

PENSION FUND COMMITTEE – 5 MARCH 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. 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 22 January 2020, the Pension Board focussed their discussions on risk 8 (employer default), risk 18 (availability of suitable portfolios through the pool) and risk 13 (the skills and knowledge of the Committee). No proposals were made regarding the current risk scores, although the Board did recommend the Committee that they ensure a suitable training/induction strategy for the new members of the Committee post the May elections. This is already in hand.
6. The Board did also want to see greater mapping from the annual business plan to the risk register. For this cycle the risk register has been amended such that the third column indicating the risk category, also confirms whether the risk is related to the business as usual activities of the Fund or the areas covered within the current annual business plan.

Latest Position on Existing Risks/New Risks

7. Over the last quarter there has been little movement in the overall levels of risks faced by the Fund. All Funds are recorded at the same risk score as in December with the exception of risks 14 and 21. Five of the risks have been scored as Amber and therefore requiring regular review.
8. Risk 14 relates to the skills and knowledge of the Pension Services Team, where the risk of breach of regulations and/or errors in payment has been increased from unlikely to possible, and is now scored Amber. This reflects the number of new staff within the Team and the difficulties of providing a full training and induction programme under the current restrictions. It is also apparent that the longer the current restrictions are in place, the greater the pressure on all staff, but particularly those who are also seeking to home-school their children. Managers regularly check in with all staff, and individual actions plans developed as appropriate, but the risk of individuals going off sick is increasing, and so has been reflected in the overall risk score.
9. Risk 21 was the new risk added last quarter as a consequence of the legal uncertainties following the implementation of the Exit Cap Regulations. The Government has now issued Directions to dis-apply the key elements of these Regulations and announced that they plan to revoke the Regulations. They state that they have made this decision in light of unintended consequences of the initial Regulations. The specific risk which was scored Red in last quarter's register has therefore been eliminated and in line with the agreed practice, the risk will be removed from future registers.
10. The four risks which have retained an Amber rating are as follows. Risk 6 in respect of the risks associated with climate change remains Amber whilst more work is undertaken on developing the framework for monitoring compliance with the climate change policy, and for agreeing metrics and targets. The direction of travel on this risk is seen as improving in light of the discussions at the recent Climate Change Working Group and the proposal to Committee today to agree the process to set benchmarks for the Fund's Carbon Emissions as at December 2019.
11. Risk 8, the risk of employer default remains at Amber reflecting the on-going financial pressure on scheme employers as a result of the Covid-19 pandemic. The current uncertainty of the position going forward means it is not possible to determine the potential long term financial impact on employers and what further actions including seeking a legal charge against assets could be explored to mitigate the risks of default.
12. The third risk retaining its Amber status is the risk 13 around intervention from the Pension Regulator, or loss of professional investor status, in respect of the skills and knowledge of the Committee. This risk will be reviewed following the May elections and an assessment of the skills and knowledge of any new Committee.

13. The final risk scored Amber is risk 20 which covers the implications of the proposed new Regulations seeking to remedy the Court decisions in the age discrimination cases brought by McCloud and Sargeant. As reported last quarter, the risks associated with this issue will be better understood once the Government have responded to the consultation exercise and published the agreed changes to the scheme Regulations.
14. There are two other risks on the Register which are currently showing unchanged as Green, but which are subject to future review. Risk 17 relates to the risk of failing to meet Government requirements on pooling. We are currently awaiting revised guidance from the Government on pooling arrangements, and this risk will need to be reviewed against this guidance. Given the advanced state of the development of the pool, it is likely that this risk can be removed from the register following this future review. Finally, Risk 19 is currently scored Green but will need to be reviewed once the Government determines its response to last year's consultation on providing the HE/FE sector the option to opt out of the LGPS.

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