

Staffordshire Pension Fund

Annual General Meeting

23 February 2021

Tim Byford & Melanie Stokes



Staffordshire Pension Fund Accounts for year ended 31 March 2020



Contributions and Benefits

	2018/19 £m	2019/20 £m
Contributions receivable	157.1*	153.1*
Transfers in	12.7	9.2
Benefits payable	(182.4)	(195.8)
Transfers out	(19.7)	(20.2)
Net additions/(withdrawals) from dealing with members	(32.3)	(53.7)

*Does not include £59.4m of employer deficit prepayments paid in 2017/18, which relate to these financial years (2018/19 £28.1m, 2019/20 £31.3m)

Management Expenses

	2018/19 £m	2019/20 £m
Administrative expenses	(2.2)	(2.8)
Investment management expenses	(16.5)	(16.4)
Oversight and Governance expenses	(1.7)	(1.6)
Total management expenses	(20.4)	(20.8)

Return on Investments

	2018/19 £m	2019/20 £m
Investment income	76.4	82.6
Change in the market value of investments	329.5	(394.6)
Net change in investments	405.9	(312.0)

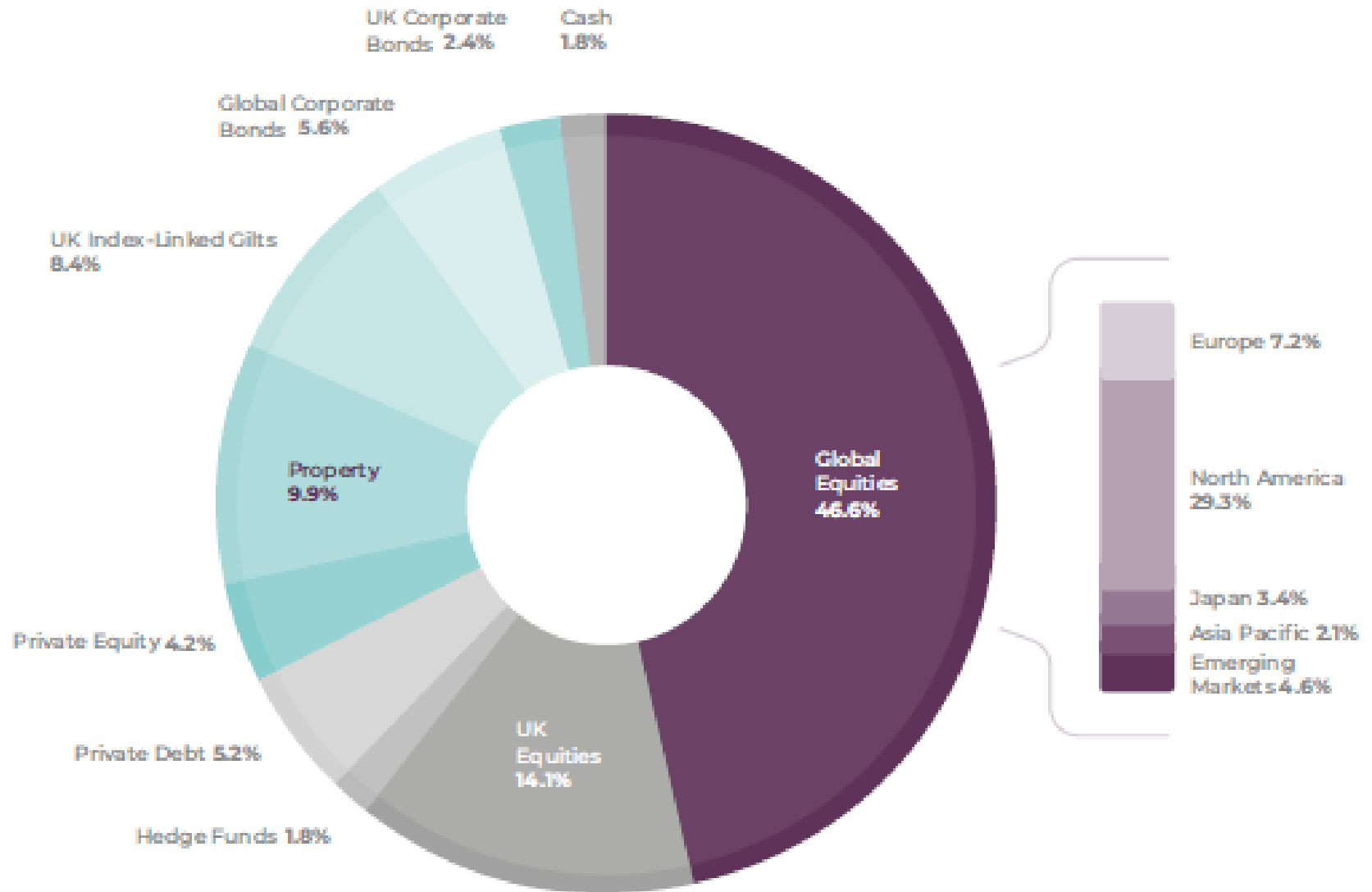
Net assets of the Fund

	2018/19 £m	2019/20 £m
Opening net assets of the Fund	4,777.8	5,131.0
Net increase in the Fund	353.2	(386.5)
Closing net assets of the Fund	5,131.0	4,744.5

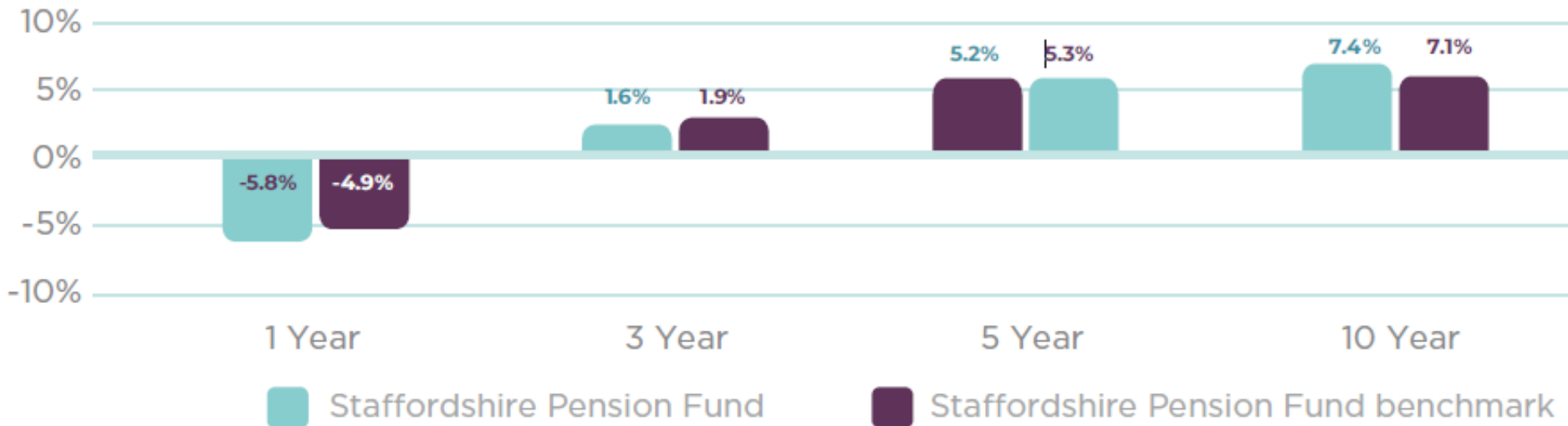
Staffordshire Pension Fund 2019/20 Investment Update



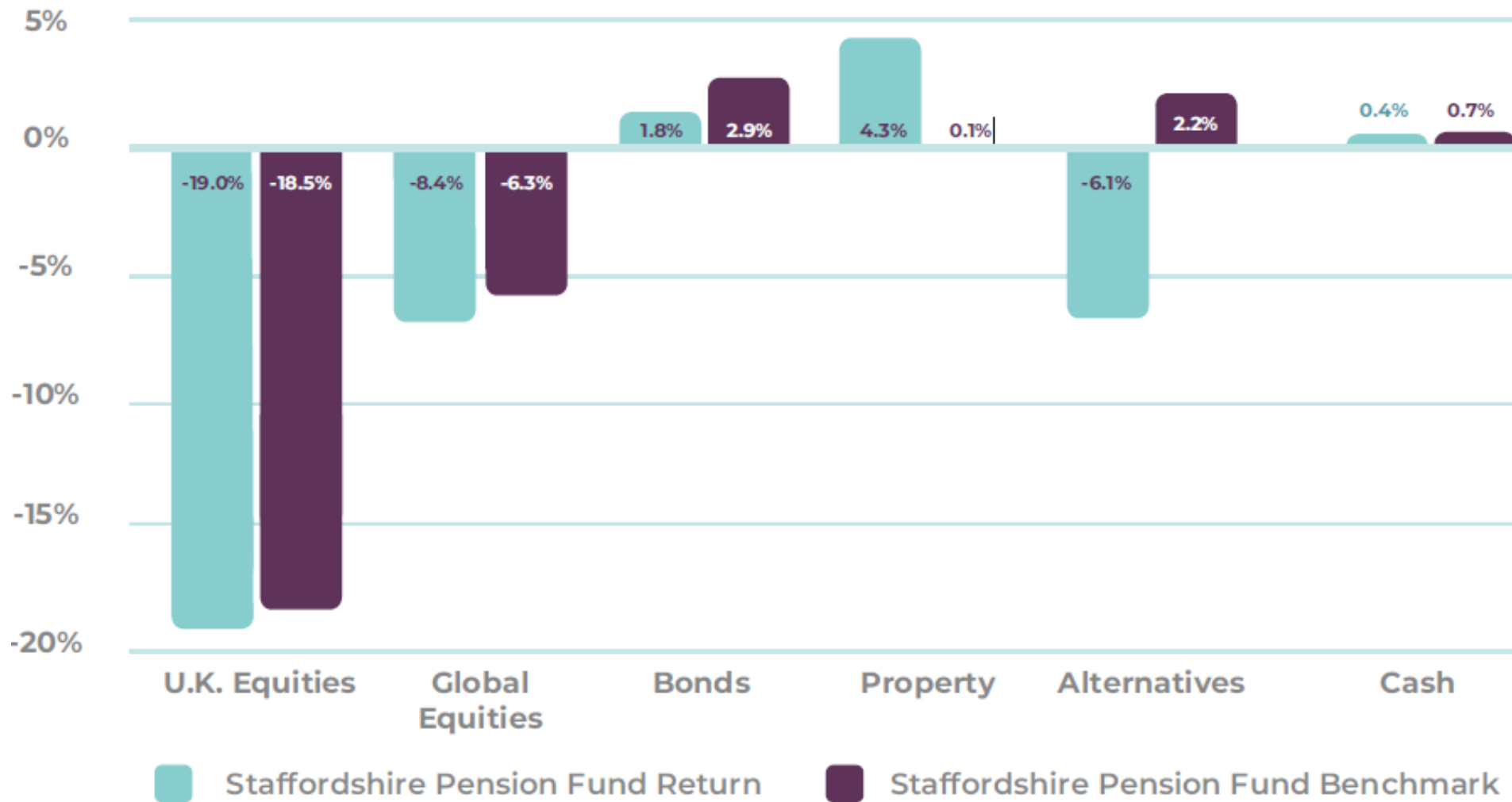
Percentage breakdown by asset class at 31 March 2020



Fund Performance at 31 March 2020

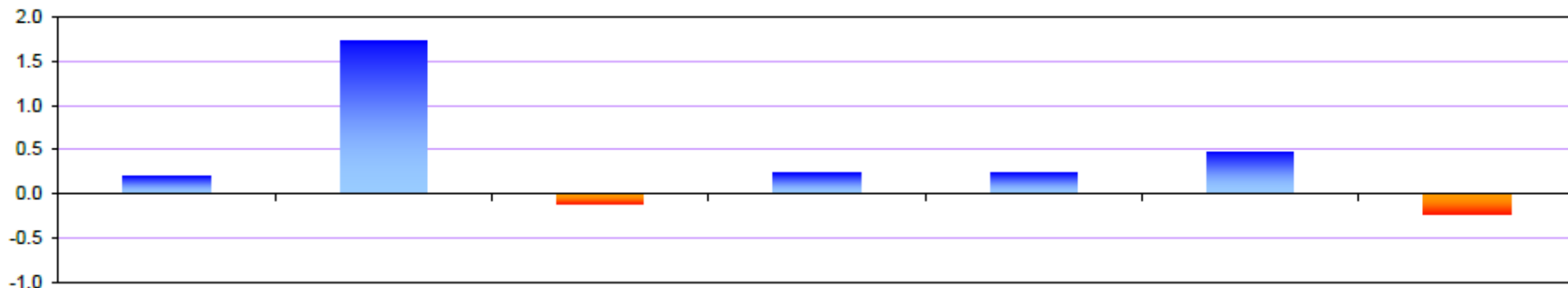


Analysis of 1 year returns at 31 March 2020



Fund performance at 31 December 2020 (Market Value £5.9bn)

Excess Return Analysis (%)



	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Apr 95 (p.a.)
Excess Return	0.2	1.7	-0.1	0.2	0.2	0.5	-0.2
Portfolio Return	6.8	23.5	7.5	6.8	10.1	9.0	8.0
Benchmark Return	6.6	21.7	7.6	6.6	9.9	8.5	8.2

All returns for periods in excess of 1 year are annualised. The portfolio return is gross.

Strategic Asset Allocation @ 31 January 2021

STRATEGIC BENCHMARK <u>CURRENT</u> (%)	
Fixed Income	18.0
UK Index-linked Gilts	6.5
Corporate Bonds	6.5
Private Debt	5.0
Equities	68.0
UK	12.5
Global	47.0
Factor Based Investment	5.0
Private Equity	3.5
Property	10.0
Alternatives	3.0
Infrastructure	1.0
Hedge Funds	2.0
Cash	1.0

STRATEGIC BENCHMARK <u>ACTUAL</u> (%)	
Bonds	19.2
UK Index-linked Gilts	7.2
Corporate Bonds	7.5
Private Debt	4.5
Equities	71.2
UK	11.2
Global	53.8
Factor Based Investment	2.1
Private Equity	4.1
Property	7.9
Alternatives	0.6
Infrastructure	0.0
Hedge Funds	0.6
Cash	1.1

2020/21 Investment Activity

- £420m invested in the LGPS Central Corporate Bond Fund
- £78m committed to 2 Infrastructure Funds
- £125m invested in Global Multi Factor Equities
- £235m to be invested in Global Sustainable Equities (imminent)
- £128m committed to Private Debt (£80m) and Private Equity (£48m).
- Ongoing divestment from Hedge Funds (65% complete)
- £330m to be divested from UK Active Equities (imminent)

Property transactions in the last 12 months

Purchases

- Bromsgrove Retail Park, Bromsgrove (Retail warehouse) **£13.0m**

Sales

- 24/24a Market Place, Kingston upon Thames - **£1.225m** (Retail)
- Unit R Westmead, Swindon - **£850,000** (Industrial)
- 263/265 Oxford Street & 8 Portland Street, Swansea - **£410,000** (Retail).

Bromsgrove Retail Park



Responsible Investment (RI)

- RI beliefs embedded in Investment Strategy Statement
 - RI can enhance long term investment returns
 - Engagement over Divestment
- Quarterly public report to Pensions Panel
- Tier 1 signatory to UK Stewardship Code (needs review)
- Members of Local Authority Pension Fund Forum (LAPFF)
- Climate Risk Report (produced as baseline assessment)
- Climate Strategy to be developed in 2020/21
- Task force for Climate related Financial Disclosure (TCFD) reporting in 2020/21 accounts

More information on the Fund's investments and the latest accounts are available in the (draft) 2019/2020 Annual Report at www.staffspf.org.uk

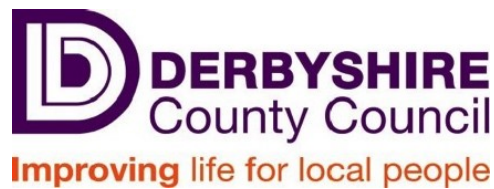




LGPS Central Pool Update

Melanie Stokes

LGPS Central 8 Partner Funds



£45bn+



Government Criteria

A reminder of what it was all about.....



1

Benefits of scale (at least £25bn in assets)

2

Strong governance and decision making

3

Reduced costs and excellent value for money

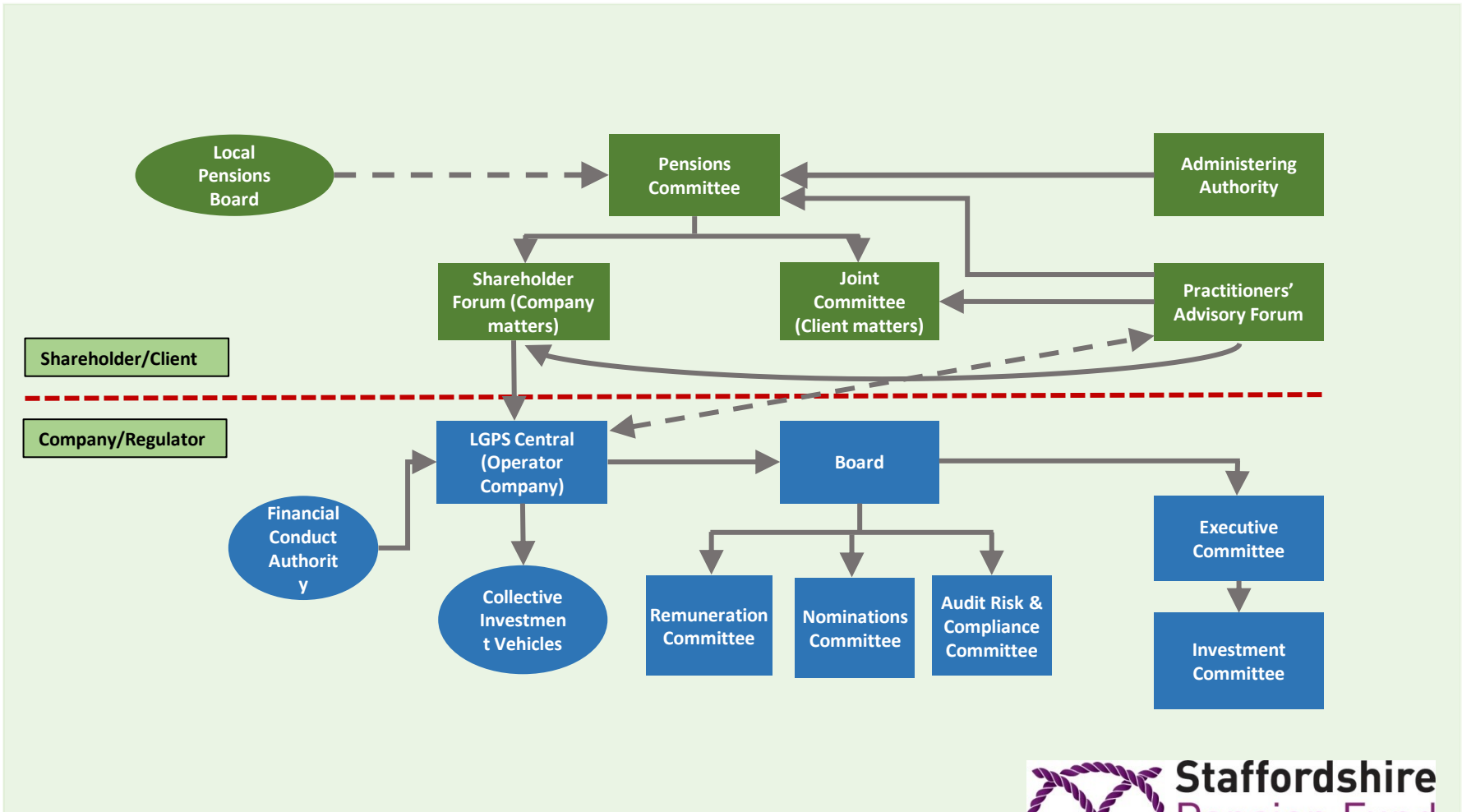
4

An improved capacity and capability to invest in infrastructure

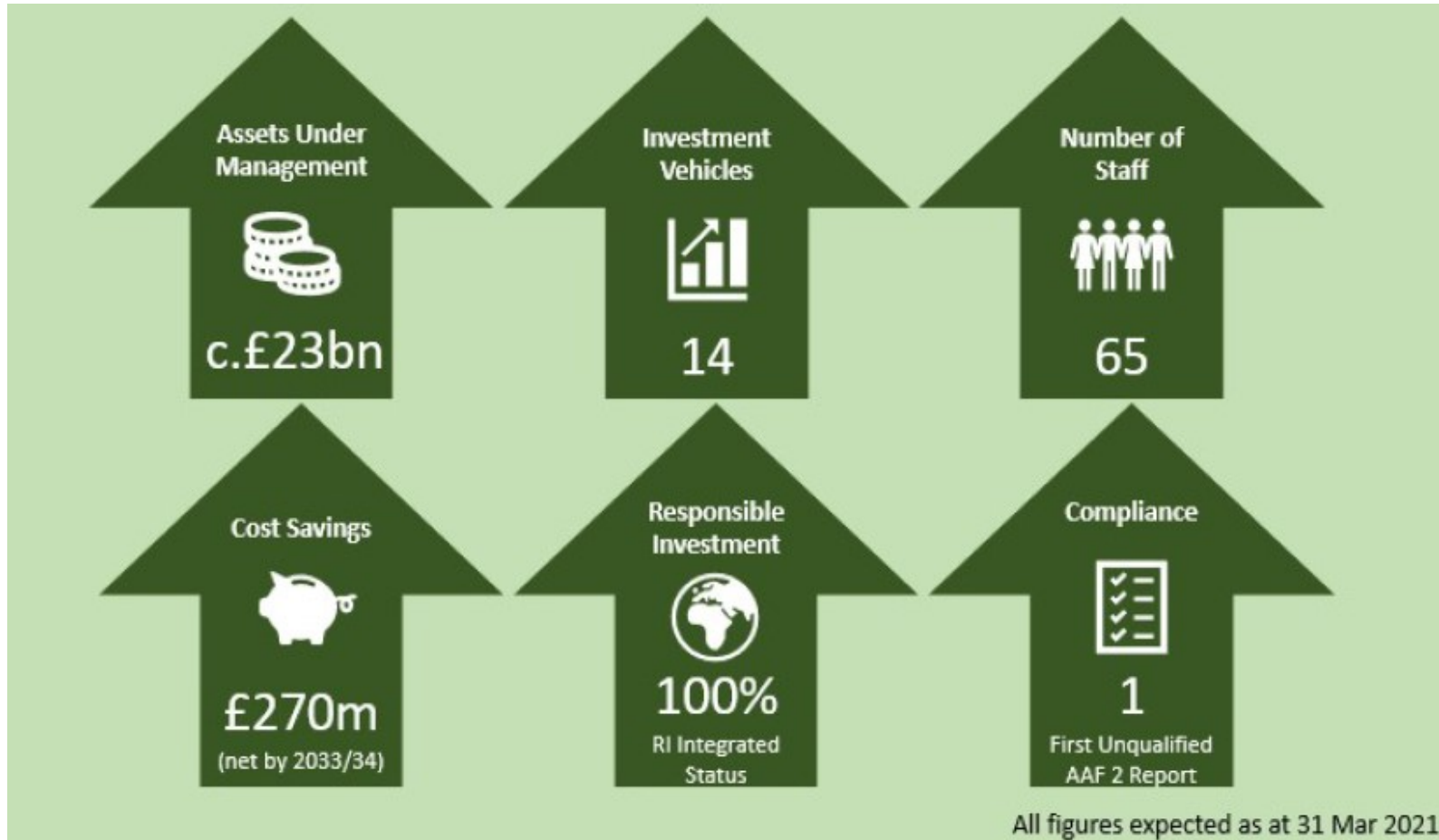
BUT MHCLG formal consultation still awaited....



Governance – LGPS Central pool



LGPS Central Limited since 1 April 2018 launch



Cost Savings LGPS Central pool progress to break-even...



What do LGPS Central Limited currently do for Staffordshire Pension Fund?



Staffordshire Assets under Management with LGPS Central Limited	As at 31/12/20 £m
LGPS Central Limited Global Equity Active Multi Manager Fund	638.8
LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund	440.8
LGPS Central Limited Private Equity Primary Partnership 2018 LP	10.0
LGPS Central Limited Global Multi Factor Equity Index Fund (funded January 2021 but included for completeness)	125.0
Total	1,214.6

What else might LGPS Central Limited do for Staffordshire Pension Fund in 2021?



Staffordshire Potential new allocations to LGPS Central Limited in 2021	Approx.. £m
LGPS Central Limited Global Multi Factor Equity Index Fund	c125.0
Global Sustainable Active Equity Fund	c100.0
LGPS Central Limited Global Multi Asset Credit Fund	??
LGPS Central Limited Private Debt Partnership 2021	c45.0
LGPS Central Limited Private Equity Partnership 2021	c30.0
LGPS Central Limited Infrastructure Partnership 2021	c50.0
Total	c350.0



**Our pooling journey
continues.....**

Any questions?

Staffordshire Pension Fund Administration Update

Simon Jackson & John Wiggins



Last 12 months & looking forward

- Majority of Pensions Team continue to work from home until further notice
- Skeleton cover in SP1 for printing and post
- Move to less paper being embedded in working practices (e.g. scanned documents now accepted and retirement packs being sent electronically)
- Communications Strategy to be updated to reflect new working practices
- Continued promotion and development of member self service, through My Pensions Portal (...this year Retired Members)
- Review of Employer Covenants (monitoring process being developed)
- Service Standards maintained at 90% plus target....

Employer Engagement continues to be a key initiative for us

- **Employer Focus Newsletter** (monthly)
- **Employer Focus Peer Group** (quarterly)
- **Employer Training Day** (series of bitesize virtual sessions planned for 2021)
- **Website – Employer Section** (ongoing development and latest news)
- **Administration Strategy** (details Employer Roles and Responsibilities)
- **My Pensions Portal** (ongoing assistance from Employers to promote)

McCloud – the practicalities (1)

- **Data** – we need your help to collect back data on hours / breaks for Employees since 1 April 2014 (a data collection template, and details of a revised process going forward, will be issued shortly but whether this is for all Employees or just those Employees in scope is yet to be agreed)
- **Assumptions** – where we do not have the data, we will have to make certain assumptions; these will need to be consistently applied and in favour of the member
- **Technology** – we need the software providers to update systems to prevent us having to do manual calculations
- **Communications** – these will be key for both Employees and Employers, so clarity will be important
- **Key Contact** – please provide us with yours

McCloud – the practicalities (2)

- **Priorities** – we need to understand if benefits in payment now are more important to recalculate than deferred benefits due
- **Timeframe** - we need to understand how long we have to complete 10 years ‘backlog’?
- **Resources** – with c30,000 cases in scope, where pensions benefits will need to be recalculated in line with the underpin there will be a need for several more pensions staff and possibly a project team – all at an increased service cost
- **Website** - <https://www.staffspf.org.uk/Employers/McCloud-judgement.aspx>

We are going to need your help to do this and providing the data in a timely manner will be an

Employer responsibility

**Please engage with us, please provide us with
feedback and please continue to help us to
help you**

Thank you.

Any questions?