

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

### Attendance

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

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

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

### PART ONE

#### 44. Declarations of Interest

There were no declarations of interest on this occasion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **51. Exclusion of the Public**

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

#### **PART TWO**

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

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

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

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

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

**56. Debt Write-off**

(Exemption paragraph 3)

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

**Chairman**