

## Minutes of the Pensions Committee Meeting held on 25 March 2022

Present: Mike Sutherland (Chairman)

### Attendance

Philip Atkins, OBE	Stephen Sweeney
Nigel Caine (Co-Optee)	Samantha Thompson
Derrick Huckfield	Michael Vaughan (Co-Optee)
Phil, Jones (Co-Optee)	Mike Wilcox
Bob Spencer	

**Also in attendance:** John Mayhew

**Apologies:** Mike Davies and Colin Greatorex

### PART ONE

#### Ukraine

The Chairman referred to the war in Ukraine and asked the Committee to stand in a minute of reflection.

#### 22. Declarations of Interest

There were no declarations of interest on this occasion.

#### 23. Minutes of the meeting held on 11 February 2022

**RESOLVED** – That the minutes of the meeting of the Pensions Committee held on 11 February 2022 be confirmed and signed by the Chairman.

#### 24. Minutes of the Pensions Panel held on 1 March 2022

The Director for Corporate Services referred to minute no. 43, Resolution B and informed the Committee that the Pensions Panel members wished the Fund's Investment Managers to be made aware that they were of the view that, whilst not an instruction to divest, until such a time as reasonably practicable, they wished to use their inference to strongly discourage any further investment in Russia and Belarus for the foreseeable future.

On behalf of the Chair of the Pensions Panel, Officers sent a letter to relevant Investment Managers that may have exposure in Russia, expressing the Panel's desire to not invest further in this area. Similarly, a letter had been received from the Secretary of State for Levelling Up, Housing and Communities asking Funds to take whatever action they thought necessary within the bounds of fiduciary duty/responsibilities. The majority of the

Fund's exposure to Russia had been removed by index providers (such as FTSE) removing Russian stocks from their indices. There was an estimated residual exposure of 0.05%, within Private Markets, which the Fund would continue to explore the practicalities of divestment with relevant Investment Managers. A statement had been included on the Staffordshire Pension Fund website and would also be included on the next Employer Focus Newsletter on this matter. LGPS Central had also issued a statement and put a message on its website to similar effect.

A further question was asked by Cllr Huckfield regarding the actual amount of investment in Russia. This was confirmed as an estimated £7m out of the £7bn Fund, equating to c0.1% exposure.

**RESOLVED** – That the minutes of the meeting of the Pensions Panel held on 1 March 2022 be received.

## **25. Staffordshire Pension Fund Business Plan 2022/23**

A report relating to the Staffordshire Pension Fund Business Plan 2021/22 was presented to the Pensions Committee for consideration and approval.

It was noted that, as well as continuing to do the 'day job', and the increasing challenges that this continued to present, the majority of the Treasury & Pensions Team faced additional challenges as they predominantly worked from home for a second year. The Committee were informed that morale remained high across the Team, which enabled the ongoing delivery of a high level of service provision to all stakeholders. Several Key Development Activities from the 2021/22 Business Plan had been achieved, including:

- Tendering for an Administration System provider, to incorporate an external hosting platform service, and testing and implementing the new system within the same 12-month timeframe. The "Go live" date for this was the 16 March 2022, which was significantly ahead of the date anticipated.
- An exercise relating to the under / overpayment of Guaranteed Minimum Pensions (GMP) had been completed.
- A Covenant Monitoring Process had been put in place which brought together key pieces of financial information, about any Employer in the scheme, where there were concerns around their ongoing participation in the Fund.
- A Strategic Asset Allocation and Investment Strategy review had been undertaken ahead of the 2022 Actuarial Valuation.

There were several activities planned to take place in 2020/21 that were delayed as a result of the Covid-19 pandemic. These were due to be delivered in 2021/22, but as they were dependent on the outcome of the

Administration System provider procurement, these would be picked up in 2022/23. These included:

- Living as Stated/Address Tracing Exercise;
- Task Design in Altair for Deaths and Concurrency;
- Use of the interactive dashboard or alternative provision in Altair Insights; and
- Promotion of My Pension Portal (MPP) to Retired Members.

Full details would be included in the final outturn report to be presented to the Pensions Committee at the meeting in June 2022.

The Committee noted that, throughout 2021/22, the Treasury & Pensions Teams had made excellent progress in meeting the competing demands across the service. The change in working arrangements had continued to emphasise the need to review all processes and 2021/22 had been no exception with reviews of the Transfers In / Transfers Out process and the Death Grants process being completed.

The Committee were informed that, as in previous years, the Business Plan for 2022/23 was split into two distinct sections. The first section dealt with Key Development Activities, which aimed to make the way the service 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 Employer Covenant Monitoring and the Employer Practitioner Workshops, which had been held virtually on several days throughout the year.

Several areas that the Treasury & Pensions Team had identified as Key Development Activities in 2022/23 include:

- Continuing to collect retrospective data from Employers and plan for the implementation of remedial action arising from the McCloud / Sergeant judgement (& possibly Goodwin);
- Dealing with the additional data and checking requirements arising from the 2022 Actuarial Valuation;
- Embedding the new Pensions Administration System & preparing for the Department of Work & Pensions new Pensions Dashboard;
- Developing a Cyber Security Policy; and
- Implementing the new Investment Strategy following the review of Fund's Strategic Asset Allocation.

The Committee were informed that, subject to approval of the Investment Strategy, the key development activities for the Pensions Investment Team

throughout 2022/23 would be focussed on a Strategic Asset Allocation Review and Implementation.

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 and the Pensions Dashboard;
- 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;
- The current geopolitical and inflationary environment; 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 the June 2022 meeting.

In response to a question from Nigel Caine on the subject of the risk of compensation claims relating to the Guaranteed Minimum Pension, the Director explained that the action taken involved not asking for overpayments to be paid back by an individual, but instead the pension was being put back to the position it would be, at the current value of that pension, so no individual, in terms of arrears owed, would be worse off. Ongoing the individual would be in the position they would've been. This information had been communicated to members. Work has been undertaken with HMRC to ensure records of all Guaranteed Minimum Pensions aligned, and where there was a liability, they had been investigated.

In response to a question asked by Cllr Wilcox, relating to priority of the key development activities and timelines for delivery, the Director explained that the Actuarial Valuation was the prime priority with a view to having the information finalised ahead of budget setting for 2023/24, when the new contribution rates would begin.

In response to a question by Cllr Huckfield relating to the Cyber Security Policy and the guarantee of protection for pensions, it was confirmed that LGPS Pension benefits were guaranteed. It was also explained that the team were working to better understand exactly what was involved in Cyber Security and how best to prevent issues occurring, prior to the development of the Cyber Security Policy.

Committee members heard that the Pension Fund currently had six main areas of 'resource/cost':

- Pension's administration and accounting (internal);
- Governance (internal and external);
- Advice from actuary and consultants/advisors (external);
- Legal support (internal and external);
- Investment management (external); and
- Custody (external).

Some of these were difficult to anticipate for example, costs for investment advice and legal support varied depending on the level of activity. Investment Management fees varied dependent of the value of assets under management (AUM) and the level of manager performance, impacting on the payment of performance related fees.

CIPFA reporting guidance stated that it was good practice to produce a three-year budget and the Table below illustrates indicative costs of the Fund's likely budget costs for the period commencing 2022/23. The Committee noted that the indicative costs had been produced using the information available at the time, with reasonable assumptions made about growth in AUM and levels of activity.

<b>Cost Heading</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pensions Administration	3,000	3,060	3,130
Governance*	1,500	1,580	1,660
Audit	90	90	100
Actuarial Fees	250	80	200
Legal Fees	260	260	270
Investment Advice	90	90	100
Investment Management Fees**	18,660	19,910	20,680
Property Expenses (ex-legal)	4,620	4,760	4,900
Monitoring and Custody	70	70	70
Other expenses	410	420	430
<b>Total</b>	<b>28,950</b>	<b>30,320</b>	<b>31,540</b>

*\*Includes the running costs of LGPS Central*

*\*\* the above does not include the cost of transition which will be taken from the capital value of assets.*

In response to a question from Cllr Sutherland regarding the different levels of Actuarial fees over the three-year period, the Director informed the Committee that the "peaks and troughs" of this cost reflected the level of work that was undertaken in preparation for and in carrying out the Actuarial Valuation during those particular time periods.

In response to a question from Cllr Wilcox relating to "other expenses" costs, the Committee was informed that 90-95% of "other expenses" were made

up of cost associated with the quarterly Portfolio Evaluation Fund Performance reports that were received by the Pension Panel; and property valuations, which were undertaken quarterly.

Cllr Sutherland paid tribute to the sterling work the Pensions Team had undertaken over last 12 months to install the new system whilst working remotely.

**RESOLVED** – That the Staffordshire Pension Fund Business Plan for 2022/23 be approved and that the key challenges be noted.

## **26. Staffordshire Pensions Committee Training Needs Analysis and Training Policy 2022/23**

A report relating to the Staffordshire Pensions Committee Training Needs Analysis and Training Policy 2022/23 was presented to the Pension Committee for consideration and approval.

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.

The Committee noted that the CIPFA Knowledge and Skills Framework identifies eight core technical areas where Pensions Committee Members were expected to have a general awareness and understanding of the key elements in each area.

The eight core areas were:

- Pensions Legislation and Guidance
- Pensions Governance
- Funding Strategy and Actuarial Methods
- Pensions Administration and Communications
- Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards
- Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
- Financial Markets and Products
- Pension Services Procurement, Contract Management and Relationship Management.

All Pensions Committee Members, Local Pensions Board Members and Senior Fund Officers were asked to complete a Training Needs Analysis (TNA) during November 2021. The results of the TNA for the Pensions Committee, the Local Pensions Board and Senior Fund Officers showed a generally good level of collective knowledge across all 8 areas. Senior Fund Officers results

reported significant levels of knowledge across all areas of activity. The results of the TNA would be used to inform the delivery of general and specific, targeted, training in the future and a review would take place again in late 2022.

It was explained to the Committee that, as with all training plans, some flexibility in terms of times and methods of delivery would be required. Where appropriate, training would be incorporated into scheduled Committee and Board meetings in June, September, December and March and two dedicated training sessions for both Committee and Board members would be held in July and November. The Committee were provided with a proposed training scheme for 2022/23, derived from the detailed results of the 2021/22 TNA.

It was explained to the Committee that it is best practice, and a further demonstration of good governance, to set out the Pension Fund's approach to the training of all individuals charged with the oversight of the Fund. A revised version of the Staffordshire Pension Fund's Training Policy was presented to the Committee. This incorporated the requirements of the updated CIPFA Knowledge and Skills Framework, including a set of seven statements which the Pensions Committee was asked to formally adopt.

Cllr Sutherland referred to the online training which he had found to be a helpful tool and suggested that Committee members work through the modules and use it to refresh their knowledge.

**RESOLVED** - (i) That the results of the 2021/22 Training Needs Analysis at Appendix 2 in relation to the requirements of the CIPFA Knowledge and Skills Framework, be noted.

(ii) That the resultant 2022/23 Training Plan in paragraph 11 of the report, be approved.

(iii) That the Staffordshire Pension Fund's revised Training Policy, attached at Appendix 4 to the report, be approved.

## **27. 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.

**28. Exempt minutes of the meeting held on 11 February 2022**

**29. Exempt minutes of the Pensions Panel held on 1 March 2022**

**30. Local Government Pension Scheme Regulations - Debt Write-off**

- 31. Local Government Pension Scheme Regulations - Admission of New Employers to the Fund**
- 32. LGPS Central Limited 2022/23 Business Plan & Budget and Chair's Update on the LGPS Central Ltd General Meeting held on 22 February 2022**
- 33. Strategic Asset Allocation and Investment Strategy Review 2022**
- 34. Actuarial Valuation 2022**

**Chairman**