Minutes of the Pensions Committee Meeting held on 26 March 2021

Attendance

Philip Atkins, OBE	Alastair Little (Chairman)
Nigel Caine	Bob Spencer
Mike Davies	Mike Sutherland
Derek Davis, OBE	Stephen Sweeney
Phil Jones	Michael Vaughan

Also in attendance: Gordon Alcott, Rachel Bailye and Rob Birch (Pensions Board Members)

Apologies: Colin Greatorex

PART ONE

10. Retiring Members

The Committee were informed that Cllrs Derek Davis, Alastair Little and Martyn Tittley were not seeking re-election at the Local Government Elections on 6 May 2021 and that this was therefore their last meeting of the Committee. The Committee paid tribute to the Members for their service and the valuable contribution they had made to the Fund.

11. Declarations of Interest

There were no declarations of interest on this occasion.

12. Minutes of the meeting held on 18 December 2020

The Director of Corporate Services referred to minute number 4 relating to the Staffordshire Pension Fund Annual Report and Accounts 2019/20 and informed the Committee that the sign-off of the Accounts was imminent.

The Director also referred to minute number 6 relating to the Staffordshire Pension Fund Draft Exit Credit Policy and informed the Committee that as there had been no comments on the Policy, during the consultation period, the draft version had now been published on the Fund's website, as the final version of the Policy.

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 18 December 2020 be confirmed and signed by the Chairman.

13. Minutes of the Pensions Panel held on 11 December 2020 and 2 March 2021

RESOLVED – That the minutes of the meetings of the Pensions Panel held on 11 December 2020 and 2 March 2021 be received.

14. Staffordshire Pension Fund Business Plan 2021/22

The Committee were informed that for reasons of best practice and good governance, it was important for the Pensions Committee to consider and approve an annual Business Plan for the Pension Fund.

They noted that, with regard to progress against the 2020/21 Plan, as well as continuing to do the 'day job' and the increasing challenges that this presents ordinarily, the majority of the Treasury & Pensions Team faced additional challenges as they moved to home working during March 2020 due to the Covid-19 pandemic. The team had continued to work from home since then and, in addition to delivery of a Business Plan, had adapted many of their day to day working practices to maintain a high standard of service provision to all stakeholders. However, successes had still been achieved in several areas of the 2020/21 Business Plan including;

- Following a scaled down promotional campaign, due to the pandemic and the wider move to home working, increasing the awareness and use of the Member Self Service / My Pension Portal and issuing most of the Annual Benefit Statements electronically by 31 August 2020;

- Continuing to make good progress with i-Connect; and

- Following a competitive tender process, the re-appointment of Hymans Robertson as the main Investment Advisors to the Pensions Panel.

Understandably, several planned activities for 2020/21 had been delayed or scaled back but good progress had still been made, for example:

- A Covenant Monitoring process had been developed which would sit alongside the Hymans on-line Funding Level Review tool; and

- Following the 2019 move to Utmost plc, scoping work and data collection had begun for the external review of Additional Voluntary Contribution providers.

Full details would be included in the final outturn report to be presented to the Pensions Committee at their meeting in June 2021.

The Committee were informed that the Business Plan for 2021/22 was, once again, split into 2 distinct sections. The first section dealt with Key Development Activities, which aimed to make the way the Team worked more efficient and effective. The second section dealt with the activities that the team needed to undertake as part of the day job, but which impacted significantly at certain points in the year or which happened as a by-product of another activity e.g. finalising the year end data. Once again, several of last year's development activities had now been re-categorised into Business as Usual activity, including the continuing implementation of i-Connect, the engagement with payroll providers and producing the Annual Accounts in line with CIPFA's new reporting requirements.

Several areas that the Treasury & Pensions Team had identified as Key Development Activities in 2021/22 included:

- Planning for the implementation of remedial action arising from the McCloud / Sergeant judgement (& possibly Goodwin) to include collection of retrospective data from Employers – Approximately 31,000 Fund members were in scope;

- Re-tendering for the Administration System provider, which will include the need for an externally hosted platform service;

- Promoting and encouraging the use of Member Self Service / My Pension Portal to Retired Scheme Members (with the aim of issuing the majority of P60s and payslips electronically);

- Assessing the output from the Scheme Advisory Board's Good Governance Review and considering how best to implement any actions identified; and

- Developing a Staffordshire Pension Fund Climate Strategy and Climate Stewardship Plan.

As well as continuing to focus on their day to day accounting, investment monitoring and stewardship activities, the key development activities for the Pensions Investment Team throughout 2021/22 would focus on Responsible Investment (RI) and particularly reporting around Climate Change. Working with LGPS Central Ltd and Hymans Robertson, Officers would use the data from the Climate Risk Report, alongside further analysis, as a baseline from which to develop a Climate Strategy. The work would consider the impact of different investment strategies for the Fund, with Paris-aligned carbon targets and the delivery of a Net Zero Commitment in a stated future timeframe. Alongside the Climate Strategy, the Fund would also look to develop a Climate Stewardship Plan. This would help Fund Officers to focus their engagement on the specific investments and investment managers who were contributing most to climate risk.

The Committee also noted 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 E.g. McCloud;
- 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, were further analysed in the Pension Fund's Risk Register, the latest version of which would be presented in full to the Committee at its meeting in June 2021.

The Chairman referred to the implications of the McCloud judgement and requested that regular updates be provided to the Committee.

Mr Alcott enquired about the impacts of the Covid-19 pandemic on the Fund and, in response, the Director indicated that although the Fund had not seen an increase in the number of members retiring, there had been an increase in the number of persons taking deferred benefits.

In response to a question from the Chairman in relation to the increased actuarial fees and also in the fees paid to Investment managers, the Director indicated that the increase in actuarial fees was as a result of the 31 March 2019 triennial valuation year; and that the increase in Investment Manager fees was largely the result of the strategic decision to move more into private markets, which was acknowledged to be a more expensive asset class in which to invest. The increase in assets under management also impacted the level of fees paid. Cllr Sutherland also referred to the indicative costs of the Fund over the period 2020/21 – 2022/23 and indicated that he would like to see more visibility on costs.

RESOLVED – That the Staffordshire Pension Fund Business Plan for 2021/22 be approved and that the key challenges be noted.

15. Staffordshire Pension Fund Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS)

The Committee were informed that all Local Government Pension Scheme (LGPS) Funds were required to prepare, maintain, and publish FSS and 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. Both documents must be kept under review and revised from time to time and at least every three years. The FSS must be issued for consultation during each triennial Actuarial Valuation and the Pensions Committee must also formally approve the FSS and ISS as part of the triennial valuation.

The Director of Corporate Services explained that a full review of both the FSS and the ISS was undertaken as part of the 2019 Actuarial Valuation, to take account of various changes in financial and demographic assumptions, and the Strategic Asset Allocation review, which was carried out alongside the valuation process.

The Committee noted that the FSS governed how employer liabilities were measured, the pace at which these liabilities were funded and how employers, or pools of employers, paid for their own liabilities. At its meeting on 27 September 2019, the Pensions Committee approved the current version of the FSS, which had been updated to reflect various financial and demographic assumptions used in the 2019 Actuarial Valuation. As a result of LGPS Regulatory updates on 23 September 2020, further changes were required to the FSS to reflect:

- A brief comment on the approach to be taken by the Fund in dealing with the uncertainty arising from the Goodwin court case.
- An explanation of the circumstances under which the Fund might amend contribution rates between valuations.

- Detail in relation to the payment of a cessation debt and the considerations that the Fund will make before paying an exit credit in line with their Exit Credit Policy.
- The circumstances in which the Fund would enter into a Deferred Debt Agreement (DDA) as an alternative to the payment of an immediate cessation debt.

The Director of Corporate Services explained that, once again, there would need to be an appropriate period of consultation on the FSS and it was proposed that, unless there were any material changes which it was considered necessary to bring to the attention of the Committee, the Director of Corporate Services be given delegated authority to sign off the final version of the FSS, following the period of consultation and prior to its publication on the Fund's website.

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 first ISS (which replaced the Statement of Investment Principles) had to be published by 1 April 2017, kept under review and revised from time to time and at least every three years. The Fund's ISS was first published in April 2017 and had been reviewed annually since, to better reflect the arrangements in place for asset pooling and the transfer of assets into LGPS Central Limited. Having been updated quite substantially, to incorporate the outcome of the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation, the current version of the ISS included some relatively minor amendments to better reflect activity during 2020, thus keeping it up to date.

It was noted that under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy. In the formulation of the updated ISS, the Fund had consulted with its investment advisors, Hymans Robertson and the Pensions Panel. The Committee also noted that the document may need further substantial revision following the outcome of the MHCLG's formal consultation on the Statutory Guidance on Asset Pooling in the LGPS; expected sometime in 2021. At that stage, wider consultation on the ISS may also be considered appropriate.

RESOLVED – (a) That the draft Funding Strategy Statement (FSS), (attached as Appendix 2 to the report), be approved and the need for wider consultation with Scheme Employers be noted and that, accordingly, authority be delegated to the Director of Corporate Services to approve any minor changes required to the FSS, as a result of that consultation.

(b) That the Investment Strategy Statement (ISS) (attached at Appendix 3 to the report) be approved and that the potential requirement for further updates, once the outcome of the Ministry of Housing, Communities and Local Government's (MHCLG) formal consultation on the Statutory Guidance on Asset Pooling in the LGPS is known, be noted.

16. 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:

17. Exempt minutes of the meeting held on 18 December 2020
(Exemption paragraph 3)

18. Exempt Minutes of the Pensions Panel held on 11 December 2020 and 2 March 2021
(Exemption paragraph 3)

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

20. Local Government Pension Scheme Regulation - Debt Write-off
(Exemption paragraph 3)

21. LGPS Central Limited 2021/22 Business Plan & Budget
(Exemption paragraph 3)

22. Staffordshire Pension Fund Climate Risk Report
(Exemption paragraph 3)

Chairman