Staffordshire Pension Fund
Local Government Pension Scheme

Local Pension Board

Annual Report for 2022/2023

Introduction

This is the eighth annual report from the Staffordshire Local Pension Board ("the Board"), the Board having been established by Staffordshire County Council Pensions Committee during spring 2015.

The Board is required by The Public Service Pensions Act 2013 to assist the Administering Authority, to secure compliance with the LGPS Regulations and help ensure that the Staffordshire Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

Executive Summary

The opinion of the Board is that we do not have any concerns about the Staffordshire Pension Fund or its administration. The Board feel that the Fund is administered in line with regulations and is well managed in the best interest of scheme members and participating employers.

Board Members

The Board currently consists of seats for six members: three representing employee members and three representing employers drawn from employer organisations.

Despite multiple attempts to reach out across the employee and employer membership during 2022, there have only been three representatives on the Board for much of the year. There is still a need to fill vacancies for two Employer Representatives and one Scheme Member Representative and the Board will continue to seek nominations for these roles.

Employer Representatives
Corrina Bradley – Vice Chair of the Board, Staffordshire Police (appointed 26 March 2021)

Rachel Bailye - Staffordshire University Academies Trust (appointed 27 Sept 2019 resigned 6 June 2022)

Scheme Member Representatives
Rob Birch - Active Scheme member – Current Chair of the Board (appointed 27 Sept 2019)

John Mayhew – Active Scheme Member (appointed 24 September 2021)

James Mika – Trade Union Representative (appointed 26 March 2021 – resigned 13 December 2022)

Meeting Attendance

The Board has met on four occasions during the year and also attended joint training events and briefing events with the Pensions Committee. Meetings took place face to face in line with the Board rules. In addition to Board meetings, one or more of the members have attended Pensions Committee and Pensions Panel meetings to ensure that there is a full understanding of the decisions made and discussions undertaken. Board members have also been involved in the risk assessment and review process, with the Officer Working Group, which takes place periodically throughout the year to provide a scrutiny function of that process.

Pensions Board Meeting attendance in 2022/23

Meeting	24 June 2022	23 September 2022	16 December 2022	31 March 2023
Rob Birch	Present	Apologies	Present	Present
Corina Bradley	Present	Present	Apologies	Absent
John Mayhew	Present	Present	Present	Present
James Mika	Apologies	Absent	n/a	n/a
2 x Vacant	n/a	n/a	n/a	n/a

Although Board attendance has been lower than would be hoped, due to the vacancies for the seats on the Board, there was only one meeting where late apologies resulted in the meeting on 16 December 2022 being inquorate. However, as there were no decisions to be made, the judgement was made to continue with the meeting.

The Board Chairs from the 8 LGPS Central Pool Partner Funds also hold collaborative meetings in March and October each year. Whilst these are attended by the Chair of the Board, there is an open invitation to other Board members to attend. Matters and any actions arising from these meetings are discussed routinely with Fund Officers at Board meetings.

Work Programme

During the year Board members have continued to monitor the Fund's compliance with the Regulations, the Risk Register, and the development of the LGPS Central Pool arrangements.

In addition, Board members review Internal and External Audit Reports to ensure that there are no significant or high-level recommendations being made and that all other recommendations are being acted upon within a reasonable timeframe.

Board members attend the quarterly risk register assessment meetings with Fund Officers and are actively involved in the discussions and scrutiny involved in identifying and reviewing the wide range of risks faced by the Staffordshire Pension Fund. Emerging risks are of particular concern to the Board, who have taken an interest the impact of the global economic challenges and the Fund's approach to sustainability and ethical investment, which includes issues such as carbon emissions, pesticides, slavery and human rights and energy. Also of interest is the ongoing threat of cyber security and the approach to mitigating this risk is monitored by the Board.

Board members have noted the content of the Climate Change Strategy and the Climate Stewardship Plan, which seeks to ensure the Fund's responsible investment beliefs are incorporated into the Fund's investment decision making process and as a result, investments support long term sustainable benefits for the economy, environment, and society, as well as for pensions members. The Board is supportive and endorses the plan, what it seeks to achieve and how it will do so.

The ongoing uncertainty in relation to the McCloud judgement has continued over the past year. The Board will monitor progress on this issue as new guidance and legislation comes forward later in 2023.

Breaches

The Board has a responsibility to report upon any matter that appears to be materially significant. And it is pleasing to report that there were no significant issues of concern raised with or by the Board during the year.

However, it was noted, as in previous years, that there are still some scheme members for whom incorrect address details are held. Scheme member data is subject to specific targets set by the Pensions Regulator. Data scores have improved significantly over recent years though it was noted that there are still some members details that are incorrect. The Board accepts that this is an issue that predominantly remains outside the control of the Fund, largely due to deferred members who have not updated their personal details. The Board will continue to monitor the compliance with data targets set by the Regulator and ensure that issues within the control of the Fund are addressed appropriately.

Risk Register

The Pensions Committee at its meeting of 24 June 2022, once again, accepted the content and recommendations of the Board's review of the Pension Fund's Risk Register carried out during 2021/22 and requested the Board to continue to play an active role in the ongoing review process.

This work has been carried out by individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register is discussed in line-by-line detail.

The view of the Board is that the Risk Register is robust, comprehensive and provides an appropriate approach to risk management. The risk rating through RAG colour coding (a 'traffic light' indicator) is an understandable way to identify and categorise the risks and assess the impact of suitable mitigations where applicable.

The Board considers that the Officer Working Group manages the whole process through an appropriate procedure, has ownership of both the individual risks and the whole register and takes their responsibility seriously.

It is reassuring to note that the members of the Officer Working Group take a proactive approach to identifying emerging risks and are realistic about their assessment of the level of risk and the ability to mitigate against issues which are at times unknown or uncertain. This enables them to identify where risks remain high and ensure there is a higher level of vigilance in monitoring the risks as they develop.

Online governance arrangements

Following the pandemic all meetings, with the exception of some training events, have taken place as face-to-face meetings. This is in line with the County Council constitution and although the Scheme Advisory Board guidance does permit meetings of Pensions Boards to be held online, Board meetings will continue to take place in person.

All information is readily accessible prior to meetings of the Board. Training, both in person and online or hybrid, has been accessible and well attended by Board members. The Board are also pleased to note that Committee members also benefit from the full range of training that is made available.

LGPS Central Pool arrangements

The costs of running LGPS Central Ltd continue to be an ongoing concern with regards to value for money. LGPS Central Ltd recently reported that they anticipate

the pool will make £333 million worth of savings by 2033/2034. These savings are expected to be delivered on £30 billion of investments. Whilst these savings would be welcome in the longer term, Board members will watch with interest to see that these savings are delivered as soon as possible and in a way that continues to see investments made in a responsible way.

It is not within the Board's remit to engage directly on the subject of LGPS Central Ltd.'s costs, but the Board does note, and is reassured by, the efforts of the Pensions Committee and Fund Officers to ensure the pool delivers on our expectations. We see evidence that they continue to engage effectively and challenge the LGPS Central pool when needed, in order to ensure value for money is delivered by LGPS Central Ltd.

Audit Report

The Board receives and monitors internal Audit Reports. It was noted at the Pensions Committee meeting of the 24 June 2022 that several audits had taken place and had all been awarded a "substantial assurance" rating. This was noted by the Board members as an excellent result. Board members would like to add their own thanks and appreciation to Fund Officers and their teams, echoing that given by the Pensions Committee, for their professional and competent management of the Fund that resulted in this assessment.

Other Matters

The global economic uncertainty and concerns around the continuing war in Ukraine, will remain for the foreseeable future. Board members are content with the approach being taken by the Fund's governance mechanisms to ensure this is managed and global economic circumstances are appropriately considered.

These concerns should be seen in the context of this years' Actuarial Valuation, which was reported by Hymans Robertson in March 2023, and which showed a significantly improved funding position for the Fund; the Fund being 120% funded as of 31 March 2022. This is predominantly as a result of the investment performance of the Fund exceeding that required to ensure it is fully funded. This is excellent news and is particularly welcomed by many of the Fund's employer members, who have seen their contribution rates adjusted favourably as a result. The Board understands that this is a short-term valuation as part of a longer term strategy and will continue to monitor the ongoing performance over the coming years.

The Board also take an interest on the sustainability aspects of the Fund and is pleased with the plans for responsible and sustainable investment as outlined in the Climate Stewardship Plan. The Board note that there is a real focus on ensuring the investments do more than deliver financial security. Although paying benefits

remains the primary function of the Fund, it also seeks to ensure a sustainable future is supported through responsible and carefully considered investment in such a way that supports environmental and social sustainability.

The Board will continue to monitor the performance of the Fund over the coming year.

Matters Reported to the Board

The Board has a responsibility to report upon any matter that appears to be materially significant.

Nothing has come to the Board's attention during the year.

Conflicts of Interest

Declarations of interest are recorded on a declaration form completed by Board members which should be regularly reviewed and updated as appropriate. There may also be conflicts of interest with regards to items under discussion. Any conflicts that arise during the year are shown in the minutes.

No conflicts of interest have arisen during the meetings over the year 2022/2023.

Training

The Board has a duty to monitor its own training needs to ensure that each member has the knowledge required to exercise their responsibilities. The Board, individually, undertake training through the Pension Regulators Public Service Toolkit and has adopted the CIPFA Knowledge and Skills Framework to audit their understanding. The Board's members have also been working through training provided online by Hymans Robertson. This training is made available to all Board members, as well as members of the Pensions Committee. This training is regularly updated as new issues emerge that Board Members need to be aware of. This helps to ensure that those responsible for governance of the Fund have the required skills and knowledge to be both compliant with regulations and competent in the oversight of the management of the Fund.

Training needs of Board members are shown in Appendix A. Training will continue to be targeted to the developing needs of the Board and its work programme. The training needs analysis will be used to inform and identify where knowledge gaps need to be addressed.

Costs and Expenses

The costs and expenses of the Board are met as part of the administration costs of the Fund. The total costs during the financial year 2022/23 were as follows:

Board Costs and Expenses	£
Training and Conference Expenses	195.00
Travel Expenses	239.00
Total	434.00

Expenses this year are relatively minor and also comparable to previous years.

Robert Birch

Chair of the Staffordshire Pension Board
June 2023

Pension Board Training 2022/23

In 2015 CIPFA produced the 'Local Pensions Boards: A Technical Knowledge and Skills Framework'. This covered the knowledge and skills requirements for members of local pensions boards and this still remains in force.

In 2021 CIPFA published an updated LGPS Knowledge and Skills Framework (KSF) for officers and elected members/non-executives involved in the administration of public service pension schemes. This is more detailed that the version for the Pensions Board, so the Fund have deemed it appropriate to adopt this framework for measuring the knowledge and skills of Board members as well.

Following the publication of the new and enhanced KSF, Staffordshire Pension Fund Officers carried out a training needs assessment (TNA) of the Senior Officers, Pensions Committee and Pensions Board members in February 2023, to discover what each individual member felt that their understanding was of the key knowledge areas that had been identified by CIPFA. In turn this was to feed into the Training Plan for the coming 12 months.

The objective of the KSF, and accordingly the TNA, is to improve knowledge and skills in all the relevant areas of activity of a Pension Board and to assist Board Members in achieving the degree of knowledge appropriate for the purposes of enabling them, both as individuals and as a collective, to properly exercise the functions of being a member of the Pensions Board, as required under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The 8 key skills areas are as follows:
- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communication
- Pensions financial strategy, management, accounting, reporting and auditing standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

The graph below shows the 'collective' competence self-assessment of the whole Board, following the TNA carried out in February 2023.

1 = No knowledge
2 = Limited knowledge and understanding
3 = Basic understanding
4 = Broad ability to comprehend and apply knowledge
5 = Sound understanding and ability to ask challenging questions

The competence score is slightly lower overall than previous years due to there being some relatively new members of the Board. The Training Plan for 2023/24 will be guided by this analysis and focus on those areas with the lowest collective scores as being areas for improvement.

Training Needs Assessment, summary analysis for Pension Board 2022-2023

Category	Score
1. Pensions legislation and guidance	3.50
2. Pension Governance	3.50
3. Funding strategy and actuarial methods	3.50
4. Pensions administration and…	3.50
5. Pensions financial strategy,…	4.00
6. Investment strategy, asset allocation,…	4.00
7. Financial markets and products	3.00
8.Pension services procurement, contract…	2.00