

## Minutes of the Pensions Committee Meeting held on 31 March 2023

Present:

<b>Attendance</b>	
Philip Atkins, OBE	Phil Jones (Co-Optee)
Mike Davies (Vice-Chair)	Bob Spencer
Colin Greatorex	Stephen Sweeney
Derrick Huckfield	Mike Wilcox
Syed Hussain	

**Also in attendance:** Rob Birch, Corrina Bradley (Employer Representative) and John Mayhew

### Part One

**11. Apologies:** Mike Allen, Nigel Caine, Mike Sutherland and Michael Vaughan

### 12. Declarations of Interest

There were no declarations of interest made on this occasion.

### 13. Minutes of the meeting held on 16 December 2022

**Resolved:** That the minutes of the meeting of the Pensions Committee held on 16 December 2022 be confirmed and signed by the Chairman.

### 14. Minutes of the Pensions Panel held on:

a) 6 December 2022

**Resolved:** That the minutes of the meeting of the Pensions Panel held on 6 December 2022 be received.

b) 7 March 2023

**Resolved:** That the minutes of the meeting of the Pensions Panel held on 7 March 2023 be received.

### 15. Staffordshire Pension Fund Climate Change Strategy

The Committee received a report of the Director of Finance relating to the Climate Change Strategy for the Staffordshire Pension Fund ('the Fund').

#### Climate Risk Report 2022

The Committee received a presentation from Basyar Salleh and Alex Galbraith from LGPS Central, relating to the Fund's third Climate Risk Report.

The presentation supported the 2023 Climate Risk report which assessed the Fund's exposure to climate-related risks and opportunities, and allowed the Fund to identify further means to manage its material climate risks. The presentation also highlighted the report's key findings and provided an overview of the Fund's progress in managing climate risk. The presentation focused on the following areas:

- Holdings, Metrics & Analysis
- Carbon Intensity
- Financed Emissions
- Weight in Clean Tech and Fossil Fuel Reserves
- Top 5 Contributors
- Climate Scenario Analysis
- Climate Stewardship Plan

The presentation concluded that the Fund had made significant progress in its responsible investment and climate change practice. The key recommendations suggested that the Fund should:

- Continue with the development of the net zero strategy;
- Continue to report against the Task Force on Climate Related Financial Disclosures Recommendations;
- Work with fund managers to understand how they assess, monitor and mitigate key climate change risks; and
- Repeat the Carbon Risk Metrics annually and the Climate Scenario Analysis every 2-3 years.

A concern was raised about the validity of the metrics being measured and how they helped the Fund to achieve the target of Net Zero. It was suggested that it would be better to compare against a portfolio of comparable companies. LGPS Central acknowledged that, whilst there would be some merit in comparing against other portfolios, they did not have the tools in place to do so at this time. LGPS Central did compare the 40-year projection of the current asset allocation under different scenarios and some further analysis was included in the full report. It was noted that there was only a limited number of ways in which metrics could be measured currently, but new processes and technologies were constantly being introduced which might help the Fund achieve its target.

It was acknowledged that whilst the LGPS Central pool was a powerful resource, there seemed to be an issue with engagement with the smaller companies within the portfolio, and it was suggested that LGPS Central should focus on the smaller companies that weren't supporting the Fund in achieving its targets. In response it was explained that within the portfolio 20% of companies created 80% of emissions, and the organisations that had been identified and engaged with were considered to be the largest polluters. It was clarified that, no matter the size of the organisation, if companies didn't meet the expectations of LGPS Central, they would be engaged with and any concerns would be escalated and, if necessary, directors and resolutions would be voted against.

In response to a question asking if there were any plans to measure other polluting actions other than carbon, it was explained that this was considered in the analysis and some information about this was included in the full report.

### **Task Force on Climate Related Financial Disclosures (TCFD) Report**

The Committee was informed that the Taskforce on Climate-Related Financial Disclosures (TCFD) was commissioned in 2015. In 2017, the TCFD released its recommendations for improved transparency, and the TCFD Report was considered a best practice document for asset owners and institutional investors to report on climate risks. The Fund's latest TCFD Report, which presented the latest Carbon Risk Metrics Analysis, was attached at Appendix 2 to the report. The TCFD Report also described the way in which climate-related risks were currently managed by the Fund.

### **Climate Change Strategy**

The Staffordshire Pension Fund's Climate Change Strategy (CCS) was approved by the Pensions Committee at its meeting on 11 February 2022 and set out the Fund's approach to managing the risks and opportunities presented by climate change. The CCS had no structural changes from the original version approved in February 2022 but had been updated with the latest performance against the 2030 targets. This was based on data from the 2022 Climate Risk Report and demonstrated good progress towards the 2030 targets.

In response to a query raised about developing a plan to help the Fund achieve its 2050 targets by using forward focussed data, rather than improvements made against past targets, it was confirmed that plans were in place to support this, such as the climate risk scenarios modelled by LGPS Central. LGPS Central also acknowledged that, whilst the current data was focussed on performance against historic figures, investment was being made to provide forward looking data. It was the intention that LGPS Central would be able to provide forward focussed data in the 2024 Climate Risk Report.

### **Climate Stewardship Plan 2023/24**

The Committee was informed that the Climate Stewardship Plan aimed to focus the Fund's engagement on the investments in companies which had the most impact on the Fund's climate risk metrics. The Fund's Climate Risk Report for 2022 contained recommendations to update the Fund's current Climate Stewardship Plan (presented at Appendix 4 to the report), with the addition of one utility company. The Climate Stewardship Plan was a working document which would be updated as engagement with companies occurred, via the Fund's external partners. This activity would continue to be reported quarterly to the Pensions Panel, as part of the Responsible Investment and Engagement Report.

#### **Resolved:**

- a. That the presentation from LGPS Central Limited on the 2022 Staffordshire Pension Fund Climate Risk Report, be noted, and Messrs Salleh and Galbraith be thanked for their presentation.
- b. That the Task Force for Climate Related Disclosures Report, be noted
- c. That the Climate Change Strategy, be noted

d. That the Staffordshire Pension Fund's Climate Stewardship Plan 2023/24, be noted.

## **16. Staffordshire Pension Fund 2022 Annual Stewardship Report**

A report of the Director of Finance relating to the Staffordshire Pension Fund 2022 Annual Stewardship Report was presented for approval by the Pensions Committee prior to submission to the Financial Reporting Council (FRC).

The Committee was reminded that in 2020 the FRC launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aimed to improve stewardship practices by setting substantially higher standards. The Fund was accepted as a Tier 1 signatory to the previous UK Stewardship Code, but signatories were required to submit a report annually that met the FRC's reporting expectations.

The UK Stewardship Code 2020 was a voluntary set of principles that set high expectations for how investors, and those that supported them, invested and managed money on behalf of UK savers and pensioners, and how this led to sustainable benefits for the economy, the environment and society. There were 12 principles for asset owners and asset managers. Those principles covered the policies, processes, activities, and outcomes of effective stewardship.

It was stipulated that the report must be reviewed and approved by the applicant's governing body, and signed by the Chair, Chief Executive or Chief Investment Officer, or equivalent, before its submission for consideration by the FRC.

Fund officer Helen Wilson and colleagues from LGPS Central were thanked for the hard work and effort that had gone into developing the Fund's 2022 Annual Stewardship Report.

**Resolved:** That the Staffordshire Pension Fund 2022 Annual Stewardship Report be approved, signed by the Chair (electronically) and submitted to the FRC.

## **17. Staffordshire Pension Fund Business Plan 2023/24**

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund Business Plan 2023/24.

### **Progress on 2022/23 Business Plan**

The disruptive impact of the Covid-19 pandemic no longer affected the service provision. The hybrid working arrangements allow officers to continue to embrace the developments that have been made in technology, and the impact these had on operational activities.

The experience, dedication and enthusiasm demonstrated across the Treasury & Pensions Team enabled the ongoing delivery of a high level of day-to-day service provision to all the Fund's stakeholders, as well as the delivery of several Key Development Activities from the 2022/23 Business Plan. These included:

- The successful collection and provision of data to the Scheme Actuary to facilitate the 2022 Actuarial Valuation at 31 March 2022 and the dissemination of results schedules to the Fund's 500+ Employers.
- The successful completion of the first Digital Proof of Life exercise. This was a new process that replaced the paper process with a digital biometric facial recognition process to confirm identity from a computer or mobile phone.
- Work undertaken between Fund officers, Investment Consultant and Pensions Panel to consider how best to implement the strategy across the various asset classes. Whilst the focus in 2022 had predominantly been on Equities, the pace of investment into Private Markets had been maintained and opportunities to invest in several funds had also been taken.

### **Performance Standards 2022/23**

The Committee was made aware of the challenges implicit in administering the LGPS, and the regulatory complexity that brought with it. Planning for a wide range of new and changing legislation meant that there would always be more to do.

The Fund had experienced a small increase in staff turnover over the last 12 months which had not been helped by a challenging recruitment environment; a problem echoed nationally across other LGPS. However, the recruitment program had continued and whilst the level of applicants had fallen, several successful appointments had been made. The Fund had finally been able to introduce a new five pillar team structure, which would future proof the service and allow for succession planning. This had facilitated internal promotions, to a new wider Management Team.

### **Key Developments for 2023/24**

Several areas that the Treasury & Pensions Team had identified as Key Development Activities in 2023/24 included:

- Continuing to collect retrospective data from Employers and planning for the implementation of remedial action arising from the McCloud / Sergeant judgement;
- Appointing an ISP and the undertaking of a 'data readiness' exercise ahead of the LGPS staging date for the DWP new national Pensions Dashboard;
- Tendering for a provider of Actuarial Services; and
- Continuing with the implementation of the new Investment Strategy following the review of Fund's Strategic Asset Allocation.
- Pensions Dashboard – Integrated Service Provider (ISP) and Data Readiness

### **Cost and Resources**

The Pension Committee heard that the Fund 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).

The most expensive area was highlighted as the Investment Management Fees. Whilst this figure appeared high the return on investment demonstrated that the Fund was receiving value for money in this area.

In response to a question asking what was included in the “other expenses” costs, the Committee was informed that the cost was predominantly associated with the independent performance management fees. It was confirmed that a more detailed breakdown would be brought to the June 2023 Committee meeting.

In response to a question asking how many Fund officers worked from home, it was confirmed that 100% of the team were offered a hybrid working option, meaning they were able to work both from home and in the office at various times throughout the working week. The Committee was also informed that specific “team days” had been arranged to ensure officers were able to spend time together on a regular basis.

**Resolved:** That the Staffordshire Pension Fund Business Plan for 2023/24 be approved, and the key challenges, be noted.

## **18. Staffordshire Pension Fund 2022 Actuarial Valuation Report, Funding Strategy Statement, and Investment Strategy Statement**

The Pensions Committee received a report of the Director of Finance relating to the Staffordshire Pension Fund 2022 Actuarial Valuation Report, Funding Strategy Statement, and Investment Strategy Statement.

### **2022 Actuarial Valuation Report**

Throughout late 2021 and most of 2022, the actuarial team from Hymans Robertson had attended Pensions Committee meetings to provide training and discuss the 2022 Actuarial Valuation of the Fund at 31 March 2022. Over this period, Members had approved the actuarial approach to be taken, the actuarial assumptions to be used and had received reports on the high-level results of the 2022 valuation and the funding and contribution levels for the different employer groups.

The Report on the Actuarial Valuation at 31 March 2022, attached at Appendix 1 of the report, fulfilled the requirements of Regulation 62(3) and 62(4) of the Local Government Pension Scheme Regulations 2013, in providing a document of record. It contained no fundamentally new information to that already presented by Hymans to the Pensions Committee at their meetings in September and December 2022.

Members were asked to note that the Primary Rate for the whole Fund had increased from 19.7% of pay at 31 March 2019, to 21.5% of pay at 31 March 2022, mainly due to higher inflation. This had been offset to some degree by a decrease in the Secondary Rate, which indicated the amount needed to be paid for past service liabilities, because of better-than-expected investment performance since the last valuation in 2019.

Following each triennial Actuarial Valuation, the Public Service Pensions Act required the Government Actuaries Department (GAD) to publish a report on the health of the LGPS. Using a common set of assumptions determined by the Scheme Advisory Board

(SAB), to enable consistent comparison, Hymans had recalculated the Fund's 2022 Funding position on a local funding basis (120%) which had resulted in a funding position of 128% on an SAB basis; an increase of 16% since the last valuation in 2019.

It was confirmed that the full Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022 would be published on the Pension Fund's website.

### **Funding Strategy Statement (FSS)**

The draft FSS was published on the Fund's website and was made available to Employers and other interested parties for a period of consultation that ran from 16 December 2022 to 31 January 2023. Feedback and questions arising from the consultation were received which resulted in some changes being made to the draft FSS presented to Pensions Committee previously. The changes centred around the Fund permitting all individual academies within the same Multi Academy Trust (MAT) to be considered as pooled for contribution rate setting purposes. This would be dependent on certain criteria being met and would only be considered at the request of the MAT and agreed at the discretion of the Fund. Minor amendments to allow for this were made in Section 2 of the FSS. The final version of the FSS, incorporating the changes, was attached for the approval of the Pensions Committee at Appendix 2 to the report.

In line with best practice, once the FSS had been approved and published, it would be maintained and updated periodically as Regulation and good governance dictated.

### **Investment Strategy Statement (ISS)**

The Committee was informed that the published ISS was kept under review, and revised from time to time, and at least every three years. The last major review of the ISS was undertaken in April 2020. This incorporated the outcome and outputs from the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation. Whilst similar in structure, the April 2023 version of the ISS, attached at Appendix 3 of the report, contained major revisions as it reflected the outcome and outputs from the 2022 Strategic Asset Allocation review and 2022 Actuarial Valuation. The April 2023 ISS also included detail about the arrangements for the Fund's transfer of assets into LGPS Central Ltd and it incorporated the Fund's Climate Change Strategy.

Members were informed that the Pensions Panel had reviewed the document at its meeting held on the 7 March 2023 and had recommended it for approval by the Pensions Committee.

Pensions Committee Members were asked to note that revisions may be needed to the ISS following the outcome of DLUHC's further consultation on Asset Pooling in the LGPS; expected sometime in early 2023. At that stage, wider consultation on the ISS may also be considered appropriate.

### **Resolved:**

- a. That the Report on the Actuarial Valuation of the Staffordshire Pension Fund at 31 March 2022, including the Rates and Adjustments Certificate and detailing the contribution rates for individual employers, be noted.

- b. That the Staffordshire Pension Fund's Funding Strategy Statement, as amended post consultation, be approved, but that the potential for further updates, as and when regulatory change is effective and requires implementation, be noted.
- c. That the Staffordshire Pension Fund's Investment Strategy Statement be approved, but that the potential requirement for further updates, once the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) further consultation on Asset Pooling in the LGPS is known, be noted.

## **19. Training Needs Analysis & Training Policy 2023/24**

A report relating to the Staffordshire Pensions Committee Training Needs Analysis (TNA) and Training Policy 2023/24 was presented to the Pension Committee for consideration and approval.

The Fund was required to ensure 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. In May 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated Knowledge and Skills Framework (KSF) for LGPS Committee Members and LGPS Officers. The CIPFA KSF was something that the Staffordshire Pensions Committee had adopted for several years to demonstrate good governance and commitment to training.

The CIPFA KSF identified eight core technical areas where Pensions Committee Members were expected to have a general awareness and understanding. The Fund TNA measured against the same eight core areas of:

- 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 TNA during February 2023. The response rate for the Pensions Committee was 67% (8 out of 12), for the Pensions Board it was 67% (2 out of 3) and for Senior Fund Officers it was 75% (3 out of 4).

### **2023/24 Training Plan**

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.



Based on the output of the February 2023 TNA, the training proposed for 2023/24 was planned to include the following:

- June / September 2023 - Portfolio Evaluation Limited and CEM Benchmarking – refresher training at Committee on Performance Measurement, Cost Benchmarking and Risk Management;
- July / September / November 2023 - Procurement, Contract Management and Relationship Management;
- September / November / December 2023 and March 2024 – Strategic Asset Allocation, including Investment Structure implementation, Pooling, and Financial Markets and Products; and
- October – December 2023 – Local Government Association offer 3-day Pensions Fundamentals training.

### **Aspire Online Learning Academy**

Pensions Committee and Local Pensions Board Members had been provided with access to Hymans Robertson's online LGPS Learning Academy, ASPIRE, which covered all key areas of the CIPFA KSF. Hymans had recently refreshed ASPIRE so that it offers more but shorter learning modules.

### **Training Policy**

The Fund's Training Policy was shared with the Committee for approval. The policy incorporated the requirements of the latest CIPFA KSF and also included a set of seven statements which the Pensions Committee formally adopted at the meeting on 25 March 2022.

#### **Resolved:**

- a. That the results of the 2023/24 Training Needs Analysis in relation to the requirements of the CIPFA Knowledge and Skills Framework, be noted.
- b. That the resultant 2023/24 Training Plan, be approved.
- c. That the Staffordshire Pension Fund's Training Policy, be approved.

### **20. 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.

### **21. Exempt minutes of the meeting held on 16 December 2022**

### **22. Exempt minutes of the Pensions Panel held on:**

- a) 6 December 2022
- b) 7 March 2023

- 23. LGPS Regulations - Debt Write-off 2022/23  
(Exemption paragraph 3)**
- 24. LGPS Regulations - Admission of New Employers to the Fund  
(Exemption paragraph 3)**
- 25. LGPS Central Limited 2023/24 Business Plan & Budget  
(Exemption paragraph 3)**

**Chair**