

# Warwickshire Local Pension Board

31 January 2023

## Governance Report

### Recommendations

That the Local Pension Board:

1. notes and comments on the Forward Plan and Training Schedule
2. considers the current Risk Register
3. notes the pension policies that have been and are being reviewed.
4. notes the current issues impacting on the Local Government Pension Scheme

### 1. Executive Summary

- 1.1 This Report provides the Local Pension Board with details of how the Warwickshire Pension Fund (the Fund) is dealing with its governance requirements.

### 2. Financial Implications

- 2.1 None arising directly from this report.

### 3. Environmental Implications

- 3.1 None arising directly from this report.

### 4. Supporting Information

- 4.1 This report provides an updated Forward Plan for the Local Pension Board looking forward one year on a rolling basis.
- 4.2 This is not intended to be rigid or definitive, and the intention is that it can be updated and amended on a rolling basis at each meeting and be informed by the latest developments pertinent to the Fund.
- 4.3 In order to provide a complete picture of policy activity, a schedule of policy review activity at both the Staff and Pensions Committee and the Pension

Fund Investment Sub-Committee is also provided on the plan. The Forward Plan can be seen in Appendix 1.

- 4.4 The Training Schedule has also been attached in Appendix 2. In addition to the items listed in the Appendix, the Local Pension Board members are reminded that 'Lola' the Hymans online training portal is available to them.
- 4.5 The Knowledge and Skills Assessment was issued in the Autumn, and we would like to thank all the members of the Local Pension Board who completed and submitted this assessment.
- 4.6 At the point at which this Report was written the results have now been published by Hymans Robertson and the Fund will use the information provided from the Assessment to arrange appropriate training for the Local Pension Board and Committee, going forward.
- 4.7 Fund Officers continue to monitor the risks facing the Fund and the latest Risk Register can be found in Appendix 3

The Risk Register was reviewed with one of the Fund's Investment Advisers in the last quarter. A couple of minor changes were made.

- A decrease in the likelihood of our pooling objectives not being met as a result of ongoing beneficial engagement with the Border to Coast Pension Partnership; and
- The Climate Change residual impact score has been increased after discussion, about the reality of the risks emerging, although both Officers and our adviser do accept that Fund is engaging further with organisations around the fund's Responsible Investment and Climate risk objectives.

Officers are currently looking at alternative ways to present this information to both the Committee and Local Pension Board. This is to ensure it is clear and provides the relevant amount of explanation and content.

- 4.8 Officers, Advisers and Legal have reviewed the following Policies for the Fund:  
**Admission and Termination Policy (Appendix 4)**

A report was brought to the Staff and Pensions Committee meeting of [ date ] setting out proposed changes to the Admission and Termination Policy. These changes were awaiting review by Hymans Robertson, the Fund's actuary. That review has now taken place and the changes have been adopted. The new policy is in place and can be viewed at [link?].

No major changes were made to the policy but the linkages between the Policy and the revised Funding Strategy Statement have been strengthened.

#### **Conflicts of Interest Policy (Appendix 5)**

The Conflicts of Interest Policy was 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. A copy of the Policy can be viewed at [            ]

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.

### **Corporate Governance Policy Statement (Appendix 6)**

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 have been 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.

The Statement will be approved by the Strategic Director for Resources (in consultation with appropriate persons) following the approval of the Pension Fund Investment Sub Committee- to the proposed changes.

The Committee was asked to note that this Statement may require further changes once the Scheme Advisory Board (SAB) releases the results of their Good Governance Review.

4.9 The main regulatory and LGPS updates for the last quarter include:

#### **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 was 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.

### **2021/22 Annual Reports**

The Scheme Advisory Board has indicated that it is aware that some pension fund audits are likely to be delayed again this year, largely due to issues with auditing the host authority's accounts. There is a statutory duty under regulation 57 of the LGPS Regulations 2013 for administering authorities to publish an annual report 'on or before 1 December'.

The Scheme Advisory Board has written to the minister with proposals to help improve the timely completion of audit. In the meantime, it is urging administering authorities to publish their 2021/22 annual reports based on the best data available to them by the statutory deadline.

Ideally, the annual report would be based on audited data. However, the SAB has indicated that if waiting for audited data is likely to result in a significant delay funds should produce and publish reports based on unaudited data (labelled as draft) and then re-publish an amended annual report with the external auditor's opinion and revised data after audit.

Warwickshire Pension Fund published a draft version of its annual report on its website before the 1 December 2022. A final version will be available when the accounts are formally approved. Members will be updated verbally at the meeting as to the latest position.

### **Further education reclassification**

The Office for National Statistics (ONS) announced on 31 May that it was reviewing the sector classification of Further Education (FE) bodies. Administering authorities in England such as Warwickshire County Council were subsequently asked to submit data on colleges to the Government Actuary's Department (GAD), who have been commissioned by the Department for Education (DfE) to explore the possibility of providing English colleges a pension funding guarantee, similar to that currently provided to academy schools.

The DfE have now announced that FE colleges, sixth form colleges and designated institutions (together with their subsidiaries) have been reclassified into the central government sector. They were previously classified as part of the private sector.

The position in relation to pensions is only mentioned at the foot of the announcement, which states "*The reclassification of the FE sector does not require any action for colleges with regards to the local government pension scheme*". This suggests that the reclassification does not change the access that these bodies have to the LGPS and that they will therefore continue to participate as open Scheduled Bodies. Officers will keep the situation under review and advise on any subsequent changes to this position.

### Impact on the 2022 valuation results

The DfE announcement is silent on the question of a pension funding guarantee. Hymans Robertson understand that this remains under discussion on the back of the data submission to GAD.

In the meantime and until a decision is reached, Pension Funds are being advised that the 2022 funding strategies agreed so far for FE bodies (which ignore any guarantee) remain valid and are not affected by this reclassification.

Warwickshire Pension Fund will continue to keep the situation under review and will discuss with Hymans Robertson what, if any, future steps need to be considered.

## 5. Appendices and Background Papers

### Appendices

1. Appendix 1 Forward Plan
2. Appendix 2 Training Schedule.
3. Appendix 3 Risk Register
4. Appendix 4 Funding Strategy Statement
5. Appendix 5 Admission and Termination Policy
6. Appendix 6 Conflicts of Interest Policy
7. Appendix 7 Cyber Security Policy
8. Appendix 8 Corporate Governance Policy Statement

### Background Papers

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Martin Griffiths, Victoria Jenks, Victoria Moffett	martingriffiths@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk
Assistant Director	Andrew Felton Assistant Director for Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s):

Other members: