

Warwickshire Local Pension Board

9 July 2024

Governance, Regulatory and Policy Update Report

Recommendation

That the Warwickshire Local Pension Board 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 and regulatory updates.

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

4. Supporting Information

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 Local Pension Board. It has been rolled forward to cover the year ahead. The Plan is set out in Appendix 1 and the Board's comments are welcomed.

Risk

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

4.3 The current risk matrix is below:

Impact	5				9. Climate Change	
	4	3. Liabilities cannot be met		8. Cyber Security		
	3		7. Business interruption 11. Fraud	1. Long Term Asset Values not meeting expectations 5. Pooling objectives not met 6. Inability to meet demand for activity. 12. Governance Failure		
	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				

4.4 Long Term Asset Values not meeting expectations risk rating has been reviewed and lowered due to the Fund’s work with the investment manager and the investment consultant at Hymans. Our risk rating of ‘Governance Failure’ has also been lowered to reflect the work the Fund is doing to meet new governance requirements from the Pension Regulator and Scheme Advisory Board.

4.5 A definition on the Risk Register has also been added to explain the period relating to Long-Term Asset Values (10 years+) and Short-Term Asset Values (0-3 years).

Training

4.6 Board members have received training on Pension Scams, Cyber Security and Pension Fund Governance in the last quarter. Recordings of these sessions are available for anyone who was not able to attend in person.

Policies

- 4.7 Data Retention Policy - No material changes were required to the contents as it is based on the current template provided by the Local Government Association.
- 4.8 Fraud and Corruption Policy - has been reviewed by the Council's Internal Audit Manager and specialist in this field and there are no material changes. The document will be available on the website.
- 4.9 Pension Fund Discretions - were reviewed internally and some minor changes made to ensure compliance with the Pay Policy Statement and to simplify wording relating to the Rule of 85 protections.
- 4.10 Cyber Security Policy – This has been reviewed by and updated by AON in line with new guidance in the tPR Code of Conduct. There is a new requirement for Committee and Pension Board members to sign and agree their understanding of the guidance on an annual basis. This document will be shared privately with board members given the need to ensure that the Fund's cyber protections are not exposed.
- 4.11 Breaches Policy – This policy has been subject to some minor amendments in readiness for it to be placed on the website. Changes to highlight are an updated reference to the tPR General Code of Practice; and removal of references to year end return of data submitted by employers as I-connect processes have replaced this activity.
- 4.12 Communication Policy – This policy has been subject to minor changes. Changes to highlight include the issuing of epayslips to pensioners, updated name of pensioner magazine, information relating to Pension Dashboard and face to face meetings with employers.

5 Regulatory Updates and information relating to the Local Government Pension Scheme

5.1 Annual Report Guidance 2024

Updated guidance for preparing the Fund annual report can be found on the Guidance page of the Scheme Advisory Board's website. This is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) Public Finance Management Board and the Department for Levelling Up, Housing and Communities (DLUHC). It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.

The SAB intends to briefly review the current (March 2024) version of the annual report guidance toward the end of 2024. The review will obtain

feedback from administering authorities on their experience of implementing the guidance.

5.2 **Economic Activity of Public Bodies (Overseas Matters) Bill**

The Economic Activity of Public Bodies (Overseas Matters) Bill (previously known as the Boycotts, Divestments and Sanctions Bill) was discussed for a second time in the House of Lords on 17 April 2024. The Bill sought to ban administering authorities from making investment decisions influenced by political or moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions. However, the calling of a general election means that this Bill will not now continue and it will be for any new government to decide whether to progress the proposals.

5.3 **Spring Budget 2024**

The Chancellor, Jeremy Hunt, delivered the Spring Budget on 6 March 2024. For the LGPS, the Budget documents confirm:

- The Government will work with the LGPS to consider the role they could play in unlocking investment in new children's homes.
- As early as April 2024, the LGPS (England and Wales) will be required to publicly disclose the breakdown of asset allocations, including UK equities.

5.4 **The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024**

HM Treasury laid The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 before Parliament on 14 March 2024, coming into force on 6 April 2024.

These Regulations amend relevant legislation to ensure the smooth operation of the new pensions tax framework following the abolition of the lifetime allowance. This includes providing for transitional arrangements not included in the Finance Act 2024 and matters arising from consultation with industry.

5.5 **The McCloud Remedy**

The LGA, has produced standard wording related to the remedy for administering authorities to use in 2024 annual benefit statements. Using the standing wording will help provide a consistent message to LGPS members.

5.6 **Trustee diversity and inclusion survey**

The Pensions Regulator published the results of its first trustee diversity and inclusion survey on 19 March 2024. Conducted from July to August 2023, the survey garnered responses from 2,197 trustees and public

service pension scheme board members.

The survey confirms that trustees / pension board members are less diverse than the overall population.

5.7 Consolidation of LGPS administering authorities

The Local Government Minister, Simon Hoare MP, has written to all LGPS administering authority chief executives in England, asking them for an update on pooling of investments. At the same time, he asked them to consider whether they could make 'long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority'. The Minister asked for 'plans' to be returned by 19 July 2024 and has held roundtable events to discuss the plans. The WPF has prepared a response which will be submitted ahead of the deadline. The Pension Fund Investment Sub Committee and Staff and Pensions Committee and the chair of the Local Pension Board have been consulted in relation to the response.

5.8 The Pension Regulator's (tPR) new General Code

In February 2024, shortly after the new General Code was published, the Board held an online focus group for administering authorities.

The Board has also met with tPR to discuss the review of the public sector toolkit. TPR has said that this is being revised but would not commit to it remaining a standalone product for the public sector and said it might be incorporated into a new series of thematic toolkits that they were producing.

5.9 FBU seeks permission to appeal against cost control judgement

The Fire Brigades Union (FBU) recently announced in a press release that it is seeking permission to appeal to the Supreme Court regarding its judicial review of H M Treasury's cost control process. Previously, both the High Court and the Court of Appeal have dismissed the judicial review.

6 Timescales associated with the decision and next steps

6.1 None

Appendices

Appendix 1 – Forward Plan

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

Local Member(s): not applicable
Other members: Cllr C Kettle & Cllr B Gifford