

## **PENSION FUND COMMITTEE – 7 JUNE 2019**

### **RISK REGISTER**

#### **Report by the Director of Finance**

##### **Introduction**

1. At their meeting on 11 March 2016, the Committee 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.
2. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were 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.
3. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2019/20. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

##### **Comments from the Pension Board**

4. At their meeting in April 2019, the Pension Board noted the new risk (Ref 6) in respect of the risk associated with a failure to properly consider ESG issues in making investment decisions. This risk was added following consideration at the March meeting of this Committee.
5. They also drew attention to the inconsistent completion of the Date of Review Column. This has now been amended to Date of Last review and includes the date when the risk was last reviewed and updated where appropriate. For a number of the risks that have been at target for some time there has been no recent review of the risk.

##### **Latest Position on Existing Risks**

6. The first three risks on the risk register reflect the long - term risks associated with a mismatch of assets and liabilities resulting in a risk of not closing the current funding deficit and having insufficient funds to meet pension liabilities as they fall due. The key mitigation to these risks is tied into the 2019 Valuation process, which is involving greater engagement with the main

scheme employers than in previous valuation processes to understand any factors which may impact on the future pension liabilities, the employers' own attitude to risk and the appetite for different investment strategies to reflect different employer circumstances. This work will reduce the likelihood of the major risks to the Fund, but the scores will not be updated until the 2019 Valuation process has been concluded.

7. The risk scores at Ref 4 and 7 have not been amended on review, but a note has been added to the comment box to draw attention to the mitigation actions to be reviewed as the responsibility for monitoring Fund Managers, including their internal control processes, investment performance and process etc switches across to Brunel. The Client Funds are currently developing new Assurance processes in line with the transition of assets, which should form the basis of new mitigation actions.
8. New comments have been added in respect of the new risk at Ref 6 to reflect the report elsewhere on the agenda today with the first ESG monitoring data from Brunel. The development of this data and its use is seen as a key action to further mitigate the risks associated with the failure to properly consider ESG data in all investment decisions.
9. The risk scores in respect of an Improvement Notice and Fine from the Pension Regulator at ref 11 has been reduced to target levels reflecting the latest correspondence from the Regulator and the improved processes introduced under the Improvement Plan. It is noted though in the Comment column that the implementation of iConnect should further mitigate this risk by improving future data quality.
10. The Comment box on risk 12 has been updated to reflect the outstanding issues in filling the current vacancies within the Pension Services Team as well as the need to improve performance reporting as covered in the Improvement Plan.
11. The Comment box on risk 13 associated with the skills and knowledge of the Committee itself has been updated to reflect the recommendation from the Pension Board that consideration should be given to mandatory training for Committee Members.
12. The final amendment to the Risk Register this quarter is within the Comment box of risk 19, which reflects the potential increased risk to the Fund in terms of both cash flow and scheme employer default associated with the proposal contained in the latest consultation document from the Government to switch the Higher and Further Education employers within the Fund to Designating Bodies, which would enable them to reduce future membership of the LGPS if they so wished. This will need to be fully reflected in a future risk register if the Government makes the changes to the Regulations on this basis following the consultation.

## **RECOMMENDATION**

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

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