

PENSION FUND COMMITTEE – 3 DECEMBER 2021

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the changes to the risk register and accept that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.**

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 22 October 2021, the Pension Board considered the latest risk register and recommended the inclusion of an additional risk relating to the skills and knowledge of the Pension Board itself. This has been added as a new Risk 14 to the Register.

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, reflecting the previous work of this Committee and the Pension Board to develop robust risk management arrangements. There are though five risks which are currently scored as Amber which require further mitigation to reduce the overall level of risk to target.

7. Risk 13 relates to the skills and knowledge of this Committee to effectively undertake their statutory responsibilities. Following the re-constitution of the Committee and the May 2021 elections, there was considerable change to the Committee membership, with a number of new and inexperienced members joining the Committee. This has been reflected in the recent Knowledge Assessment exercise undertaken by Hymans Robertson, where the Committee average score was 37.92% (see report elsewhere on today's agenda for further information). There is therefore currently a significant shortfall against the required level of skills and knowledge, and this is addressed in the development of the training policy and programme as covered elsewhere on today's agenda.
8. As noted above, a new Risk 14 has been added to the Register to reflect the gap in the skills and knowledge of the Pension Board, where 2 of the 6 voting members joined the Board for the first time at their October meeting. The Board achieved a higher average score as part of the Knowledge Assessment exercise at 60.42%, but this still represents a risk to their ability to meet their statutory duties. Again, the mitigation is through the new training policy and programme.
9. The retention of the amber score for risk 21 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.
10. The position is similar on risk 22 which relates to the same issue in respect of the fire-fighters pension scheme. We have proposed a reduction in the risk score and ranked the risk Amber rather than the Red ranking included last quarter. This reflects that during the last quarter the Local Government Association (LGA) on behalf of the Fire Authorities and the Fire Brigades Union (FBU) on behalf of the firefighters have jointly issued the Immediate Detriment Framework to provide a standard approach to addressing the issues of age discrimination in the absence of the remedying legislation. At their meeting on 12 November 2021 this Committee adopted the Framework but delayed the implementation date until there was greater clarification on the financial implications. At the time of writing this report, there was still a risk therefore of legal challenge from the FBU relating to the delay, although this is being regularly reviewed as the financial implications are clarified.
11. The third and final risk retaining its Amber score is risk 23 which relates to the key person risk identified in the independent governance review carried out by Hymans Robertson. The process to appoint a new Governance Officer to manage the increased workload associated with governance issues is underway and once in post should work to mitigate this risk, and enable the score to be reduced down to target.

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