Minutes of the Pensions Committee Meeting held on 7 February 2020

Attendance	
Mike Davies	Mike Sutherland
Colin Greatorex (Chairman)	Michael Vaughan (Co-Optee)
Phil Jones (Co-Optee)	

Also in attendance: Rob Birch and Ian Jenkinson (Pensions Board Members).

Apologies: Philip Atkins, OBE, Ann Edgeller, Stephen Sweeney and Martyn Tittley.

PART ONE

31. Declarations of Interest

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

Member	Minute No.	Interest	Reason
Colin Greatorex	39	Personal	Member of Warwickshire County Council's Pension Scheme

32. Minutes of the meeting held on 27 September 2019

The Director of Corporate Services referred to minute number 21 relating to Staffordshire Pension Fund Annual Report and Accounts 2018/19 and indicated that the final version of the Report and Accounts had been signed off by the Chairman prior to being published by the 1 December 2019 deadline.

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 27 September 2019 be confirmed and signed by the Chairman.

33. Minutes of the Pensions Panel held on 20 September and 3 December 2019

Mr Jenkinson referred to minute number 26 relating to Responsible Investment (RI) Report Quarter 3 2019 and indicated that he welcomed the Pensions Panel's decision to report on RI in the "public" part of its meetings, as such information was of interest to all members of the Pension Fund.

RESOLVED – That the minutes of the meetings of the Pensions Panel held on 20 September and 3 December 2019 be noted.

34. Strategic Asset Allocation (SAA) Review 2019

The Committee were informed that, at its meeting on 3 December 2019, the Pensions Panel received a report from Hymans Robertson LLP (Hymans) outlining the activity that had taken place in reviewing the Staffordshire Pension Fund's SAA.

In order to assess the appropriateness of the high-level strategy, i.e. the balance between return seeking assets (e.g. equities) and defensive assets (e.g. bonds), Hymans had carried out Asset Liability Modelling (ALM). This was done in conjunction with the Hyman's Actuarial team, ahead of the 2019 Actuarial Valuation of the Fund. The aim was to ensure that varying investment strategies and the assumptions made about investment returns in each of those strategies could be factored into the Valuation assumptions; which in turn would be used in setting future levels of Employer contributions. The review was carried out with additional input from Advisors and Officers of the Fund.

The results of the ALM were presented to the Pensions Panel at its meeting in June 2019. They concluded that the current investment strategy provided a good chance of meeting the Fund's long-term funding objectives based on the current levels of contributions being paid. And whilst there may be some scope for modest reductions in the Fund's investment risk in the future, this was not being advocated at the current time.

Having established that the high-level strategy remained appropriate, the next stage of the review was to consider the detail of the asset allocation and the various mandates in operation. It was considered important to do this with regard to the objectives of asset pooling and the likely investments that would be offered by LGPS Central Limited. Hyman's recommendations are summarised in the following table as the likely 'direction of travel' for the Fund over the next 2-3 years, as it moves from its Current Benchmark towards its Long-Term Benchmark. Further discussions may need to take place in relation to the detail around several of the proposed changes.

Asset Class	Mandate	Current Manager	Current Benchmark (%)	Long Term Benchmark (%)
UK Equities	Active	Aberdeen Standard	6.25	5.0
UK Equities	Passive	Legal & General	6.25	5.0
Global Equities	Active	Longview, JP Morgan LGPS Central Ltd	23.0	25.0
Global Equities	Passive	Legal & General	24.0	20.5
Global Equities (Factor Based)	Passive	TBC	5.0	5.0
Private Equity	Active	Various	3.5	3.5
Total Equities			**68.0**	**64.0**
Property		Colliers	10.0	10.0
Private Debt		Various	5.0	5.0
Infrastructure		TBC	1.0	5.0
Hedge Funds		Goldman Sachs	2.0	-
Total Other Return-Seeking			**18.0**	**20.0**

Assets				
UK Corporate Bonds	Active	LGPS Central Ltd	6.5	5.0
UK Index Linked	Passive	Legal & General	6.5	5.0
UK Gilts			-	5.0
Cash			1.0	1.0
Total Defensive Assets			**14.0**	**16.0**
			100.0	**100.0**

In response to questions from Mr Jenkinson, the Director of Corporate Services indicated that:

- Infrastructure was considered to be a return-seeking asset rather than a defensive asset, although it was recognised that some Infrastructure investments could be considered defensive assets if the primary reason for investing in such was to seek stable cashflows
- The timetable for moving from the current benchmark to the long-term benchmark was three to five years.
- Pension Funds were still awaiting guidance from Central Government on their expectations in relation to the investment in Infrastructure but it was considered unlikely that they would mandate anything specific.
- Climate Change was not amongst the economic scenarios modelled by Hymans Robertson as part of their Strategic Asset Allocation work, as such matters were subjective and tended to be considered through the Responsible Investment work of individual investment managers. The Director explained that more consistent and reliable data was required on this matter and Hymans would be requested to give further consideration to how they might include assumptions about Climate Change in future valuations.

RESOLVED – (a) That the recommendation of the Pensions Panel, at its meeting of 3 December 2019, and Hymans Robertson LLP's proposed 'direction of travel' for the Staffordshire Pension Fund, in relation to its Strategic Asset Allocation (SAA) over the next 2-3 years, in moving from the Fund's Current Benchmark to its Long Term Benchmark, be approved; and

(b) That it be noted that further detailed discussions may need to take place in relation to a number of the proposed changes.

35. Training Needs Analysis and Training Policy 2020/21

The Committee 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 Pensions Committee reaffirmed their commitment to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and the adoption of a high-level Training Plan covering the 8 key knowledge areas of the CIPFA KSF. The Committee noted that CIPFA KSF was mandatory for Local Pensions Board Members, and whilst it was currently only a recommendation for Committee Members and Senior Officers, such as the S151, following the Good Governance Project commissioned by the Scheme Advisory Board (SAB) and undertaken by Hymans Robertson, it was anticipated that something similar to the CIPFA KSF would become mandatory for all.

The Director indicated that training for Pensions Committee Members in 2018/19 and 2019/20 consisted of a number of elements. Some of these were directly in response to the results of the previous training needs analysis (TNA), e.g. Performance Measurement and Cost Benchmarking, whilst some were dictated by the areas of focus for the Fund in the short to medium term, e.g. Strategic Asset Allocation Review and the 2019 Actuarial Valuation. In many instances, training was undertaken as part of routine Committee meetings and delivered by the Actuary. Pensions Committee Members also attended a workshop where they considered Responsible Investment and as a result agreed a new set of Investment Principles for the Fund. Some new Members of the Committee also attended Pensions Fundamentals training.

All Pensions Committee Members and Local Pensions Board Members were asked to complete a new TNA during December 2019. An analysis of the responses found that there were differences in individual Members' knowledge but based on the responses received, the Committee (c57% response rate) had improved on its 2018/19 scores overall and the Pensions Board (c83% response rate) was marginally down on its 2018/19 scores, however, with several new Members very recently appointed, this was not a surprise. The Director added that it was pleasing to see an improvement across all of the 8 areas of knowledge generally, but particularly so in relation to 'Investment Performance and Risk Management' (6) and 'Actuarial Methods, Standards and Practices' (8) given these had been the two main areas of focus throughout 2018 and 2019. Furthermore, the responses had shown that there was a suitable level of knowledge across the membership of both the Pensions Committee and Pensions Board and which enabled those bodies to be effective.

The Committee were also informed that, having considered the detailed results from the 2019 TNA, training proposed for 2020/21 was likely to include the following:

- June / July - Portfolio Evaluation Limited and CEM Benchmarking – refresher training at Committee on Performance Measurement and Cost Benchmarking;
- July / November – Investing in Infrastructure – as this is a new asset class in the Fund's Strategic Asset Allocation, Members will benefit from a greater understanding;
- July / November – Private Debt – the Fund has been an investor in this asset class for around 2 years now – have our expectations been met and what might we expect going forwards?;
- September / December / March – Pensions Legislation and Administration – what does it say, what does it involve and what are the current issues?; and
- October – December 2020 – The Local Government Association offer 3-day Pensions Fundamentals training, which is routinely offered to all new Committee and Board members.

The Director added that Committee and Board Members, who had not already done so or who would like a refresher, 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).

The Committee also noted that, as with all areas of Pensions, it was best practice and further demonstrated 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 approval was sought to the Staffordshire Pension Fund's Training Policy.

RESOLVED – (a) That the results of the 2019 Training Needs Analysis (TNA) (as detailed in Appendix 2 to the report) in relation to the CIPFA Knowledge and Skills Framework (CIPFA KSF); and the 2020/21 Training Plan (as detailed in paragraph 11 to the report) be noted.

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

36.   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:

37.   Exempt minutes of the meeting held on 27 September 2019
(Exemption paragraph 3)

38.   Exempt minutes of the Pensions Panel held on 20 September and 3 December 2019
(Exemption paragraph 3)

39.   LGPS Regulations - Admission of New Employers to the Fund
(Exemption paragraph 3)

40.   Local Government Pension Scheme (LGPS) - LGPS Central Pool Governance and Financial Reporting - Final Audit Report 2019/20
(Exemption paragraph 3)

41.   LGPS Central Ltd Budget and Strategic Business Plan 2020/21 and Cost Savings Model Review
(Exemption paragraph 3)

Chairman