

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

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. 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.
3. 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.
4. 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.
5. At their June meeting, the Committee asked for a column indicating direction of travel for the risk and a RAG status to be reintroduced. This has been actioned for this latest risk register.
6. The Direction of Travel arrow indicates whether the overall risk rating score is increasing (the impact worsening and/or the likelihood increasing), decreasing or has stayed stable.
7. The RAG status reflects the importance of the risk at the current time, with a Red allocation indicating the risk needs urgent attention, an Amber allocation indicating that the risk needs to be kept under regular review, whereas a Green allocation indicates that no action is required in the short term. Given the long term nature of pensions work, it is possible for the highest rated risks to be scored as Green if there is mitigation action underway, and the risk is seen as long term in nature.

Comments from the Pension Board

8. At their meeting in July 2019, the Pension Board made no specific comments in respect of the latest risk register.

Latest Position on Existing Risks

9. As previously reported, 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. Mitigation of 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 employer's own attitude to risk and the appetite for different investment strategies to reflect difference 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.
10. Risk 6 has been shown as Amber status reflecting the increased attention to ESG issues including Climate Change both locally and nationally. The Committee though are fully aware of the risk and the Climate Change workshop agreed at the last meeting of the Committee remains the appropriate initial mitigation action, with further mitigation to be determined as the outcome of the workshop.
11. The risk score for risk 9 has been reduced from 4 to 3 reflecting the improvements seen in the data quality. This has been evidenced both by the recent Data Quality reports as covered in the Improvement Plan report elsewhere on this agenda, and the feedback from Hymans Robertson on the quality of the data recently submitted to them for the 2019 Valuation.
12. The risk score on risk 12 has been reduced from 8 to 4 and is now at target. This reflects the recent successful recruitment round and the current staffing levels and the improvements seen in the business as usual performance indicators as covered in the Administration report.
13. Finally, the status of risk 13 has been shown as Amber reflecting the recent Good Governance report presented to the Scheme Advisory Board which recommends the Government bring in statutory guidance to require all Committee members to have the same level of knowledge and understanding as Board members. There is a report elsewhere on the agenda which seeks to mitigate this risk by introducing a mandatory training policy for Committee members.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins Tel: 07554 103465

August 2019