

PENSION FUND COMMITTEE – 11 JUNE 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. 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 23 April 2021 the risk register and report as presented to the March meeting of this Committee and offered no further comments.

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. All risks are recorded at the same risk score as in March 2021 with the exception of risk 8, where the risk score has improved (lower impact). Two new risks have been added to the Register, and the risk around the Government's previous exit payment cap legislation has been removed following the revoking of the relevant regulations. Overall, five of the risks have been scored as Amber therefore requiring regular review, and one of the new risks as Red requiring more urgent attention.

7. The wording for risk 4 has been updated to reflect the transition of assets to Brunel and change in the mitigation controls away from meetings with individual fund managers to the assurance process with Brunel. The wording of risk 5 has also been updated to reflect the fact that Hymans use 5,000 economic scenarios rather than a fixed set of financial assumptions in their valuation process. In neither case has there been a change in risk scores, with both risks currently at target.
8. The impact of risk 8 has been reduced and the risk switched from Amber to Green reflecting the gradual return to more normal times and therefore the reduced risk to the future cash flows of scheme employers. This is now set at target levels.
9. The four risks which are still scored as Amber are risks 6, 13, 14 and 20. The mitigation of risk 6 is based on the setting of metrics, benchmarks and targets for carbon emissions to enable monitoring of the climate change risks in the portfolios. The delay in this work until the September Committee means that there is no improvement in the risk score this quarter.
10. The amber score for risk 13 reflects the number of new members of the Pension Fund Committee and the need to undertake an initial skills and knowledge assessment of the committee as a whole before reducing the scores down to their target levels. 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 are currently showing as possible due to the numbers of new members within the Team. This risk is covered further in the Administration report elsewhere on today's agenda. The final risk retaining its Amber score 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. 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.
11. A new risk 21 has been added to the register separating out the related issue of age discrimination in the Firefighters pension schemes following the Sargeant judgement. As covered elsewhere on today's agenda, the Fire Brigades Union has raised a number of test cases on this issue in advance of the agreement of amended regulations. The risk has been scored Red to reflect the urgency of establishing a policy in respect of these cases to avoid the risk of being joined to future legal actions from the Fire Brigades Union.
12. The other new risk included at 22 relates to the key person risk identified in the independent governance review carried out by Hymans Robertson. This suggested there were short term risks to the overall governance and strategic direction of the Fund associated with the position of Service Manager – Pensions. Their recommendations included the appointment of a new Governance Officer to manage the increased workload associated with governance issues as well as acting to mitigate the key person risk. As covered elsewhere on the agenda it is intended to bring a full report on the future structure of Pension Services to the September meeting of the Committee

including proposals to mitigate this key person risk and strengthen the current governance and communication issues.

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