

## Minutes of the Meeting of the Pensions Committee held on 15 March 2019

### Attendance

|                             |                            |
|-----------------------------|----------------------------|
| Ben Adams                   | Mike Sutherland            |
| Philip Atkins, OBE          | Stephen Sweeney            |
| Ann Edgeller                | Kevin Upton (Co-Optee)     |
| Colin Greateorex (Chairman) | Michael Vaughan (Co-Optee) |
| Phil Jones (Co-Optee)       |                            |

**Also in attendance:** Ian Jenkinson (Pensions Board Member)

**Apologies:** Bob Spencer and Martyn Tittley

### PART ONE

#### 11. Declarations of Interest

There were no declarations of interest on this occasion.

#### 12. Minutes of the meeting held on 18 December 2018

**RESOLVED** – That the minutes of the meeting of the Pensions Committee held on 18 December 2018 be confirmed and signed by the Chairman.

#### 13. Minutes of the Pensions Panel held on 4 December 2018

The Chairman referred to minute no. 3 in relation to approaching the Staffordshire Parish Council's Association with a view to them nominating one of their members to serve as the Small Employer Representative on the Committee and welcomed Cllr Mike Allen from Haughton Parish Council who was attending the meeting as an observer.

**RESOLVED** – That the minutes of the meeting of the Pensions Panel held on 4 December 2018 be noted.

#### 14. Staffordshire Pension Fund Audit Plan 2018/19

The Director of Corporate Services submitted the proposed Audit Plan for the audit of the Pension Fund in 2018/19 by Ernst & Young LLP, the County Council's auditors.

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

- The Auditor's opinion on whether the financial statements of the Staffordshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019; and

- The Auditor's opinion on the consistency of the Pension Fund's financial statements within the Pension Fund's annual report with the published financial statements of the County Council's, as the administering authority.

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

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

- Misstatements due to fraud or error
- Investment income and assets – Investment Journals
- Valuation of unquoted investments
- Valuation of directly held properties
- Local Government Pension Scheme Asset Pooling Arrangements
- IFRS 9 Financial Instruments

The Committee were also informed that for the purposes of determining whether the financial statements were free from material error, the Auditors had determined that overall materiality for the financial statements of the Pension Fund was £47.7 million based on 1% of the value of the net assets of the Fund. In response to a question from Mr Jenkinson as to whether the reduction in the level of materiality from 2% last year to 1% this year had resulted in an increase in the level of fees payable to the external auditors, he was informed that whilst the level of fees had not been increased, Ernst Young would consider the impact of the two new areas of focus (asset pooling and IFRS 9 and discuss any additional fee with the Chief Financial Officer

The Director of Corporate Services also indicated that the Audit Fee for 2018/19 financial year was £27,550.

**RESOLVED** – That the external auditor's plan for the audit of the Staffordshire Pension Fund (the Fund) for the 2018/19 financial year be noted.

## **15. Proposed Changes to the Pensions Consultative Forum Terms of Reference**

The Committee received a report of the Director of Corporate Services concerning proposed amendments to the Pensions Consultative Forum Terms of Reference.

They were informed that the Committee on 27 September 2018 approved a revised Pension Fund Governance Statement which included an update to the Pensions Consultative Forum terms of reference. The update recognised that the existing arrangements for the Pensions Consultative Forum were not achieving the levels of participation and engagement from Employers for which the Forum was intended. In addition, due to the growth in the number of Academies and the externalisation of services previously provided in house by the County Council, the number of Employers in the Staffordshire Pension Fund had increased dramatically in recent years and now

stood at over 400. It was therefore proposed to alter the format of Forum meetings in an attempt to encourage an increase in Employer attendance and engagement. The new governance arrangements proposed that rather than two Forum meetings each year, there should be one Annual General Meeting, aimed predominantly at senior/decision making level Employer representatives, to receive the Annual Report, Accounts and Fund performance updates. This would be supplemented by other 'practical' based events for Employers, such as centrally hosted Training Days and local site visits to groups of Employers on request. Separately, an Employer Focus Peer Group would be formed consisting of 15 representatives from a cross section of the Fund's Scheme Employers which would be used for more regular engagement for the purposes of delivering appropriate training and timely information via Employer Focus Newsletters.

**RESOLVED** – That the proposed amendments to the Pensions Consultative Forum Terms of Reference, as outlined in the report, be approved.

## **16. Staffordshire Pension Fund Business Plan 2019/20**

The Director of Corporate Services presented the Pensions Business Plan 2019/20 and explained that for reasons of best practice and good governance, it was important for the Committee to consider and approve an annual Business Plan for the Pension Fund.

The Committee noted the progress against the current year's Business Plan which showed that significant successes had been achieved in several areas including;

- Implementing Hymans Employer Asset Tracker (HEAT) in preparation for the 2019 Actuarial Valuation;
- Ensuring full compliance with the General Data Protection Regulations (GDPR);
- Making real progress with i-Connect;
- Engaging with Employers through Employer Focus Newsletters, an Employer Training Day and the creation of an Employer Focus Peer Group;
- Redesigning the Staffordshire Pension Fund Website;
- Embedding the Governance of the LGPS Central pool, including the working of the Shareholders Forum, Joint Committee and the Practitioners Advisory Forum and its working groups; and
- Preparing for the transition of Assets into LGPS Central Limited.

The Committee had been made aware in previous year's reports of the challenges implicit in administering the LGPS, since the introduction of the 2014 scheme and the regulatory complexity that brought with it. At its meeting in December 2018 the Pensions Committee approved a 6-month extension to the backlog project, undertaken with an external provider, to assist with the competing demands on internal resources. Whilst performance in certain areas might not be back to the optimum target levels the Pensions Services Teams aspired to, there was a real sense that things were improving.

Issues due to the increasing number of payroll providers were being addressed and remained a key priority. The wider implementation of i-Connect would assist in the quality and timeliness of data, however this created additional pressure on the teams in the short term as it generated more errors and queries.

A full set of performance statistics would be provided as part of the Outturn reporting for the next meeting of the Committee.

The Committee also noted that the Business Plan for 2019/20 had been split into two distinct sections. The first dealing with Key Development Activities which aimed to make the way we work more efficient and effective; and the second section dealing with the activities that needed to be undertaken as part of the day job, but which impacted the team significantly at certain points in the year or which happened as a by-product of another activity e.g. finalising the year end data.

Areas which the Pensions Services Teams had identified as Key Development Activities in 2019/20 included:

- Undertaking a Mortality / Living as Stated / Tracing Exercise prior to the issue of Deferred Members Annual Benefit Statements in 2020;
- Continuing to implement i-Connect software for data collection with Fund Employers, with the aim of having as close to 100% of Active Fund Member data being submitted monthly;
- Continued development of the Pension Fund's website ([www.staffspf.org.uk](http://www.staffspf.org.uk)) and the promotion of Member Self Service;
- Reviewing the Fund's Strategic Asset Allocation alongside the Actuarial Valuation;
- Maintaining effective pool Governance and monitoring asset transitions into LGPS Central as more sub-funds were launched; and
- Appointing 4 Members of the Local Pensions Board.

The Committee were also informed that the primary risks to the continued delivery of a pension's administration, accounting and investment monitoring service to the high standards achieved were;

- Having a team of staff, sufficiently resourced, with the right experience to cope with changes to Government Legislation;
- The ability to deal with an increasing number of Employers and the challenge and complexities their different requirements present;
- The increasing fragmentation of payroll provision and the requirement for accurate and timely data; and ultimately

- The need to ensure that the correct Pensioner Members are paid on time with the correct amount.

These, and other risks, are further analysed in the Pension Fund's Risk Register, the latest version of which would be presented in full to the Committee's meeting in June 2019. In response to a question from Mr Adams, the Director of Corporate services also undertook to include in the report some data in relation to complaints.

In response to a question from Mr Sutherland in relation to Investment Management fees, the Director of Corporate Services indicated that these fees vary dependent on the value of the assets under management (AUM) and the level of manager performance. Mr Jenkinson also requested that the Committee be provided with separate information in relation to the cost to the Fund for the running of LGPS Central Limited.

**RESOLVED** – That the Pensions Business Plan for 2019/20 be approved and the key challenges be noted.

## **17. Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS)**

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

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

Whilst a full review of the FSS should be undertaken at each valuation and at least every three years for the ISS, it was considered good practice to review and update both documents annually, to reflect changes in the year. The FSS was consulted upon and approved by the Pensions Committee at its meeting in March 2017. Since March 2017, only minor amendments have been made to the FSS. As part of the review of the Fund's various policies, it was decided that there was a need to separate the Bulk Transfer Policy from the Administration Strategy, as it should really form part of the FSS. The FSS had been reviewed on this basis, in conjunction with the Pension Fund's Advisors Hymans Robertson, and this had also resulted in several other minor amends to the FSS. A full review of the FSS would be required later in 2019/20, following the 2019 Actuarial Valuation and it would be at this stage that the document would be put out to wider consultation.

With regard to the Investment Strategy Statement (ISS), the Committee were informed that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the ISS had to be published by 1 April 2017 and kept under review and revised from time to time and at least every three years. The ISS was a document that replaced and largely replicated, the previous Statement of Investment Principles (SIP). Authorities were

required to prepare and maintain an ISS which documents how the investment strategy for the Fund was determined and implemented. The ISS was required to cover a number of areas, specifically:

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

The Committee were informed that the April 2018 version of the ISS had recently been reviewed and changes were considered necessary to better reflect the arrangements in place for asset pooling and the transfer of assets into LGPS Central Limited. However, the Committee noted that the document may need further substantial revision following the outcome of the MHCLG's informal consultation on the Statutory Guidance on Asset Pooling in the LGPS, which was due to close on 29 March 2019. At this stage, wider consultation on the ISS might also be considered appropriate.

**RESOLVED** – (a) That the minor amendments to the Funding Strategy Statement (FSS), which now includes the Pension Fund's Bulk Transfer Policy, be noted.

(b) That the requirement for further updates to the Investment Strategy Statement (ISS) once the outcome of the Ministry of Housing Communities and Local Government's (MHCLG) informal consultation on the Statutory Guidance on Asset Pooling in the LGPS is known be noted.

## **18. 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:

**19. Exempt minutes of the meeting held on 18 December 2018**  
(Exemption paragraph 3)

**20. Exempt minutes of the Pensions Panel held on 4 December 2018**  
(Exemption paragraph 3)

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

**22. Local Government Pension Scheme Regulations Administration - Debt Write-off**  
(Exemption paragraph 3)

**23. LGPS Central and Pooling Update**  
(Exemption paragraph 3)

**24. 2019 Actuarial Valuation Training**  
(Exemption paragraph 3)

**Chairman**