

Pension Fund Investment Sub-Committee

6 March 2023

Governance Report

Recommendations

That the Pension Fund Investment Sub-Committee:

1. Considers and comments on the items, contained within this Governance Paper, and
2. Approves the new Risk Policy.

1. Executive Summary

- 1.1 This report summarises the main governance issues currently affecting the Warwickshire Pension Fund. These areas include the Forward Plan, Risk Monitoring, updated Policies and Training.

2. Financial Implications

- 2.1 There are no financial implications arising directly from this report. Where changes to policies are recommended, any implications arising from those changes are covered in the body of the report.

3. Environmental Implications

- 3.1 As stated in previous Governance Reports, Climate Risk is still a key risk on the Fund's Risk Register and is considered regularly by the Fund.

4. Supporting Information

Forward Plan

- 4.1 The purpose of including the Forward Plan in this report is to provide an updated position for the Pension Fund Investment Sub-Committee rolled forward to cover the year ahead. The Plan is set out in Appendix 1 and the Sub-Committee's comments are welcomed.

Risk Monitoring

4.2 This section provides an update on the key risks facing the Fund and the management actions necessary to address them. The full risk register will be provided every June going forward. At our most recent review we considered that additional notes needed to be added to the register and one risk (that of Cyber Security) needed to be amended. This was as a result of the change in the likelihood score given to the rating by the Fund. Please see the Net Risk chart and following comments, below.

Impact	5				9. Climate Change	
	4	3. Liabilities cannot be met		8. Cyber Security	1. Long term asset values do not meet expectations	
	3		7. Business interruption 11. Fraud 12. Governance Failure	5. Pooling objectives not met 6. Inability to meet demand for activity		
	2		10 Data Quality	4. Employer contributions not paid	2. Short term asset values do not meet expectations	
	1					
		1	2	3	4	5
		Likelihood				

Climate Change - Greater progress is now being made in engagement with further resources within the Fund allocated. However, the risk is a global issue and whilst we continue to discuss this area in greater detail with the managers who implement our Climate Risk Policy there remains significant work required to deal with the issue.

Long Term Market Risk – This area remains as a high risk despite actions taken to mitigate it. It is important to note that the Fund anticipates long-term risk on a relatively prudent basis to reduce the risk of underperforming. Mitigation actions are considered and remain in place, and the Fund regularly reviews its Strategic Asset Allocation and monitors changes with managers at regular meetings.

Cyber Security – This has become a new red risk, following the most recent review. Although the Fund has a dedicated Policy, regular training, and reviews issues at regular management meetings the global cyber risk continues to grow and adapt and the Fund must remain vigilant to new threats.

In addition to the risks highlighted above as 'Red' risks, the quarterly risk meeting also discussed the risk of higher pension payments due to the recent 10.1% CPI rise affecting the Fund's cashflow. However it is felt that this risk has been mitigated through additional cashflow analysis and monitoring and no change needed to be made to the register as a consequence.

Other risks discussed included those arising from the increased costs of living. It is possible that this may increase the prevalence of scams targeting pensioners. This has been tackled through additional warnings on the Fund website as well as providing training to relevant pensions colleagues to ensure precautions are taken.

As discussed in the February 2023 PFISC, interest rates are expected to continue to rise in the near term, with inflation expectations falling, this may lead to real interest rates (those that include inflation) stabilising towards the end of 2023.

Policies

- 4.3 Our revised Climate Risk Policy has been created by Hymans Robertson for the Fund, following a workshop and discussion with members and officers. This will be presented to this committee under its own paper.
- 4.4 Our new Risk Management Policy (Appendix 2), explaining how the Fund approaches risk has also been brought to this meeting for approval.
- 4.5 The Training Policy has been reviewed by Officers and it is felt that no changes are required to this document.
- 4.6 The final version of the Funding Strategy Statement has been prepared by Hymans Robertson following a full consultation with our Stakeholders. This will be covered in its own paper later in this meeting.

Training

- 4.7 The results of the Hymans 'Knowledge and Skills Assessment' have now been released and shared with both the Committees and the Local Pension Board.
- 4.8 The results from this Assessment form the basis of our Training Plan for the next twelve months.
- 4.9 The number of completed assessments returned to Hymans Robertson was somewhat disappointing and Warwickshire Pension Fund was second to bottom on the number of completed returns, with some Funds obtaining a 100% return from both the Local Pension Board and Committees. Following the publication of the Scheme Advisory Board Good Governance Review later this year it is expected that completion of such an Assessment and the

attendance at training session may be made mandatory. Fund Officers in the meantime would appreciate the support of Sub-Committee members in attending training sessions and completing the Knowledge and Skills Assessment and Hymans online training.

- 4.10 Officers would like to support both the Board and Sub-Committee in achieving this goal and meeting scheme governance requirements. Any suggestions for future training topics and how best to deliver such training would be welcomed by Officers.
- 4.11 The current Training Plan can be found in Appendix 3. This illustrates the training currently planned up until June 2023. At our next meeting our plan for training beyond this point will be made available.

5. Timescales associated with the decision and next steps

5.1 None

Appendices

Appendix 1 – Forward Plan

Appendix 2 – Risk Management Policy

Appendix 3 – Training Plan

	Name	Contact Information
Report Author	Martin Griffiths, Victoria Moffett, Chris Norton	martingriffiths@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andy Felton, Assistant Director for Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell, Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor 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): n/a

Other members: Councillor Christopher Kettle and Councillor Bill Gifford