

Review of the Pension Fund Risk Register

Report of the Director of Finance

The attached Risk Register reflects the risks relating to the Pension Fund and indicates the significance of each risk.

As per previous reports the significance of individual risks is measured by a scoring system which multiplies the likelihood of the occurrence with the potential impact of such an occurrence. Both “likelihood” and “impact” are scored 1 – 5 and after multiplying both numbers together, the higher the product, the higher the risk.

Risk Score Range	Risk Category
1 to 6	Low
7 to 12	Medium
13 to 25	High

The attached Risk Register shows each risk, scored before and after controls are in place (i.e. the inherent and residual risks).

The risks are referenced as follows:

Financial Risks (F)
Funding / Demography Risks (F/D)
Administration / Regulatory Risks (A/R)
Governance Risks (G)

Since the risk register was last considered by the Pension Committee in February 2020, a number of changes have been made, which are all highlighted in yellow, with the new narrative being shown in bold red, in the attached updated risk register.

A new risk A/R5 has been entered on the risk register specifically relating to the COVID-19 pandemic. This is:

COVID-19 pandemic having a detrimental impact to the Pension Fund service provided to members and/or to the collections of pension fund contributions and implementation of new investments.

As shown in the risk register, with a combination of home working and socially distancing working within the office on a rota basis, the two pensions teams have been able to continue to deliver the core service.

All of the risk ratings within the risk register have been reviewed and the residual risk ratings for risks F1, relating to investment returns, F2, relating to the implementation of the long-term investment strategy, and F4, relating to the Pension Fund deficit, have been increased due to the impact of COVID-19.

Risk G5, relating to the lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS, has also increased with the residual risk rating of 16, i.e. a high residual risk.

This change has been made because the Finance Manager post remains vacant pending the appointment of a new Head of Pensions.

Unfortunately, the individual appointed to the Head of Pensions post declined the post for personal reasons. A second recruitment process has now commenced but, at the time of the update to this risk register, no appointment had been made. Although the Director of Finance is now taking a more "hands on" role in relation to pensions, some acting up arrangements have been implemented, and some external consultancy support is also being provided, it is felt that the absence of a Head of Pensions and a Finance Manager necessitates that the residual risk is now high.

Recommendation

That the Committee notes the risk register, and supports the inclusion of new risk A/R5 and the increase to the residual risk scores for risks F1, F2, F4 and G5.

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