Division(s): N/A

PENSION FUND COMMITTEE – 6 MARCH 2020

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. 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 24 January 2020, the Pension Board received a detailed report on the mitigation of the cyber security risks included within risk 16 on the register and confirmed that were happy with the current arrangements. The Board was also briefed on the new risk associated with the McCloud judgement (see below) and agreed it was appropriate to add the risk to the register. They confirmed that they were content that the other risks were being adequately monitored and appropriate action was being taken where required.

Latest Position on Existing Risks/New Risks

6. As the majority of risks have currently been mitigated down to their target scores, there has been little change to the Risk Register since the December report. Where the risks need to be kept under review reflecting changing circumstances (particularly in relation to the on-going transition of responsibility

for the management of our investments to Brunel), comments have been included in the Further Actions Column.

7. As reported to the December meeting, the scores on risk 2 have not yet been updated but will be updated in light of the discussions and decisions on the Investment Strategy item earlier on today's agenda. The risk identified in the register is insufficient liquid resources to pay pensions as they fall due. As part of the Investment Strategy/Asset Allocation review, the Fund contracted MJ Hudson to complete an asset allocation review using the latest liability and cash flow forecasts provided by the Fund Actuary. The results of this work have been taken into account in determined the proposed changes to the strategic asset allocation to ensure there is always sufficient liquid resources to meet the pension liabilities as they fall due over the medium term. Agreement to the proposed asset allocation will allow the likelihood of the risk to be reduced to 1 such that the risk can be reported at target.

8. We have again retained the assessment on Risk 6 as Amber reflecting the increased attention to ESG issues including Climate Change both locally and nationally. The risk will be in part mitigated by adoption of the Climate Change Policy and asset allocation as included in the Investment Strategy report earlier on today's agenda. However, it is clear more work needs to be undertaken on developing the framework for monitoring compliance with the strategy, and for agreeing metrics and targets before the risk can be fully mitigated.

9. One new risk has been added to the register as risk number 20. This risk covers the potential implications of the current Employment Tribunals which are looking to identify appropriate remedies following the Court decisions in the age discrimination cases brought by McCloud and Sargeant. It is likely that the required remedies will involve bringing a wider group of scheme members within the current protection arrangements, initially only offered to those with 10 years of retirement.

10. Such a proposal will involve the Administering Authority having to complete 2 calculations for each scheme member to determine whether they are better off under the new 2014 CARE arrangements, or the previous final salary arrangements. The additional calculation to determine a member's pension entitlement under the previous final salary arrangements will require data not routinely maintained on the pension's software since the scheme changes in 2014. Whilst Oxfordshire has continued to collect this data from scheme employers since 2014, it has not been fully validated or loaded to the pension record. The data has not been provided where members have transferred into the Oxfordshire Fund since 2014.

11. There is therefore a significant risk that for certain scheme members, the Fund will not hold the data required to carry out the final salary pension entitlement, and/or will not be able to obtain/validate it from the scheme employer who could be outside the Oxfordshire Fund, have ceased to exist, no longer be a member of the Oxfordshire Fund, or changed their payroll provider since 2014. It is also likely that in some cases the information will need to be obtained/validated from

multiple employers. There is a significant risk therefore that the required calculations will not be possible in all cases.

12. The second element of this risk relates to the increased administrative effort required from both the scheme employers and the Administering Authority in order to meet the increased requirements. Even where it maybe possible to obtain the necessary data, there maybe insufficient resources to complete the task. As this is a task that will impact across the whole of the LGPS, it is unlikely that there will be sufficient agency resource to fill all the gaps.

13. At this stage the risk has been scored Amber requiring regular review rather than urgent action. This reflects that until the Employment Tribunals have published their conclusions and the Government has agreed how these should be applied to the LGPS, it is not clear which members are in scope for any changes and what information will be required in respect of the changes. Any current action is therefore limited. At present there is no indication when final decisions will be made, with many not expecting final outcomes until 2021. This risk will therefore need to be updated at each meeting of the Committee until the issues become clearer.

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