Division(s): n/a

PENSION FUND COMMITTEE – 10 SEPTEMBER 2021

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments.**

Introduction

2. Previously, the Committee has agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.

3. The risk register sets out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks that are currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target and identifies any changes to the risks which have arisen since the register was last reviewed.

4. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

5. At their meeting on 9 July 2021, the Pension Board considered the risk register and report as presented to the June meeting of this Committee and offered no further comments.

Latest Position on Existing Risks/New Risks

6. Over the last quarter there has been little movement in the overall levels of risks faced by the Fund. The likelihood for two risks have been reduced so moving the overall assessment of these risks to Green indicating that they are now at their target risk score. Three risks remain as Amber and one risk remains as Red. No new risks have been added to the Register.

7. The likelihood of risk 6 which is an under-performance of the portfolios due to a lack of consideration of the long term ESG risks associated with the investments has been reduced from 2 to 1. This means that the risk whilst still possible is

now deemed unlikely. The basis of this decision is the stronger reporting on this area as reflected in the TCFD report elsewhere on this agenda, which better enables the Committee to monitor and mitigate this risk, and the progress made with Brunel in developing new climate related passive benchmarks which enable the significant financial risks of climate change to be better managed within a passive environment.

8. The second risk where the risk score has been reduced down to target is risk 14, which relates to the risk of regulatory breach due to a lack of skills and knowledge amongst the Fund's officers. The risk score has previously been raised due to the high turnover in the team, and the numbers of vacancies being carried. As vacancies have been filled and the new staff gain in experience the risk of significant errors have lessened, and there is no evidence to date of any significant increase in the level of errors and complaints. The risk of any significant statutory breach is now deemed unlikely.

9. There are three risks where the overall rating has remained Amber this quarter. The first of these relates to the skills and knowledge of the Committee itself. Given the number of new members on the Committee it has not been felt to be appropriate to reduce the risk score at this time. Two key actions to mitigate this risk though have progressed during this quarter. The first is the completion of the Knowledge Assessment tool run by Hymans. At the time of writing this report, the results from this work are unknown, and the risks scores will be reviewed once an initial analysis of the scores has been completed. The second mitigating action is the development of the comprehensive training programme which is included elsewhere on today's agenda for approval. Acceptance and compliance with this programme will help to mitigate this risk down to its target score.

10. The retention of the amber score for risk 20 reflects the lack of national progress on bringing forward guidance on the steps necessary to fully remedy the age discrimination identified in the McCloud court case. At the time of writing this report, the absence of clear guidance means that it is not yet possible to fully understand the risks involved in calculating the two pension figures for all those members who are entitled for their pension to be calculated under the remedy arrangements, nor the work and resources required to collect and process the information to complete the calculations. The position is similar on risk 21 which relates to the same issue in respect of the fire-fighters pension scheme, although here the risk is scored Red overall due to the increased legal action being taken by the Fire Brigades Union in support of their case.

11. The third and final risk retaining its Amber score is risk 22 which relates to the key person risk identified in the independent governance review carried out by Hymans Robertson. The recommendation elsewhere on this agenda to appoint a new Governance Officer to manage the increased workload associated with governance issues will if approved act to mitigate this risk, and enable the score to be reduced down to target following a successful appointment.

12. The only other point noted on this quarter's risk register relates to risk 18, which was the risk that the pooling arrangements imposed by the Government would

lead to an inability for the Oxfordshire Fund to deliver against its own priorities. The early evidence had allowed this risk to be scored at target. This position has been further endorsed this quarter with the development of the climate related passive portfolios which addressed one of the key priority shortfalls identified following the approval of our Climate Change Policy. This suggests that rather than pooling increasing the risk of a failure to deliver on our local agenda, pooling has in fact strengthened our position and mitigated the risk, through Brunel having a stronger position in the industry to encourage the market to develop appropriate investment offerings.

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