

**Minutes of the Pensions Committee Meeting held on
17 December 2021**

Attendance

Philip Atkins, OBE	Mike Sutherland (Chairman)
Mike Davies (Vice-Chairman)	Stephen Sweeney
Colin Greatorex	Michael Vaughan (Co-Optee)
Derrick Huckfield	

Also in attendance: Rob Birch and Corrina Bradley (Employer Representative)

Apologies: Phil Jones (Co-optee), Bob Spencer, Samantha Thompson and Mike Wilcox

PART ONE

1. Declarations of Interest

There were no declarations of interest on this occasion.

2. Minutes of the meeting held on 24 September 2021

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 24 September 2021 be confirmed and signed by the Chairman.

3. Minutes of the Pensions Panel held on 3 September 2021

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 3 September 2021 be received.

4. Staffordshire Pension Fund Investment Benchmarking 2020/21

The Committee were informed that the Pension Fund takes part in an annual investment benchmarking exercise with an international company CEM Benchmarking Inc. CEM benchmark over 300 pension funds globally, with total assets of £8 trillion.

The Committee considered the results of the 2020/21 CEM benchmarking survey, where Staffordshire was compared on a number of cost and performance metrics to a global peer group of 16 pension funds that had a median size of £6.2bn versus the Pension Fund's £6.1bn market value, on 31 March 2021. The Director for Corporate Services indicated that it was important to note that a straightforward comparison of investment returns

and costs, as publicly reported by pension funds, would never be meaningful because there were several variables which also needed to be considered to obtain a like for like comparison, e.g., Assets under management, strategic asset allocation, implementation style, benchmarks etc. The survey undertaken by CEM adjusts for these variables and provided more clarity on investment return and cost comparisons for the Pension Fund versus the selected peer group.

The Committee also received a presentation from John Simmonds of CEM and noted the following key points:

(a) Cost -

- The Fund's investment cost of 51.1 bps was above its benchmark cost of 45.3 bps.
- In aggregate, the Fund had a higher cost implementation style.
- In aggregate, the Fund paid less than peers for similar assets.

(b) Cost trend -

- The Fund's costs have fallen from 55.8 bps in 2014/15.
- The Fund's costs have fallen by 4.7 bps since 2014/15 because it was paying less for similar assets.

(c) Returns -

- The Fund's 7-year net total return was 9.1%. This was above the LGPS median of 8.8%.
- The Fund's 7-year benchmark return was 9.1%. This was above the LGPS median of 8.5%.

(d) Funding and Risk -

- The Fund's funding level of 112% on the standard SAB basis in 2019 was the same as the LGPS median of 112%.
- The Fund's strategic asset allocation suggested that it took more risk relative to its liabilities than LGPS peers.

(e) Value added -

- The Fund's 7-year net value added was 0.0%. The LGPS median was 0.4% and the global median was 0.3%.

(f) Cost effectiveness / value-for-money

- The Fund's 7-year performance placed it marginally in the negative value added, high-cost quadrant of the VfM chart.

CLlr Greatorex referred to the under-performance on costs when compared to the Fund's peer group and enquired as to whether the Fund should move towards investing in more passive assets. In response, Mr Simmonds indicated that the Staffordshire Fund had been rewarded for investing

actively, an example of this was the return on its investment in Private equity.

In response to a question from Cllr Huckfield in respect of looking forward over the next seven years, Mr Simmonds indicated that the Fund was projected to achieve further savings in asset manager fees through Pooling.

RESOLVED – That the report from the Director for Corporate Services and the presentation from CEM Benchmarking UK Ltd (CEM) be noted.

5. Staffordshire Pension Fund Annual Report and Accounts 2020/21

The Committee were informed that, at their meeting on 24 September 2021, they approved the draft version of the Staffordshire Pension Fund's Annual Report and Accounts for 2020/21. They also agreed that, following the conclusion of the audit, the final version of the Annual Report and Accounts should be signed off by the Chair as soon as it was available and prior to publication on the Staffordshire Pension Fund's website. This was in an effort to ensure that the Annual Report could be published by the statutory deadline of 1 December. Whilst final sign off had not yet been possible, due to ongoing delays with the wider audit at the County Council, this would happen as soon as EY's Independent Auditors Statement for the Pension Fund, which concluded the audit process, was received.

The Director for Corporate Services added that the Pension Fund's accounts were included within the County Council's Statement of Accounts, but as the audit on the County Council accounts had not concluded then the Pension Fund accounts could not yet be fully signed off. However, the Committee did note that EY's Audit Results Report (ISA260) on the Pension Fund audit, provided for an 'unqualified opinion' on the accounts and stated that there were no matters which should be brought to the attention of the Pensions Committee.

Once the County Council's audit had been finalised, it was anticipated that EY would then be able to release their Independent Auditors Statement, which would be included in the Pension Fund's Annual Report and Accounts, and would confirm that the accounts were consistent with those included within Staffordshire County Council's Statement of Accounts for the year ended 31 March 2021. It would also state that the accounts were properly prepared in accordance with accounting standards.

Cllr Greatorex indicated that he welcomed the Auditor's findings and asked whether there were any repercussions for the District/Borough Council's as a consequence of the delay with the wider audit at the County Council. In response, the Director for Corporate Services indicated that the relevant

assurance letters had been issued and, as a consequence, the District/Borough Council's should not encounter any issues.

RESOLVED – (a) That the imminent conclusion of the external audit of the Staffordshire Pension Fund Accounts for 2020/21 be noted.

(b) That the contents of Ernst and Young's (EY) Staffordshire Pension Fund Audit Results Report for the Year ended 31 March 2021 (ISA260), (Appendix 2 to the report), which is presented for completeness and indicates that there are no matters which should be brought to the attention of the Pensions Committee and provides for an 'unqualified opinion' on the Staffordshire Pension Fund Accounts for 2020/21, be noted.

6. Administering Authority Discretions Policy

The Committee were informed that, regulations state, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Having such, not only proved regulatory compliance, but, more importantly, demonstrated good governance and provided a range of information to stakeholders. Whilst the Staffordshire Pension Fund was compliant in having the full range of policies in place, following an initial audit by Officers, it was identified that some policies were out of date and in need of review. An ongoing work program was therefore put in place, to ensure that, over the last two years, the Fund had reviewed and updated all its policies. The Administering Authority Discretions Policy was the last of these.

Going forward, it was proposed that officers would draw up a review cycle to ensure that all policies were reviewed at least every 2-3 years or annually, where regulation dictated, or best practice suggested. These would be brought to Pensions Committee for approval and consulted on more widely if such was required under regulations or considered appropriate.

The Committee noted that the introduction of the 2014 Local Government Pension Scheme (LGPS) Regulations was the trigger for a review of Administering Authorities policies. The Administering Authority Discretions Policy related to several areas within the Regulations where Staffordshire County Council, as the Administering Authority of the Staffordshire Pension Fund, may exercise its discretion. The current Administering Authority Discretions Policy was approved by Pensions Committee on 20 June 2014 and was published in accordance with the 2014 guidance before 30 June 2014. Each Scheme Employer must also produce and publish their own policy document in respect of their own areas of discretions and send a copy to the Administering Authority, for information.

Due to the length and technical complexity of the Discretions Policy, a regular review of the policy had not been undertaken since it was published,

and the policy approved in 2014 remained the current version. The outdated policy was picked up as part of Officers' initial audit of scheme documentation and the opportunity for a complete refresh had now been taken. The Administering Authority's new policy document was divided into 3 main areas:

- Pensions Benefits and Administration - This section dealt with discretions in respect of such things as Transfer and Aggregation of benefits; Commutation of benefits; Internal Dispute Resolution Procedures; Payment of Death Benefits; and General Administration matters.
- Statement of Policy - This section stated the mandatory policies that an Administering Authority should have i.e., Governance Compliance Statement; Funding Strategy Statement; and Communications Policy.
- Employing Authorities - This section outlined the way in which the Administering Authority would deal with other Employing Authorities on matters such as Admissions and General Administration matters.

The Director for Corporate Services explained that, as well as minor amendments being made to the wording around the existing discretions, the policy document itself had been shortened and re-ordered to make it more readable and user-friendly. The policy had been updated with three discretions relating to the introduction of the Local Pensions Board under the LGPS Regulations 2013 (page 21).

Following recent Pension Ombudsman's determinations and best practice guidelines, the opportunity to review the discretions relating to the payment of death grants had been taken. Whilst there were no fundamental changes to the current principles, several changes had been made to the discretions which now provided for greater transparency on the personal circumstances that might apply when this discretion was exercised.

The Director added that two important Regulations were only briefly described in the Policy document: Regulation 55 - Governance Compliance Statement and Regulation 58 - Funding Strategy Statement. The Fund's detailed policy covering these Regulations was contained in separate documents which the Committee would review and approve separately from time to time.

The Committee noted that, given that the policy dealt with the discretions of the Administering Authority, then an element of independence should be maintained in the approval of the individual discretions. Therefore, wider consultation with multiple stakeholders, who arguably might seek to influence and potentially benefit, was not considered appropriate in this instance.

RESOLVED – That the revised and updated Administering Authority Discretions Policy (attached as Appendix 2 to the report) be approved.

7. 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:

8. Exempt minutes of the meeting held on 24 September 2021
(Exemption paragraph 3)

9. Exempt minutes of the Pensions Panel held on 3 September 2021
(Exemption paragraph 3)

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

11. LGPS Central and Pooling Update
(Exemption paragraph 3)

12. Assumption Setting for the 2022 Actuarial Valuation
(Exemption paragraph 3)

Chairman