/18.

	Assets £000	Liabilities £000	Net £000
Balance as at 31 March 2017	-	-	-
Amounts recognised in profit and loss			
Liabilities assumed on settlements	-	(724)	(724)
Settlement prices received	387	-	387
Current service cost	-	(4)	(4)
Contributions by employer	4	-	4
Contributions by employees	2	(2)	-
Interest on assets	2	-	2
Interest cost	-	(4)	(4)
Total amounts recognised in profit and loss	395	(734)	(339)
Amounts recognised in other comprehensive income			
Return on assets less interest	(13)	-	(13)
Change in financial assumptions	-	26	26
Total amounts recognised in other comprehensive income	(13)	26	13
Balance as at 31 March 2018	382	(708)	(326)

The amount included in the Balance Sheet arising from the Company's obligations in respect of its defined benefit retirement schemes is as follows:

	31st March 2018 £000	31st March 2017 £000
Present value of defined benefit obligations	(708)	-
Fair value of plan assets	382	-
	(326)	-
Funded status	-	-
Restrictions on asset derecognised	-	-
Net liability arising from defined benefit obligation	(326)	-

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

Asset class	31st March 2018 £000	31st March 2018 %	31st March 2017 £000	31st March 2017 %
Equities	244	64	-	-
Gilts	28	7	-	-
Other bonds	15	4	-	-
Property	29	8	-	-
Cash	9	2	-	-
Other	57	15	-	-
Total	382	100	-	-

Almost all equity and debt instruments have quoted prices in active markets. The plan's investments in quoted equities, quoted fixed securities, index-linked securities and unit trusts are classified as level 1 instruments. Level 2 instruments are those for which quoted market prices are not available, and valuation techniques based on observable market data are used. Level 3 instruments, which include private equity, are valued using valuation techniques that require significant judgement in determining appropriate assumptions.

The following table sets out the proportion of assets which have a quoted market price, and those which do not (based on 31st December 2017 valuations):

		Quoted %	Unquoted %
Fixed interest government securities	UK	-	1.1
	Overseas	-	0.6
Index-linked government securities	UK	5.6	-
	Overseas	-	-
Corporate bonds	UK	-	3.8
	Overseas	-	-
Equities	UK	7.9	0.3
	Overseas	42.3	5.4
Property	All	7.7	-
Others	Absolute return	-	3.3
	Private equity	8.1	-
	Infrastructure	0.1	3.8
	Other fixed income	-	4.8
	Futures	2.8	-
	Cash/temporary investments	-	2.4
Net current assets	Debtors	0.1	-
	Creditors	0.0	-
Total		74.5	25.5

The scheme exposes LGPS Central Limited to a number of risks, including the following:

- **Investment risk** – the present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has well-diversified investments in equity securities, fixed income and a range of alternative assets. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and other return-seeking investments in order to leverage the return generated by the fund.
- **Interest risk** – a decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's fixed income investments.
- **Longevity risk** – the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- **Salary risk** – the present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

There are a number of assumptions to which the value of the net pensions liability is particularly sensitive, as set out below. To illustrate the impact of changes in these assumptions, each assumption is changed in isolation with all other assumptions unchanged. The resulting impact is the impact of that assumption on the calculation of the net pensions liability.

	Assumption used £000	Change in assumption £000	Effect of increase £000	Effect of decrease £000
Discount rate	2.60%	+ / - 0.1%	(25)	26
Long-term salary increases	3.75%	+ / - 0.1%	8	(8)
Pensions increases	2.25%	+ / - 0.1%	18	(18)
Life expectancy (from age 65)	Retiring today Male: 21.9 yrs Female: 24.3 yrs	+ / - 1 year	23	(22)
	Retiring in 20 years Male: 24.0 yrs Female: 26.6 yrs			

Other assumptions made by the Scheme Actuary are as follows:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension-weighted average tranche retirement age;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Defined Contribution Pension Scheme

LGPS Central Limited also provides defined contribution (DC) pension benefits to some of its employees through a scheme administered by Aviva. LGPS Central Limited contributes 15% of pensionable pay, while the scheme is non-contributory for employees, although voluntary contributions may be made. The cost to the Company of contributions during the year have been recognised in full in the profit and loss account.

13 Share Capital

	'A' shares ordinary £	'B' shares ordinary £	Total £
Balance as at 13 October 2016	-	-	-
Issue of shares	1	-	1
Balance as at 31 March 2017	1	-	1
Issue of shares	7	10,520,000	10,520,007
Balance as at 31 March 2018	8	10,520,000	10,520,008

All shares have been issued and are fully-paid.

'A' shares carry voting rights and dividend entitlements and are held in equal share by LGPS Central Limited's eight Partner Funds (excluding the West Midlands Integrated Transport Authority Fund, whose shareholder rights are exercised by West Midlands Pension Fund).

'B' shares are held in equal share by LGPS Central Limited's eight Partner Funds.

'C' shares are preference shares and are held by West Midlands Pension Fund only, paying a dividend of 4.5% above LIBOR per year. The preference shares are classified in the Statement of Financial Position as other financial liabilities; the table below shows movements in these during the year.

	'C' shares preference £
Balance as at 13 October 2016	-
Issue of shares	-
Balance as at 31 March 2017	-
Issue of shares	685,000
Accrued dividends	7,000
Balance as at 31 March 2018	692,000

14 Reconciliation of Net Cash from Operating Activities

	2018 £000	2017 £000
Loss before taxation	(4,414)	-
Movement in trade and other receivables	(132)	-
Movement in trade and other payables	4,148	-
Movement in interest payable	59	-
Net defined benefit pensions costs	339	-
Net non-cash items	4,414	-
Net cash from operating activities	-	-

15 Leasing Commitments

At the end of the year, LGPS Central Limited was not committed to making any payments under leases.

16 Contingent Assets, Contingent Liabilities and Capital Commitments

LGPS Central Limited had no contingent assets, contingent liabilities or capital commitments at the end of the year.

17 Related Party Transactions

LGPS Central Limited is a joint venture, owned in equal share by eight local authorities who are administering authorities of LGPS pension funds:

- Cheshire West and Chester Council
- Leicestershire County Council
- Shropshire Council
- Wolverhampton City Council
- Derbyshire County Council
- Nottinghamshire County Council
- Staffordshire County Council
- Worcestershire County Council

Those eight authorities, with the addition of the West Midlands Combined Authority, are also LGPS Central Limited's investors (known as the 'Partner Funds'). During 2017/18, the Partner Funds incurred set-up costs on behalf of the Company, which are repayable by the Company, and for which an appropriate accrual of expense has been made in LGPS Central Limited's accounts. This charge amounted to £4.014 million.

Seven of the eight local authorities listed above (excluding Wolverhampton City Council) have provided loan capital to LGPS Central Limited. The balance of principal outstanding at 31st March 2018 was £4.795 million, and accrued interest on these loans stood at £52,000 (see Note 11).

At 31st March 2018, preference dividends of £7,000 were accrued in respect of Wolverhampton City Council's holding of 'C' shares (see Note 13).

Key Management Personnel

Key management personnel are defined as members of the Board or the Executive Committee. The total payments made to and on behalf of key management personnel during the year were £643,000 (2016/2017: nil). No bonuses or termination payments were payable during the year.

Remuneration	2018 £000	2017 £000
Emoluments	386	-
Employer's National Insurance contributions	49	-
Amounts receivable (other than shares and share options) under long-term incentive schemes	-	-
Company contributions to money purchase pension schemes	-	-
Compensation for loss of office	-	-
Sums paid to third parties in respect of directors' services	-	-
Excess retirement benefits of directors and past directors	-	-
Total	435	-

Number of directors who...	2018 number	2017 number
...are members of a defined benefit pension scheme	0	0
...are members of a money purchase pension scheme	0	0
...exercised options over shares in the parent company	0	0
...had awards receivable in the form of shares in the parent company under a long-term incentive scheme	0	0

Remuneration of the highest-paid director	2018 £000	2017 £000
Emoluments	177	-
Employer's National Insurance contributions	23	-
Company contributions to money purchase pension schemes	-	-
Total	200	-

The highest-paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

The highest-paid director is not a member of the Company's defined benefit pension scheme.

18 Post Balance Sheet Events

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

On 3rd April 2018, LGPS Central Limited launched its ACS with three initial sub-funds as planned. In addition, the transfer of staff who previously worked for Derbyshire Pension Fund and West Midlands Pension Fund went ahead as envisaged. LGPS Central Limited therefore began trading in April 2018 as planned, having £13.9 billion of assets under management as at May 2018 in a combination of ACS, discretionary and advisory mandates.

19 Financial Instruments

LGPS Central Limited did not have any gains, losses, income or expenditure arising from financial instruments during the year. Balances as at the year-end are set out in the following table.

	31st March 2018 £000	31st March 2017 £000
Financial assets		
<i>Loans and receivables</i>		
- Trade debtors	132	-
Total financial assets	132	-
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
- Trade creditors	(4,148)	-
- Borrowing	(4,847)	-
- Preference shares	(692)	-
Total financial liabilities	(9,687)	-
Net total	(9,555)	-

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