

Warwickshire Local Pension Board

30 January 2024

Governance, Regulatory and Policy Update Report

Recommendation

That the Local Pension Board considers and comments on the items within this report, which were presented to the Pension Fund Investment Sub Committee and Staff and Pensions Committee.

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 Polices, Regulations and Training.

2. Financial Implications

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

3. Environmental Implications

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

4. Supporting Information

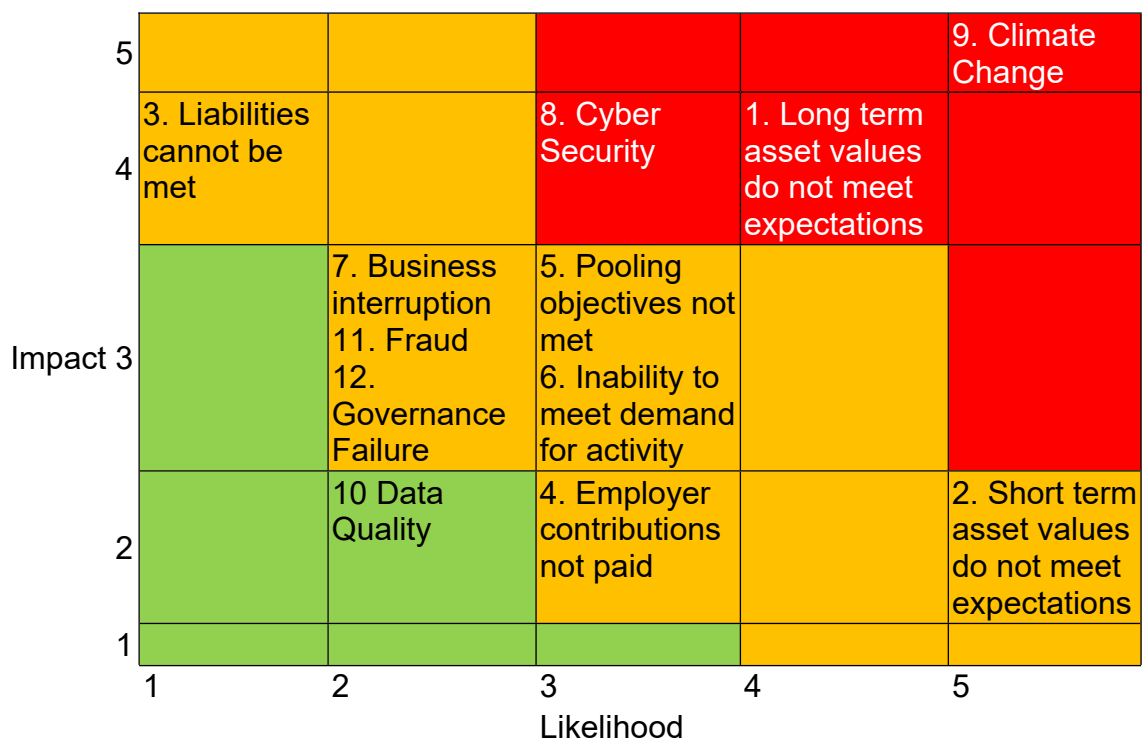
Forward Plan

- 4.1 The purpose of including the Forward Plan in this report is to provide the Local Pension Board with details of the work the Fund will be undertaking in relation to governance matters for the year ahead. The Plan is set out in Appendix 1 and the Local Pension Board's comments are welcomed.

Risk Management

- 4.2 This section provides an update on the risks facing the Fund and the management actions necessary to address them.

- 4.3 As mentioned, and agreed in previous reports, the full Risk Register will be provided once a year at the March Pension Fund Investment Sub-Committee. It can of course be provided to Board members at any point on request.
- 4.4 Fund Officers ask members to pay particular attention to the red risks shown on the register. They are Climate Change, Long Term Market Risk, and Cyber Security.
- 4.5 Prior to the March Committee, officers will be reviewing the risk appetite levels used to inform the Risk Register and any changes will be reported to Committee.
- 4.6 Several updates have been made to the commentary in the Risk Register, **but these have not altered any of the risk scores.** These have been detailed for the Board as requested and include the following:
- Direct Debit developments that the Fund are developing to assist employers in the payment of their contributions.
 - The work Fund Officers are carrying out ahead of the Good Governance Review that will be published next year by the Scheme Advisory Board.
 - The work the new cross-unit 'Pension Cyber Security Team' are carrying out on Policy Review and setting up scenario testing to demonstrate how officers would deal with a cyber-attack if it occurred.
 - PFISC approval for the transfer of some assets to a low carbon index fund.
 - An audit of the Member Self-Service facility used by members on the Pension Administration software.
- 4.7 The Warwickshire Pension Fund's Net Risk chart is shown below:



Policies

- 4.8 The Fund's Training Policy has been reviewed by officers and it is felt that no changes are required to this document.
- 4.9 Our Cyber Security Policy has been reviewed by the Cross Unit Working Group, but we have decided because of its importance and its rating on the risk register to ask an independent consultant to review this document and provide training for the Committee, Board and Officers on key behaviours and issues surrounding cyber security. We will update the Board once this review is undertaken.
- 4.10 Three Environmental, Social and Governance (ESG) Policies were brought to the Pension Fund Investment Sub-Committee from the Border to Coast Pension Partnership. These were noted by the Committee and will be published in due course on the Border to Coast Pension Partnership website.

LGPS Update

- 4.11 On 25 October 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the LGPS statistics for England and Wales: 2022 to 2023. Highlights include:
- total expenditure was £15.2 billion, an increase of 5.1 percent on 2021/22
 - total income was £17.3 billion, as increase of 8.5 percent on 2021/22
 - employers' contributions amounted to £8.4 billion, an increase of 7.8 percent on 2021/22
 - employee contributions were £2.8 billion, an increase of 9.5 percent on 2021/22
 - the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 percent.
 - there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members.
 - There were 87,129 retirements, a decrease of 8 percent with 2021/22.
- 4.12 On 22 November 2023, DLUHC also published its response to the consultation on investment reforms. The response largely adopts the measures that the Government originally consulted on. The Government will now implement proposals to accelerate and expand pooling and increase investment in levelling up and private equity.
- 4.13 The Pension Regulators New General, Code of Practice has been laid before Parliament and will need to be implemented from the 27 March 2024. Fund Officers are currently looking at what may need to be changed in order to comply.

5. Timescales associated with the decision and next steps

5.1 N.A

Appendices

1. Appendix 1 Forward Plan

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

Local Members: n/a county wide report

Other members: Cllr C Kettle, Cllr B Gifford