

STAFFORDSHIRE LOCAL PENSIONS BOARD

ANNUAL REPORT for 2023/24

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Introduction

This is the ninth annual report from the Staffordshire Local Pensions 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 four members: two representing employee members and two representing employers drawn from employer organisations.

Despite multiple attempts to reach out across the employee and employer membership during 2022 and 2023, there was still a need to fill vacancies on the Board. A discussion was held at the meeting of the Board in September with the proposal to reduce the number of members on the Board from six to four, and in doing so remove the specific stipulation from the Board Constitution that the Board membership must specifically include an Elected Local Authority Member and a Trade Union representative. This was approved by the Pensions Committee and the Constitution amended on 15 December 2023.

Employer Representatives

Corrina Bradley - Vice Chair of the Board, Staffordshire Fire (appointed 26 March 2021)

Becky Smeathers- Tamworth Borough Council (appointed 15 December 2023)

Scheme Member Representatives

Rob Birch - Active Scheme member - Prior Chair of the Board (appointed 27 Sept 2019).

John Mayhew - Active Scheme Member (appointed 24 September 2021) - appointed chair of the Board, 22 March 2024.

Meeting Attendance

The Board has met on four occasions during the year and also attended joint training events (including on-line knowledge assessments) 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 2023/24

Meeting	30 June 2023	29 September 2023	15 December 2023	22 March 2024
Rob Birch	Present	Present	Present	Present
Corina Bradley	Present	Present	Present	Apologies
John Mayhew	Present	Present	Apologies	Present
Becky Smeathers	n/a	n/a	n/a	Present

Board attendance has improved in this year compared to the previous year, the changes in the makeup of the board mean that further recruitment of members is no longer required.

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 have taken particular interest in 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.

An individual Board member attends the quarterly risk register assessment meetings with Fund Officers and participates in the discussions and scrutiny involved in identifying and reviewing the wide range of risks faced by the Staffordshire Pension Fund. Emerging risks remain 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.

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.

Whilst, as in previous years, that there are still some scheme members for whom incorrect address details are held, 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 30 June 2023, once again, accepted the content and recommendations of the Board's review of the Pension Fund's Risk Register carried out during 2022/23 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, consistent with the underlying fiduciary duties of the Pension Fund.

It is not within the Board's remit to engage directly on the subject of LGPS Central Limited'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 Limited.

In June 2024, Officers of the Fund presented to the Board a session on the background and governance of LGPS Central Limited and the background to the pooling of LGPS Funds which was greatly appreciated by Board members in attendance.

Audit Reports

The Board receives and monitors internal Audit Reports. It was noted at the Pensions Committee meeting of the 29 September 2023 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.

1. 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.

The strong investment performance of the Fund, as previously evidenced in the formal valuation report in March 2023 has continued into 2023/24. This is excellent news and is particularly welcomed by many of the Fund’s employer members, who will hope that their contribution rates may be adjusted favourably as a result (acknowledging that there is no direct link). 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 Change Strategy. 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 2023/2024.

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.

The results of the latest Knowledge Progress Assessment of Board members is shown in Appendix A. Training will continue to be targeted to the developing needs of the Board and its work programme. The Knowledge Progress Assessment 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 2023/24 were as follows:

Board Costs and Expenses	£
Training and Conference Expenses	195.00
Travel Expenses	197.71
Total	392.71

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

John Mayhew

**Chair of the Staffordshire Local Pensions Board
June 2024**

Pension Board Training 2023/24

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 than 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.

In order to get an assessment of the knowledge level of Pensions Board and Committee members, the Hymans Knowledge Progress assessment was completed by all members. This gave an external verification of the collective knowledge of the Committee and board in the eight key skill areas 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 Knowledge progress assessment, 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 Hyman's Knowledge Progress Assessment carried out in December 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 Board showed a generally higher knowledge base than the rest of the Pensions Committee, with some variation between the different key skill areas. The Training Plan for 2024/25 will be guided by this analysis and focus on those areas with the lowest collective scores as being areas for improvement.

Average Score for Board & Committee

