

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the latest 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.

Comments from the Pension Board

4. At their meeting on 7 July 2023, the Pension Board considered the latest risk register and for Risk 14 it was requested that the “two employer representatives be recruited quickly and thoroughly”.

Latest Position on Existing Risks/New Risks

New Emerging Risks

4. Risk 25 – ‘Increasing Central Government requirements for Asset Allocations’. Central Government have launched a new consultation for LGPS titled ‘LGPS: Next Steps on Investments’. The consultation recommends a 10% asset allocation to Private Equity for LGPS funds. This increasing regulatory requirements for asset allocations can potentially adversely impact on a funds ability to meet its fiduciary duty. A further report is being presented to this committee meeting which will seek for the committee to respond to the consultation. The risk has been assessed to be an amber score 8.

5. Risk 26 – ‘Departure of the current Independent Investment Advisor (IIA)’. MJ Hudson are the company currently contracted to provide the Fund with an IIA. MJ Hudson have been acquired by a company called the APEX Group. The current IIA has decided not to continue with the APEX Group, and as such would be leaving in October 2023. The loss of the current IIA would mean a significant loss in fund investment knowledge and experience. Discussions are currently on-going with the APEX Group to provide a suitable replacement IIA. The risk has been assessed to be an amber score 6.
6. Risk 27 – ‘Potential loss of key members of staff’. Both the fund’s Service Manager and Pensions Services Manager are at a point in their career when they could retire with three months’ notice. This potential sudden loss of experience, knowledge and strategic leadership would have a significant adverse impact on the fund’s ability to operate effectively. Effective succession planning and seeking early replacements are seen as potential means to mitigate the impact. The risk has been assessed to be an amber score 6.

Increasing Risk

7. ‘Risk 14’ – ‘Insufficient Skills and Knowledge amongst Board Members’. The fund is currently recruiting to two vacancies for scheme employer representatives. This in turn adversely impacts on the current levels of skill and knowledge of the Board. As a consequence, the risk has been re-assessed to be a red score 12 as opposed to an amber 8 last quarter.

Reducing Risk

8. Risk 24 – ‘Lack of administrative resources and knowledge for FPS, specifically with additional remedy workload and second options exercise for on call fire fighters’. The committee agreed to the additional resource for the fire service pension scheme and as such the recruitment process has been instigated. Consequently, the risk has been re-assessed to be an amber score 8 as opposed to a red score 12 last quarter.

Same Risk

9. All of the other risks have been assessed as being the same as last quarter. The highest rated risk in this group is Risk 21 – ‘Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant’. Despite the fact that new staff have been recruited, lots of work remains to be done and the fund is still awaiting clarity from Central Government. As a consequence, the risk remains a high risk red at a score of 12.

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