

PENSIONS COMMITTEE

22 MARCH 2023

GOVERNANCE UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that:**
 - a) The Good Governance Position Statement as at February 2023 be noted (Appendix 1);**
 - b) The draft Worcestershire Pension Fund Governance Policy Statement 2023 be approved (Appendix 2);**
 - c) The draft Worcestershire Pension Fund Policy on Representation 2023 be approved (Appendix 3);**
 - d) The Worcestershire Pension Fund Policy on Conflicts of Interest be noted (Appendix 4);**
 - e) The draft Worcestershire Pension Fund Pension Administration Strategy 2023 be approved (Appendix 5); and**
 - f) The update on reviewing the objectives for and performance of the independent investment adviser be noted (Appendix 6)**

Background

2. The Fund has been updating its Business Plan and Risk Register, its key operational / planning / management documents, quarterly since March 2019. From the latest (Feb 2023) versions of these it is worth highlighting from a governance perspective that we have revamped them both.

3. Specifically, following a review of the Fund's Risk Register, progress in developing mitigating action for five risks will henceforth be reported in our Governance Updates, so that members can assess whether further mitigating actions are appropriate:

- a) WPF 26 Fraud by staff;
- b) WPF 15 Failure of the actuary to deliver the services contracted;
- c) WPF 01 Failure of governance arrangements to match up to recommended best practice;
- d) WPF 17 Failure of custodian to deliver the services contracted; and
- e) WPF 04 Not having an established and meaningful Business Plan / Pension Administration Strategy;

4. Progress in mitigating the five risks since the last quarterly Board / Committee cycle has included:

- a) Updating the progress we have made in preparation for SAB's Good Governance proposals being taken forward by DLUHC on the attached appendix;
- b) Reviewing our Governance Policy Statement, Policy on Representation, Policy on Conflicts of Interest and Pension Administration Strategy, all of which the Committee is asked to approve the highlighted changes to on the attached appendices;
- c) Reviewing the objectives for and performance of the independent investment adviser;
- d) Reviewing managers' SAS70 audit reports. We have diversification of custody via pooled funds. Contract service is reviewed annually and there are regular meetings with / audits of the suppliers, BNY Mellon and Northern Trust; and
- e) Reviewing managers' SAS70 audit reports and regular meetings with / audits of our custodians BNY Mellon and Northern Trust.

5. In Hymans Robertson's National Knowledge Assessment (NKA) 2022, The Pensions Regulator's Policy Delivery Lead commented that "Turnover of those with governance responsibilities is a significant issue", suggesting that succession planning for elected members and training of potential Board / Committee members is worth considering.

6. The Committee is asked to note the Worcestershire Pension Fund Governance Update as at February 2023 and approve the draft Worcestershire Pension Fund Governance Policy Statement 2023 (Appendices 1 and 2). Members should note that the Draft Worcestershire Pension Fund Policy on Representation 2023 (Appendix 3) uses track changes to highlight the changes from the current policy. It is proposed to make no changes to the Worcestershire Pension Fund Policy on Conflicts of Interest (Appendix 4). The draft Worcestershire Pension Fund Pension Administration Strategy 2023 (Appendix 5) uses track changes to highlight the proposed changes from the current strategy that employers have been consulted on and have passed no comment on. The Committee is also asked to note the update on reviewing the objectives for and performance of the independent investment adviser.

Supporting information

- Appendix 1 - Good Governance Position Statement February 2023
- Appendix 2 - Draft Governance Policy Statement 2023
- Appendix 3 - Draft Policy on Representation 2023
- Appendix 4 - Policy on Conflicts of Interest 2022
- Appendix 5 - Draft Pension Administration Strategy 2023
- Appendix 6 - Update on reviewing the objectives for and performance of the independent investment adviser

Contact Points

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Background Papers

In the opinion of the proper Officer (in this case the Chief Financial Officer), there are no background papers relating to the subject matter of this report.