

Pension Fund Investment Sub-Committee

4 March 2024

Governance Update Report

Recommendation

That the Pension Fund Investment Sub-Committee notes and comments upon the contents of this Report.

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 identified as a key risk on the Fund's Risk Register.

4. Supporting Information

The Forward Plan

- 4.1 The purpose of including the Forward Plan in this Report is to provide an updated version of the document for the Pension Fund Investment Sub-Committee's review and awareness. It has been rolled forward to cover the year ahead. The Plan is set out (in Appendix 1) and the Committee's comments are welcomed.

Risk Monitoring

- 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 June Committee via a link contained within this Report. It can of course be provided to Committee members at any point on request.
- 4.4 In January 2024, officers reviewed the Fund's Risk Appetite but felt no changes were currently required. Officers will however continue to engage with the Fund's advisers regularly regarding any changes that become necessary. Officers will report back to this Committee if any changes are recommended.
- 4.5 To clarify, risk management is the "process by which risks are identified, evaluated and controlled." The Administering Authority's risk management process does not seek to fully eliminate all risks, but where possible, to reduce residual risk to an appropriate level with which it is comfortable.
- 4.6 A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Fund's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.
- 4.7 The Fund's risk appetite has remained unchanged at its last review in January 2024, but the Fund intends to engage with its external advisers to look at this in more detail later in the year.

Risk Management Process for Warwickshire Pension Fund

- 4.8 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present, and future activities. There are 4 main stages in the process:
- Risk identification involves assessing risks in the context of the objectives and targets of the Fund.
 - Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur. Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then multiplied to produce an overall risk score which are then used to prioritise the risk rating at high, medium or low.
 - Senior officers will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

- Risk monitoring is the final part of the risk management cycle and will be the ultimate responsibility of senior officers and will be reported back to the Pension Fund Investment Sub-Committee.

4.9 Members of the Sub-Committee are asked to pay particular attention to the red risks shown indicated on the Net Risk chart is shown below:

Impact	5				9. Climate Change	
	4	3. Liabilities cannot be met		8. Cyber Security	1. Long term asset values do not meet expectations 12. Governance failure	
	3		7. Business interruption 11. Fraud	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				

4.10 As a result of the Risk Register being reviewed, Governance Failure has been increased to a red risk along with Climate Change, Cyber Security and Long-Term Asset Values not meeting expectations. The reason for this is not that we currently have any issues, but instead it reflects that new legislation was introduced by the Pension Regulator in January 2024 that must be complied with, increasing the risk of failure/challenge. Two new areas of concern that the Regulator has highlighted are Cyber Security (which the Fund already considers a red risk due to the effects that a cyber breach might result in) and pension scams (which are of increasing concern to the Regulator). The Fund is in the process of arranging further training for those involved in pension matters (to include Sub-Committee Members, Pension Board Members and Officers) in relation to pension scams and cyber security.

4.11 Fund Officers have also reviewed the Risk Management Policy and no Changes were required to this document.

Policies

- 4.12 The review of the Fund's Climate Risk Policy has been re-scheduled for the June Committee.
- 4.13 It has been confirmed that the Fund does not require its own Accountancy Policy.
- 4.14 The Fund's Conflict of Interest Policy has been reviewed and taken to Staff and Pensions Committee for approval.

Training

- 4.15 Thank you to all Committee members who completed the Knowledge and Skills Assessment from Hymans Robertson. The Fund have received the final report and we will construct a training programme to cover the areas where additional knowledge may be required.
- 4.16 Officers are in the process of arranging further training for those involved in pension matters (to include Sub-Committee Members, Pension Board Members and Officers) in relation to pension scams and cyber security.

LGPS Governance Update: The Pension Regulator General Code of Practice

- 4.17 On Wednesday 10 January 2024, the Pension Regulator laid its General Code of Practice (formerly referred to as the Single Code of Practice) before Parliament. This replaces ten of the previous Codes of Practice, and for the LGPS and all Public Service Pension Schemes replaces Code of Practice 14 (Governance and Administration of Public Service Pension Schemes). The code is expected to be effective from 27 March 2024, and sets out what governing bodies (Pension Committee) should do to meet their regulatory responsibilities. Officers will review the Code to ensure that the Fund is fully compliant. A link for the General Code of Practice has been added to the Training Policy to provide a connection, between the two documents. At present no further changes will be made until the Scheme Advisory Boards ' Good Governance Review ' is launched.

5. Timescales associated with the decision and next steps

- 5.1 None

Appendices

1. Appendix 1 Forward Plan

	Name	Contact Information
Report Authors	Martin Griffiths, Policy and Governance Lead Chris Norton, Head of Investment, Audit and Risk	martingriffiths@warwickshire.gov.uk chrisnorton@warwickshire.gov.uk
Director	Virginia Rennie, Director of Finance	vrennie@warwickshire.gov.uk
Executive Director	Rob Powell, Executive Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor Peter Butin, Deputy Leader and 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: Cllr C Kettle & Cllr B Gifford