

Staff and Pensions Committee

12 December 2022

Regulatory and Policy Update

Recommendations

That the Committee:

1. Notes and comments on the updates contained in this Report.
2. Endorses the draft Corporate Governance Statement of the Warwickshire Pension Fund and authorises the Strategic Director for Resources to finalise the statement in consultation with appropriate persons.
3. Approves the amendments to the Admission and Termination, Conflicts of Interest and Cyber Security Policies of the Warwickshire Pension Fund.

1. Executive Summary

- 1.1 This Report sets out proposals to amend a number of policies held and operated by Warwickshire Pension Fund (the Fund). The Fund reviews its policies annually to ensure that they remain fit for purpose. Any significant changes to a policy will be noted in the body of this Report.
- 1.2 This Report also provides a regulatory update of issues that have arisen in the Local Government Pension Scheme (LGPS) arena over the period the last 3 months

2. Financial Implications

- 2.1 There are no financial implications arising directly from this report. Any implications arising from changes to specific policies have been dealt with in the body of the report.

3. Environmental Implications

- 3.1 There are no environmental implications arising directly from this report.

4. Supporting Information

Admission and Termination Policy (Appendix 1)

- 4.1 A report was brought to this Committee previously setting out proposed changes to the Admission and Termination Policy, which was awaiting review by Hymans Robertson, the Fund's actuary. That review has now taken place and new policy is included within this Report and Officers ask for its approval.
- 4.2 No major changes have been made, but it does now link in directly to the revised Funding Strategy Statement.
- 4.3 Members are asked to approve the revised policy

Conflicts of Interest Policy (Appendix 2)

- 4.4 The Conflicts of Interest Policy has been reviewed by Fund Officers. The previous policy held by the Fund only referred to the Local Pension Board, with the Council's corporate policies covering elected Members and Officers. It is expected that one of the recommendations of the Scheme Advisory Board 'Good Governance Review' will be that each Fund should have its own Fund specific policy document, covering all relevant governance bodies, and the Fund has chosen to adopt that approach early.
- 4.5 Care has been taken with appropriate internal advice sought to ensure that the proposed revised Conflicts of Interest Policy for the Fund does not conflict with those already in place for the Council.
- 4.6 Members are asked to approve the revised policy.

Cyber Security Policy (Appendix 3)

- 4.7 The Cyber Security Policy has been reviewed by Fund Officers with support from Risk and Compliance Officers. Following that review, only one amendment is considered to be necessary. This amendment is the inclusion of an additional statement covering the regular meetings now held with the Risk and Compliance Team, ICT and the Fund discussing all aspects of cyber security. To ensure that the Council can comply with its duties to take all necessary steps to safeguard data, this appendix has been classified as exempt from public disclosure.
- 4.8 Members are asked to approve the revised policy.

Corporate Governance Policy Statement (Appendix 4)

- 4.9 The Fund's Corporate Governance Policy Statement has been updated following its scheduled annual review and appropriate internal advice has been taken on the proposed changes. The key changes are:

- i.) Amendments are being made to ensure that the Statement is fully compliant with the requirements of the UK Stewardship Code moving forward.
 - ii.) Additional information on the governance arrangements of Border to Coast Pension Partnership and Fund Training have been added; and
 - iii.) The delegation of functions has been reviewed to ensure that they reflect current constitutional delegations.
- 4.10 The Statement will be approved by the Strategic Director for Resources (in consultation with appropriate persons) following the approval of the Committee to the proposed changes.
- 4.11 The Committee is asked to note that this Statement may require further changes once the Scheme Advisory Board (SAB) releases the results of their Good Governance Review.

Regulatory and LGPS Update

- 4.12 The Fund continues to provide a summary of any regulatory and general updates on a monthly basis to Members. The key areas to report are as follows:

i.) **Survey on upcoming climate risk reporting regime**

On 5 October 2022, LGA emailed administering authorities in England and Wales, inviting them to complete a survey on the upcoming climate risk reporting regime. Fund Officers will be submitting a response to this Survey.

The Department for Levelling Up, Housing and Communities launched a consultation on 1 September 2022. The consultation proposes to introduce a climate risk reporting regime for administering authorities in England and Wales. The consultation closes on 24 November 2022.

The SAB is undertaking the survey to understand administering authorities' readiness or apprehension about the proposed changes. The results from the survey will shape the SAB's response to the consultation.

ii.) **Academy guarantee information**

On 14 October 2022, the Department for Education published an updated version of its policy paper on the academy guarantee. It also recently published a departmental minute on the issue.

The information contained in the documents is aimed at academy trusts, administering authorities and actuaries, and follows the Government's recent review of the guarantee.

It is clear that the Government expects administering authorities to recognise the direct government backing provided by the guarantee and to continue to treat academies equitably with local authority-maintained schools when setting employer contribution rates and deficit recovery periods.

iii.) **Draft dashboard regulations laid for approval**

On 17 October 2022, Department for Work and Pensions laid a draft of The Pensions Dashboard Regulations 2022 before each House of Parliament. The

regulations will only become law if each House approves the draft by a resolution.

The House of Lords will consider the regulations on 15 November 2022. As yet, no date has been set for this to happen in the House of Commons.

The draft regulations laid before each House have been amended to reflect responses to the consultations undertaken

iv.) **Data request on opt outs**

On 11 October 2022, the LGA emailed administering authorities in England, Scotland and Wales with a request for data on the number of members opting out or moving to the 50/50 section of schemes. The email was sent on behalf of the Scheme Advisory Board (SAB).

The data will allow the SAB to understand the extent to which the cost-of-living crisis is changing members' behaviour. The data will also help the SAB to decide whether a more substantial data gathering exercise is required. This would capture data that is only likely to be held by employers. The SAB expects to rerun the exercise early next year

v.) **Scheme Advisory Board responds to HM Treasury's consultation on exit payments**

The SAB recently responded to HM Treasury's consultation on draft guidance for an expanded approvals process for certain exit payments. The consultation closed on 17 October 2022.

The draft guidance sets out an approvals process for exit payments higher than £95,000 (which would require approval by the relevant Secretary of State) and for any special severance payment (which would require approval by HM Treasury). Where a special severance payment is over £95,000, approval by both the Secretary of State and HM Treasury would be required. It is also proposed that there are terms agreed for the recovery of special severance payments in certain cases, where an individual is re-employed.

The guidance is intended to apply mainly to central government departments, but it appears it would also apply to academy trusts.

In particular, the SAB has requested clarity in relation to the application of the proposals to academy school staff. The SAB also recommended that pension strain costs arising upon redundancy be excluded from the scope of any calculation on the basis that these are statutory payments that the scheme employer is required to make.

The full SAB response is available at:

https://lgpslibrary.org/assets/cons/nonscheme/20220808_SAB_response_exit_pay_consultation.pdf

vi.) **CPI Rate – 10.1%**

On 19 October 2022 the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2022 as 10.1%. It was also confirmed in the Autumn Statement that the State Pension will be uprated by inflation, in line with the commitment to the Triple Lock.

vii.) **McCloud**

It was understood that DLUHC would be issuing a response to their 2020 consultation in the autumn of 2022. This consultation relates to the draft regulations to implement the McCloud remedy. It is now expected that this will be delayed until the spring of 2023 which may impact on the timetable for implementing the regulations.

Appendices

Appendix 1 - Admission and Termination Policy

Appendix 2 - Conflicts of Interest Policy

Appendix 3 - Cyber Security Policy (Exempt)

Appendix 4 - Corporate Governance Policy Statement

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The report was circulated to the following members prior to publication:

Local Member(s): not applicable

Other members: Councillors Andy Jenks and Bill Gifford