

Minutes of the Pensions Forum AGM held on 12 November 2019

Present: Colin Greatorex (Chairman)

Attendance

Anthony Thomas –	Lichfield District Council
Stefan Garner –	Tamworth Borough Council
Lisa Turner –	East Staffs Borough Council
Alison Bardsley –	Community Academies Trust
Philip Ingle –	The Housing Plus Group
Paul Holland –	Stafford and Rural Homes
Abigail Sanders –	Landau Forte Charitable Trust
Mark Fuller –	Staffordshire P F
Jan Griffiths –	Trent and Dove
John Bloomer –	Staffordshire Police
Ian Hookway –	NSCG
John Cox –	JCB Academy Trust
Tracy McCready –	Stoke-on-Trent City Council
Craig Hodgson –	NSCG
Paul Boden –	Stoke-on-Trent City Council
Keith Humphries –	Staffordshire University
Sarah Wilkes –	Newcastle Under Lyme Borough Council
Kevin Upton –	Aspire Housing
Andrew Stokes –	Staffordshire Moorlands District Council
Philip Atkins -	Staffordshire County Council

Apologies: Rachel Spain (Staffordshire County Council), Nick Edmonds (Stoke-on-Trent City Council), Bob Kean (Cannock Chase District Council), Sal Khan (Easts Staffs Borough Council), J Howse (South Staffs District Council), Anthony Thomas (Lichfield District Council), David Greensmith (SOT and Staffs Combined Fire Authority), John Snow (South Staffordshire College), Craig Hodgson (Newcastle and Stafford Colleges Group), Pascale Vermassen (Staffordshire University), Dorothy Bourne (Burton and South Derbyshire College), Lorraine Hooper (North Staffordshire Combined Health Care), Marianne Cleeve (South Staffordshire and Shropshire NHS Foundation Trust) P Dale (The Lighthouse and Trust), Lorraine Rattcliff (KGB Cleaning) David Allen (Wates Group Ltd), Nicholas Corney (Chartwells)

14. Welcome and Apologies

15. Minutes of the Previous Meeting held on 23 October 2018

RESOLVED – That the minutes of the meeting held on 23 October 2018 be confirmed and signed by the Chairman.

16. Staffordshire Pension Fund Accounts 2018/19 and Investment Update

Tim Byford and Melanie Stokes presented the Staffordshire Pension Fund Accounts for the year ended 31 March 2019, where it was reported that the contributions receivable had decreased from £232.4m (in 2017/18) to £157.1m (in 2018/19); the decrease being due to receipt of Employer deficit pre-payments (£84.1m) in 2017/18 of which £59.4m related to future years. It was also reported that in the same period, the Benefits payable had increased from £171.2m to £182.3m.

It was reported that the management expenses had increased although administrative expenses had decreased. It was reported that there had been a good return on investments, with the net change in investments for 2018/19 reported at +£405.8m. The Fund was valued at £5.131bn at 31 March 2019. It was also reported that there had been an excess return on the Fund's investments over a three-year period. A breakdown of the asset classes in which the Fund invests was presented, which highlighted that the Fund is heavily invested in global equities (49.3%). The Strategic Asset Allocation as at 30 September 2019 was presented.

The recent and ongoing Fund activity was shared at the meeting. It was reported that a review of the Fund's Strategic Asset Allocation in conjunction with the 2019 Actuarial Valuation had taken place and determined that there was no room for significant de-risking away from equities, despite good recent investment returns. It was also presented that an investment via LGPS Central had happened which involved, transitioning 10% of the Fund's Strategic Asset Allocation into the LGPS Central Global Active Equity Multi Manager sub-fund.

Recent Fund activity was presented which highlighted that there had been several divestments from equities over the past 18 months whilst valuations were high. There had also been further investment into index-linked gilts and corporate bonds. The recent property purchases were also highlighted; these included an investment in the private residential sector. Property transactions within the last 12 months were also shared at the meeting.

<https://www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/SPF-FINAL-PENSIONS-ANNUAL-REPORT-2019.pdf>

17. 2019 Actuarial Valuation Results

Douglas Green, Peter MacRae and Adrian Loughlin from Hymans Robertson, the Funds' Actuary highlighted how employer contributions are calculated explaining that benefits to members and dependents are part funded by investment returns, which are determined by the Fund's investment strategy and the various managers performance. Member contributions which are determined by LGPS Regulations and Employer contributions must meet the balance of the cost of benefits over the longer term.

The Actuary highlighted the reasons why a triennial valuation is important, explaining that it is a legal requirement and used to calculate Employer Contribution rates; it is also part of a continual health check on the Fund's solvency. The Actuary also explained how the Employer Contributions are calculated adding that the method for setting contribution rates allows for future uncertainty and helps all stakeholders understand the risk inherent in funding plans.

It was reported that the assets of the Fund have increased from £3.8bn in 2016 to £5.1bn in 2019 resulting in a total deficit of £73m which meant that the Fund was now 99% funded compared to 78% in 2016. It was also reported that future pay increases, life expectancy, pensions indexation and the McCloud judgement may affect the benefits payable for members, which employers will need to fund. The Actuary went on to say that life expectancy was still increasing however slowing down. The Actuary also highlighted that the impacts of the McCloud judgement were not yet known.

The Actuary reported that since 2016, the number of pensioners and deferred pensioners in the Fund had increased, although the number of active members had decreased. The Actuary shared “hot topics” at the meeting, including a consultation related to a Public Sector Exit Payment Cap. The Meeting was informed that there was now a live consultation on the new Funding Strategy Statement (FSS), the outcome of which was due to be reported to the Pensions Committee in December, prior to a final sign off of the FSS, by the Pensions Committee, in March 2020.

18. LGPS Central Pool Update

Melanie Stokes, Head of Treasury & Pensions, presented the meeting with an update about asset pooling and LGPS Central Limited. She reminded the meeting that pooling was first suggested in May 2013 with investment reform criteria and guidance being issued in November 2015. Staffordshire Pension Fund is one of 8 Partner Funds in LGPS Central, which was created in October 2016. The Governance arrangements at LGPS Central were also shared with the meeting.

The Meeting were also advised that the original estimation for LGPS Central to make cumulative savings of £247.7m by 2034, was currently being updated. LGPS Central progress to date since April 2018 was also shared at the Meeting highlighting that they now employed 62 staff and had launched 7 LGPS sub-funds.

It was reported that Staffordshire had £10m invested in Private Equity (2018 Vintage) and £537m in the Active Equities Global Multi Manager sub-fund, with further investments to be made in additional sub-funds as they were launched e.g. Global Corporate Bonds and UK Equities.

Chairman

