

Minutes of the Pensions Committee Meeting held on 29 September 2023

Present: Mike Sutherland (Chair)

| Attendance | |
|--------------------------|----------------------------|
| Philip Atkins, OBE | Bob Spencer |
| Nigel Caine (Co-Optee) | Liz Staples (Co-Optee) |
| Mike Davies (Vice-Chair) | Stephen Sweeney |
| Derrick Huckfield | Michael Vaughan (Co-Optee) |
| Syed Hussain | |

Also in attendance: Rob Birch, Corrina Bradley (Employer Representative), Chantelle Denham, Simon Humble and John Mayhew

Apologies: Mike Allen, Colin Greatorex, Phil Jones and Mike Wilcox

Part One

13. Declarations of Interest

There were no declarations of interest made on this occasion.

14. Minutes of the meeting held on 30 June 2023

Minute 6 - Staffordshire Pension Fund Business Plan Outturn 2022/23

At the Pensions Committee held in June 2023, Councillor Greatorex asked that an exercise be carried out to assess the success of the Staffordshire Pension Fund's (the Fund) participation in LGPS Asset Pooling, to establish whether it had achieved the cost savings anticipated and originally forecasted. That information would be presented to the Committee as part of Agenda item 13.

Minute 8 - Staffordshire Pension Fund Communications Policy

Councillor Greatorex raised a concern about "Digital Exclusion", as the Communications Policy stated that paper copies would be phased out as the Fund developed the website and My Pension Portal platforms. Fund Officers confirmed that the wording that implied this had been reviewed and amended specifically to address this issue and also provide assurance that current practices would continue for those that requested them.

Resolved: That the minutes of the meeting of the Pensions Committee held on 30 June 2023, be confirmed and signed by the Chairman.

15. Minutes of the Pensions Panel held on 05 September 2023

Minute 114 - Responsible Investment and Engagement

The Committee was informed that the Fund had been accepted as a signatory to the Financial Reporting Council's UK Stewardship Code. Officers and LGPS Central colleagues had undertaken a large volume of work to ensure the Fund was accepted as signatories and this involved providing evidence that showed how the Fund complied and aligned with 12 specific principles. The Committee were also informed that Staffordshire was one of a few LGPS Funds, out of a total of 86, who had achieved this.

Councillor Sutherland and the members of the Committee thanked the Officers for their hard work in achieving this accreditation.

Resolved: That the minutes of the meeting of the Pensions Panel held on 5 September 2023, be received.

16. Appointment of a Co-opted Representative

The Committee was informed that Mr Philip Jones, who served as the non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members, tendered his resignation from the Committee in May 2023.

As a result of Mr Jones's retirement, during the Spring and Summer of 2023 expressions of interest were sought from retired members to fill the vacant co-opted member seat on the Committee. Four expressions of interest were subsequently received, and on 11 August 2023 applicants met with a panel consisting of the Chairman of the Committee, the Assistant Director for Treasury and Pensions and the Democracy and Governance Officer.

This Panel recommended that, based on those meetings, the position of non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be offered to Mrs Elizabeth Staples.

Resolved: a. That the appointment of Mrs Elizabeth Staples as the non-voting co-opted member on the Pensions Committee, representing Retired Pension Scheme Members, be approved.

b. That Mr Philip Jones be thanked for his efforts on the Pensions Committee.

17. Staffordshire Pension Fund Draft Annual Report and Accounts 2022/23

The Committee was informed that the audit of the Staffordshire Pension Fund's 2022/23 accounts had commenced in June 2023 and the majority of the work was now understood to be complete. However, due to a continuing audit resource issue, a plan to accompany the audit of the 2022/23 accounts would not be available for presentation to Pensions Committee until the meeting arranged to take place in December 2023.

The Committee were informed that for the two previous years financial statements; the 2020/21 Pension Fund accounts were complete and a final Audit Results Report (ISA260) had been received, but as the Fund accounts were included within the County Council's Statement of Accounts, (which were yet to be finalised), they could not be formally signed off. For the 2021/22 Pension Fund accounts, the audit testing work had been completed but the Fund was awaiting a final Audit Results Report (ISA260), there was also the same issue that as the Fund accounts were included within the County Council's Statement of Accounts, (which were yet to be finalised), so they could not be formally signed off.

It was explained that for 2022/23, the Pension Fund would receive the final ISA260 as soon as Ernst and Young (EY) had confirmed their audit was complete, and the County Council's Statement of Accounts were finalised.

After the external audit of the 2022/23 Pension Fund accounts was complete, a final version of the Annual Report and Accounts for 2022/23 would be presented to the Chair of the Pensions Committee for formal sign off, after which it would be published as final on the Pension Fund's website.

Resolved: a. That the draft Staffordshire Pension Fund Annual Report and Accounts for 2022/2023 be approved, noting the potential need for minor amendments, pending the conclusion of the external audit of the accounts by EY.

b. That once finalised, following completion of the external audit, the final version of the Staffordshire Pension Fund Annual Report and Accounts for 2022/23 be approved and signed off by the Chair, prior to publishing as final on the Staffordshire Pension Fund's website.

c. That the continued delayed conclusion of the 2020/21 and 2021/22 external audits of the Staffordshire Pension Fund accounts, be noted.

18. Staffordshire Pension Fund - Cyber Security Strategy

The Committee was reminded that a training session on Cyber Security and Awareness had been provided by Hymans Robertson in November 2022. This defined cyber risk as 'the risk of financial loss, disruption, or damage to the reputation of the Fund or its members resulting from the failure of its IT systems and processes'.

Since this session Fund Officers had developed a proposed "4 pillar" approach to addressing Cyber Security. These were noted as:

1. Assessing – the risks and understanding the Fund's vulnerability
2. Protecting – and safeguarding the Fund
3. Responding – to an incident and how recovery would be dealt with
4. Governance – ensuring the correct documentation and monitoring processes were place.

Fund Officers had developed and continued to refine a Cyber Footprint Register which mapped the Fund's cyber footprint across all internal and external systems accessed or used by the Fund and its suppliers (and potentially third parties) to assess what data flowed through those systems. The controls that were in place around those systems to protect the data were ascertained and the way in which the Fund would respond, in terms of who to contact in the event of an attack was also documented.

Through a risk assessment approach, Officers would determine those suppliers which presented the highest risk to the Fund and would aim to review their cyber security procedures as part of a rolling testing programme. This would involve a questionnaire being sent to the suppliers of those systems to better help officers understand and document the controls in place. It was recognised that assessing cyber resilience would be an ongoing process.

In response to a question asking whether it was possible to trust the responses to the questionnaire, it was confirmed that Fund officers would be working closely with the County Council's Cyber Security Officer to better understand the responses that were received and ensure they were relevant.

As the Fund did not have a Cyber Security Strategy previously, the document attached at Appendix 1 to the report was the first iteration of the document to be produced. It was noted that, as cyber security was a fast moving and ever-changing area, the Strategy would need to be regularly reviewed and developed in response to any wider knowledge and experience gained.

Wider consultation was considered unnecessary as, whilst there would be

some commonality of cyber risks, it was acknowledged that the combination of those cyber risks and the set of circumstances that surrounded them would be unique to Staffordshire Pension Fund and its Cyber Security Strategy.

The Chairman of the Committee thanked the advisors from Hymans Robertson for their early support in helping Fund Officers to better understand wider cyber security issues.

Resolved: That the Cyber Security Strategy attached as Appendix 1 to the report, be approved.

19. DLUHC Consultation: Next Steps on Investments

The Committee was informed that, on 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms.

The consultation sought views on the proposals in five key areas:

1. Pooling

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025
- To revise pooling guidance to set out fully how Funds and pools should interact and promote a model of pooling which includes the characteristics listed in the consultation, including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy.
- To revise guidance on annual reports to require greater clarity on the progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling.
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.
- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

2. Levelling Up

- Requirement for Funds to have a plan to invest up to 5% of assets to support levelling up in the UK, and to report annually

on progress against the plan.

3. Private Equity

- To revise ISS guidance to require Funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

4. Investment Consultants

- To make it regulatory to implement the requirements set out in an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.

5. Definition of Investments

- To make a technical change to correct an inconsistency in the definition of investment in the LGPS Investment Regulations 2016.

Committee Members were provided with an explanation of the Staffordshire Pension Fund's proposed draft responses to the 15 questions asked by the consultation, on the five areas highlighted above – these responses were attached at Appendix 1 to the report.

It was noted that the consultation would close on 2 October 2023 and Fund Officers invited feedback from Members on the draft consultation response, prior to its submission to DLUHC.

In response to a question from Councillor Spencer asking how much autonomy the Fund had with regards pooling, whether it was an inevitable process or if a hybrid option could be considered, it was explained that this was a direction of travel the Government expected LGPS Funds to go in. However, it was stated that the Staffordshire view was that a level of flexibility should be given to Funds, rather than a dictated set of rules – and this would be emphasised in the response provided as part of the consultation.

The Chairman of the Committee thanked the Fund Officers for developing a full and thorough response to the consultation.

Resolved: That the response to the Department for Levelling Up, Housing and Communities (DLUHC) consultation on the next steps on investments for the LGPS in England and Wales, provided in Appendix 1, 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 30 June 2023

22. Exempt minutes of the Pensions Panel held on 05 September 2023

23. Local Government Pension Scheme Regulations - Admission of New Employers to the Fund (Exemption paragraph 3)

24. LGPS Central Asset Pool Update (Exemption paragraph 3)

25. Joint Committee, Shareholders Forum and LGPS Central Limited AGM Update (Exemption paragraph 3)

26. LGPS Central Limited Update (Exemption paragraph 3)

Chair

