

Minutes of the Pensions Committee Meeting held on 30 September 2022

Present: Mike Sutherland (Chair)

Attendance

Philip Atkins, OBE	Bob Spencer
Nigel Caine (Co-Optee)	Stephen Sweeney
Mike Davies (Vice-Chair)	Samantha Thompson
Colin Greatorex	Mike Wilcox
Derrick Huckfield	

Also in attendance: Chantelle Denham and Simon Humble

Apologies: Phil, Jones and Michael Vaughan

PART ONE

1. **Apologies**
2. **Declarations of Interest**

There were no declarations of interest made on this occasion.

3. **Minutes of the meeting held on 24 June 2022**

Resolved – That the minutes of the meeting of the Pensions Committee held on 24 June 2022 be confirmed and signed by the Chairman.

4. **Minutes of the Pensions Panel held on 6 September 2022**

Resolved – That the minutes of the meeting of the Pensions Panel held on 6 September 2022 be received.

5. **Staffordshire Pension Fund Investment Performance 2021/22**

The Deputy Chief Executive & Director for Corporate Services submitted a summary of the Staffordshire Pension Fund's Investment Performance for 2021/22.

Committee members were reminded that the Staffordshire Pension Fund employed Portfolio Evaluation Limited (PEL) to provide independent investment performance measurement services for the Fund's various investments. The detailed performance metrics, which measure the percentage return of the Fund's various investments against an agreed range of benchmarks, were reported to the Pensions Panel each quarter.

The Committee received a presentation from Nick Kent and Deborah Barlow of PEL of the Staffordshire Pension Fund Investment Performance. The presentation covered the following matters:

- Market Review
 - Asset class results
 - Themes
 - Market trends and developments
- Evaluation of the Staffordshire Pension Fund results
 - Total Fund results (short and long term)
 - Attribution of 2021/22 results
 - Results focus on periods ended 30 June 2022

The following Summary was provided

- The Fund, for periods ended June 2022, outperformed its benchmark over most time periods.
- The Fund had outperformed the Local Government Pension Scheme (LGPS) Information Service average return over the one, three, five, ten and twenty-year periods.
- The outperformance in 2021/2022 was due primarily to the performance of the equity assets, most notably Private Equity and active Global Equities.
- The Fund continued to transition assets to LGPS Central as part of the wider pooling agenda.
- Total risk remained low and active risk was at a level that was consistent with the structure of the Fund. Risk had increased over the year due to the ongoing impact of the pandemic.

Resolved – a) That the information provided in Appendix 2 to the report be noted;

b) That the representatives of PEL be thanked for their presentation and for taking the time to join the Pensions Committee meeting.

6. Staffordshire Pension Fund Audit Plan 2021/22

The Committee received a report of the Deputy Chief Executive & Director of Corporate Services and County Treasurer (S151) relating to the Audit Plan for the Staffordshire Pension Fund.

Committee members heard that there had been technical delays in the Local Government Audit System which had subsequently impacted on the 2021/22 Fund audit being undertaken by Ernst and Young (EY). It was hoped that EY would soon issue a separate Fund specific Audit Findings Report (ISA260) that would be brought to the December Pensions Committee meeting.

Whilst the Fund accounts were audited separately, they formed part of the County Council's audited accounts and therefore would not be formally signed off until the main Council accounts were signed off. However, it was noted that whilst the County Council's 2020/21 accounts were also awaiting sign off, due to national issues with infrastructure valuations, the audit of the Pension Fund's 2020/21 accounts had been finalised for some time and that there had been significant progress with the 2021/22 audit.

The document at Appendix 2 of the report, the Audit Plan, detailed how EY intended to carry out their responsibilities as auditors and was an assessment of the key issues which they believed would affect the audit. The document focussed on the process for undertaking the audit and key audit risks - most notably the valuation of harder to value level 3 assets (such as Private Equity, Infrastructure and Property) and materiality.

In response to a question relating to the impact that had been felt by other local authority tiers due to the delays in the completion of the audit process and the need to ensure concerns had been raised with appropriate bodies, it was explained that the Scheme Advisory Board had recently set up a Compliance and Reporting Committee, which had subsequently asked for volunteers to sit on several working groups. One of the working groups would focus on Audit, and another would focus on Accounts and Annual Reports for Pension Funds. The Assistant Director for Treasury & Pensions informed the Committee that they had put forward Officer volunteers for both groups, so that the recent issues and challenges that had affected the Staffordshire Pension Fund would be raised. The Committee also heard that the results of a tender exercise for the appointment of companies responsible for the Audit of Local Government, Police and Fire authorities was soon to be announced and may bring with it more stability and certainty for future Audit processes. Whilst this was accepted it was highlighted that the level and standard of service received was unacceptable and had caused a detrimental impact on other authority tiers

In response to a question querying the cause of the delays within the Audit process, it was confirmed that it was primarily due to a lack of suitably qualified and experienced staff in an industry that was struggling to resource the additional audit requirements in order to provide the requisite levels of assurance, introduced more recently.

Resolved - That the external auditor's plan for the audit of the Staffordshire Pension Fund for the 2021/22 financial year be noted.

7. Staffordshire Pension Fund Conflicts of Interest Policy

The Committee received a report of the Deputy Chief Executive & Director of Corporate Services relating to the Staffordshire Pension Fund Conflicts of Interest Policy.

The Committee was reminded that the Staffordshire Pension Fund's Conflicts of Interest Policy demonstrated best practice and was introduced as part of setting up the governance arrangements for the Staffordshire Local Pensions Board in 2015. There was a commitment to review the Policy at least every three years or sooner if conflict management arrangements, or other matters, merited reconsideration – the Policy was last reviewed in 2019.

The 2022 version of the Policy (attached at Appendix 2 to the report) had been updated to reflect several minor procedural changes. However, as there had been no significant changes and the document was effectively used for internal control and compliance purposes, wider consultation was considered unnecessary.

It was intended that the Policy would next be revised and republished following recommendations arising from the Scheme Advisory Board's, Good Governance Project, or any material change in policy, if sooner.

In response to a suggestion made by Councillor Atkins, to include an additional example in Appendix 2 of the Conflict of Interest Policy relating to potential conflicts of Pensions Committee members who sit on the Planning Committees of various Borough or District Councils, and the need to remove themselves from any decisions that involve planning applications on properties owned by the Staffordshire Pension Fund, it was confirmed that this example would be included in the Policy.

Resolved a) That the updated Conflicts of Interest Policy, attached as Appendix 2, be approved.

b) That it be noted that further changes may be required following recommendations arising from the Scheme Advisory Board's Good Governance Project.

c) That the additional conflict example, as discussed in the meeting, be added to Appendix 2 of the final Conflict of Interest Policy.

8. 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 paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below

9. Exempt minutes of the meeting held on 24 June 2022 - (Exemption paragraph 3)

10. Exempt minutes of the Pensions Panel meeting held on 6 September 2022 - (Exemption paragraph 3)

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

12. Actuarial Valuation 2022 - (Exemption paragraph 3)

13. 2022 Valuation Results – Early Insights - (Exemption Paragraph 3)

14. Actuarial Valuation 2022 - Initial Results Report - (Exemption Paragraph 3)

Chairman