

# Agenda Item 7

## Pension Committee

4 December 2020

### Review of the Pension Fund Risk Register

#### Report of the Head of Pensions

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 September 2020, a small number of further changes have been made, which are all highlighted in yellow. New or updated narrative is being shown in red, in the attached updated risk register.

In September 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, were increased due to the impact of COVID- 19. These risks currently remain at the increased level and will continually be monitored. A review of the Funds equity exposure is being recommended to Committee under agenda item 12 to ensure appropriate management of these ongoing risk items.

Risk G5, relating to the lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS, was also increased with the residual risk rating of 16, i.e. a high residual risk, in September. This risk has now been reduced as a result of the Head of Pensions taking up the role on 9 November 2020.

The residual risk for G5 has been reduced to a medium residual risk of 12, as the Finance Manager post remains vacant, but this risk should reduce further once this post has been recruited to.

# Agenda Item 7

Risks A/R 1.1 & 1.2, have been increased from a low (6) to a medium residual risk of 9.

The Pensions Committee had previously agreed an increase in resource for the Pensions Administration Team to deal with the 2014 CARE scheme.

Since the launch of the 2014 CARE scheme, the administration function is now also dealing with 'McCloud' and the 95k cap. Also, the Government are launching a pensions dashboard initiative which will also result in additional administrative requirements. Hymans outlined the potential impact of these issues on the administration function, to Committee in September 2020.

As requested by the Chair at the September 2020 Committee meeting, a review of resourcing requirements should be undertaken by the Head of Pensions. Therefore, these risks have been increased until the review has been undertaken. It is proposed that this review will be brought back to Committee in Q1 2021.

All of the remaining risk ratings within the risk register have been reviewed.

## **Recommendation**

That the Committee notes the risk register, and supports;

- the increase and proposed review in relation to risks A/R 1.1 & 1.2.
- the reduction in residual risk in relation to risk G5
- the continued increased position relating to residual risk ratings for risks F1, F2 & F4.

## **Contact Officer**

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