

## Pension Fund Risk Register

Committee

Pension Committee

Officer Reporting

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Papers with this report

Pension Fund Risk Register

### HEADLINES

The purpose of this report is to identify to the Pension Committee the main risks to the Pension Fund and to enable them to monitor and review going forward (see Appendix). There is one risk which is red.

### RECOMMENDATIONS

**That Pensions Committee consider the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks.**

### SUPPORTING INFORMATION

The specific risk matrix for the Pension Fund allows better classification of the risks than would be possible through the Council's standard risk matrix. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and by the potential damage that might be caused by an occurrence (impact). The risks are also RAG rated to identify level.

There are currently 13 risks being reported upon. Whilst there are many more risks which could be identified for the Fund, those identified are the most significant and those which are actively managed.

Each risk has been explained, along with details of the actions in place to mitigate that risk. The progress comment column provides the latest update in respect of the impact of those mitigating actions. The Direction of Travel (DOT) has also been included.

Pen 04 relating to increase in pay and price inflation and Pen05 relating to significant increase in inflation have been merged as requested by the Committee. As concern around inflation increases the likelihood grading has been increased from medium to significant with the rating changing from D2 to C2.

The title of Pen 09 has been changed to 'ESG' from 'Climate Change' to cover a comprehensive Responsible Investment agenda and align with the activities of the Committee and Responsible Investment policy. As concerns increase across a

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number of areas the likelihood rating has been increased, but it is felt that through the Fund's active approach the impact should be reduced. The risk rating has increased from E2 to D3.

What was formally Pen 09 – 'Failure to invest in appropriate investment vehicles as a result of MiFID II regulations in place from 3 January 2018' has been removed. Following the initial drive in 2017/2018 to ensure professional status was in place with all fund managers and relevant service providers, there has been no further activity in this area. Following the initial establishment of professional status there has been no further contact, actions, or checks by providers. Research indicates that new assessments would only take place on contract renewals. Any new one-off MiFID professional status checks would therefore be managed through the normal procurement and sign-up process, and as such are no longer seen as a risk.

Pen 11 – 'Failure of the pool in management of funds / access to funds' the impact rating has been reduced to reflect the Fund's pro-active approach to investment either inside or outside the LCIV Pool. As recently shown, the Fund has divested from the LCIV Income Fund ahead of any decision from LCIV. In addition, the Fund will invest outside of the Pool if a suitable product is not available. The rating has reduced from D2 to E4.

A new risk Pen 13 relating to governance has been added to the register to highlight the increased scrutiny and burden in this area, and to ensure consideration is given to the regulators' new Combined Code of Practice and Scheme Advisory Board Good Governance review. The initial rating has been given at E1 on the scoring matrix indicating a very large impact but low likelihood. Likelihood is based on Committee members undertaking the required training to ensure they have the requisite skills to discharge their duties.

There have been no other changes to existing ratings.

## **FINANCIAL IMPLICATIONS**

The financial implications are contained in the risk register attached.

## **LEGAL IMPLICATIONS**

The legal implications are contained in the risk register attached.