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Agenda

Name of meeting	LOCAL PENSION BOARD
Date	WEDNESDAY 5 APRIL 2023
Time	2.00 PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Board Members	Cllrs M Doyle (Chairman), N Cain, A Curzon, L Kingston, M Lilley, B Milton and T Ould
	Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

8 **Risk Management 3 - 30**

To receive and review the updated risk register.

CHRISTOPHER POTTER
Monitoring Officer
Tuesday, 28 March 2023

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Board Report

Committee	ISLE OF WIGHT LOCAL PENSION BOARD
Date	5 APRIL 2023
Title	PENSION FUND RISK REGISTER UPDATE
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report provides the pension board with the updated pension fund risk register following a detailed. It provides the board the opportunity to review the current position with regard to the pension fund's risks.
2. Following the board's review, the amended risk register will be presented to the pension fund committee for adoption.

RECOMMENDATION

3. That the Board agree the updated risk register. In particular:
 - (a) The closure of 17 additional risks.
 - (b) The creation of three new risks.
 - (c) The six red-rated risks
 - (d) The increase in risk score of two risks.
 - (e) The reduction in risk score of three risks.
 - (f) The unchanged score of the remaining 19 risks.
4. That the Board recommend adoption of the updated risk register to the pension fund committee.

BACKGROUND

5. Following the October 2023 meeting of the board, the risk register was presented to the pension fund committee meeting in November 2023. At that meeting the committee requested that the consolidated "pension fund resourcing risk" be disaggregated and revert to its previous two component risks, now renamed as "RESILIENCE (Key person risk)" and "CAPACITY (sufficient resources)".
6. Subsequently, the risk register has been reviewed in detail, and a number of risks of a similar nature, with matching mitigation actions, have been rationalised, hence reducing the total number of risks reported. All risk scores have been reviewed in accordance with the risk scoring methodology set out in appendix 4 to this report

7. The current summary risk register, showing the changes to risk scores since the last report to the board is presented at Appendix 1 to this report.

Table 1: changes to risk register

Total number of risks: October 2022	41
Closed for disaggregation	(1)
Reopened for disaggregation	2
Risks proposed to close	(16)
Proposed new risks	3
Total number of risks: March 2023	<u>29</u>

Table 2: risk register summary

	March 2023	October 2022
Red risks	6	3
Amber risks	9	17
Green risks	14	21
	<u>29</u>	<u>41</u>

Closed risks

8. Seventeen risks are recommended to be closed, with one being replaced by two previously closed risks, and the proposal to consolidate the remaining 16 into three new risks, as reported below.

Table 3: closed risks

Risk	Previous Score	Justification
Pension fund resourcing (NEW1)	15 RED	Replaced by former “Capacity” and “resilience” risks
Investment manager failure (I4)	10 AMBER	Combined into new risk “Investment Markets”
changes to national pension arrangements (A4)	9 AMBER	Combined into new risk “Changes to Legislation”
employer participation in LGPS (A5)	9 AMBER	Combined into new risk “Changes to Legislation”
External employers (F2)	9 AMBER	Combined into new risk “Employer Engagement”
Significant changes to an employer (A6)	8 AMBER	Combined into new risk “Employer Engagement”
compliance with legislation (A7)	8 AMBER	Combined into new risk “Changes to Legislation”
insufficient investment returns (I1)	5 GREEN	Combined into new risk “Investment Markets”
Gilt rates fall (I3)	5 GREEN	Combined into new risk “Investment Markets”
Active manager underperformance (I5)	5 GREEN	Combined into new risk “Investment Markets”
multiple asset class failure (I6)	5 GREEN	Combined into new risk “Investment Markets”
single asset class failure (I7)	5 GREEN	Combined into new risk “Investment Markets”
employer exits without funding (F10)	5 GREEN	Combined into new risk “Employer Engagement”
Orphaned employers (F3)	4 GREEN	Combined into new risk “Employer Engagement”

increasing early retirements (F7)	4 GREEN	Combined into new risk "Employer Engagement"
exit credit payable (F11)	4 GREEN	Combined into new risk "Employer Engagement"
failure to commission cessation valuation (F9)	2 GREEN	Combined into new risk "Employer Engagement"

9. Board members are asked to confirm the closure of the above risks.

New risks

10. Three new risks are proposed, arising from the combination of previous risks as detailed above:

Table 4: new risks

Risk	Score
Investment Markets (NEW 4)	5 GREEN
Employer engagement (NEW 5)	5 GREEN
Changes to legislation (NEW 6)	12 RED

11. The detailed risk register showing the description and consequences of these new risks and the proposed mitigation actions is presented as appendix 2 to this report.

12. Board members are asked to confirm the creation of the above risks.

Red risks

13. Following the latest review of the risk register, it is proposed that six risks are classified as the red-rated, the highest risk rating

Table 5: red rated risks

Risk	Current Score	Previous Score
RESILIENCE (Key person risk (G3))	15 RED	reopened
Cyber security (NEW 2)	15 RED	15 RED
ESG/RI and Climate Change (NEW 3)	12 RED	12 RED
Investment pooling (I11)	12 RED	5 GREEN
CAPACITY (Sufficient resources (A13))	12 RED	reopened
Changes to legislation (NEW 6)	12 RED	New

14. The detailed risk register showing the description and consequences of these red-rated risks and the proposed mitigation actions is presented as appendix 3 to this report.

15. Board members are asked to note the above red rated risks.

Increased risk scores

16. Following the most recent review, the following risks have been assessed as requiring an increased risk score

Table 6: increased risk scores

Risk	Current Score	Previous Score
Investment pooling (I11)	12 RED	5 GREEN
Pension Fund accounts (G9)	9 AMBER	5 GREEN

17. The investment pooling risk, the detail for which can be found in appendix 3 to this report, has been judged to now be a higher risk as a result of a cumulation of a number of smaller factors, including:
- The sale of the current operator, Link Fund Solutions, and the implications for the pool's current contract.
 - Uncertainties around the timing and cost implications for the transition of existing real estate holdings into the pool.
 - Accounting and governance issues with the implementation adviser for illiquid assets, MJ Hudson, delaying the next steps of illiquid assets transfer into the pool.
 - Issues raised in the Spring Budget 2023 around the acceleration of the timetable for pooling liquid assets, and the desire for pools to increase investments in illiquid assets such as venture and growth capital,
 - The anticipated consultation on the consolidation of existing pools into a smaller number of larger pools.
 - Increasing requirements for local officer resources to ensure engagement on all current issues with ACCESS.
18. The pension fund accounts risk score has been increased to reflect the increased likelihood of issues with the production and completion of the fund's accounts and annual report due to the following factors:
- (a) delays to the commencement of the 2021-22 external audit for the pension fund, fieldwork for which did not commence until December 2022.
 - (b) the significant delays to the completion of the council's external audit for 2021-22, meaning the fund's audit cannot be completed.
 - (c) The resulting non-compliance with the legislative duty to publish the annual report and accounts by 1 December.
 - (d) The potential for future delays and non-compliance due to issues with the external audit of the council.
 - (e) Increasing work pressures on current staff working on the pension fund's accounts.
19. Board members are asked to confirm the increased risks score for the above risks.

Reduced risk scores

20. The scores of three risks are proposed to be reduced, as summarised below:

Table 7: reduced risk scores

Risk	Current Score	Previous Score	Justification
Professional advice (G5)	6 GREEN	9 AMBER	<ul style="list-style-type: none"> • Triennial valuation completed, and investment strategy work has commenced. • Advisers' contracts monitored at each committee meeting.
Internal controls failure (G6)	6 GREEN	9 AMBER	<ul style="list-style-type: none"> • External auditors have indicated no matters to be raised from 2021-22 external audit

Pay and price
inflation (F1)

5 GREEN 9 AMBER

- 2022-23 internal audit has identified no significant findings.
- Triennial valuation completed, with 102% funding level.
- Pensions increase of 10.1% built into valuation modelling and cash flow forecasting.

21. Board members are asked to confirm the reduced risks score for the above risks.

STRATEGIC CONTEXT

22. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
23. Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For the Fund, those risks will come from a range of sources, including:
- the funding position.
 - investment pooling and investment performance.
 - scheme administration and membership movements.
 - management and administration costs.
 - General Data Protection Regulation (GDPR) and communications.
 - financial systems.
 - Central government legislation and regulation changes.
24. The Fund's aim is to embed risk management into its culture, processes and structure to ensure that risk-taking and innovation are balanced in order to maximise opportunities and that the committee, local pension board and senior fund officers understand their respective roles and responsibilities in the identification and management of risks.

Responding to climate change and enhancing the biosphere

25. One of the biggest risks that the pension fund must consider is the impact of its investments on the climate. There are some risks included on the risk register which address this area.

Economic Recovery and Reducing Poverty

26. The pension fund has in excess of 17,000 members, the significant majority of whom live on the Isle of Wight and all of whom are either current or former employees of Island organisations.
27. Ensuring the affordability of the pension scheme for employers and paying benefits to scheme members when they are due, contributes positively to the Island economy.

FINANCIAL / BUDGET IMPLICATIONS

28. Other than the costs incurred in developing the risk management policy and original drafting of the risk register, as reported at the 25 May 2022 committee meeting, there are no direct costs incurred with the monitoring and updating of the risk register.
29. Any costs incurred in implementing the actions to mitigate the risks will be recorded against the project to which they relate and will be reported to committee under those items.

LEGAL IMPLICATIONS

30. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
31. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council’s statutory duties in respect of the LGPS.
32. The Pensions Regulator’s Code of Practice 14 Governance and administration of public service pension schemes requires that the council, as administering authority for the Isle of Wight Council Pension Fund, establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
33. This risk register and associated risk management policy forms a key element of the fund’s compliance with the system of internal controls, ensuring the fund can meet its fiduciary duties.

EQUALITY AND DIVERSITY

34. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
35. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

36. It is the responsibility of Isle of Wight Council, as administering authority for the Isle of Wight Council Pension Fund, to ensure that the fund is properly governed and administered in compliance with relevant regulations and other requirements. The council has delegated this function to the pension fund committee, under section 101 of the Local Government Act 1972.

37. The fund's strategy in dealing with risk management is to:
- (a) identify key risks to the achievement of the fund's aims and objectives.
 - (b) assess the risks for likelihood and impact.
 - (c) identify mitigating controls that can be put in place.
 - (d) allocate responsibility for the mitigating controls.
 - (e) maintain a risk register detailing the risk features in a)-d) above.
 - (f) review and update the risk register on a regular basis.
 - (g) report the outcome of the review to the Pension Fund Committee at each committee meeting.
38. In addition to the Risk Management Policy the Fund has developed its risk register, which sets out the position in relation to each individual risk identified. Adopting the risk register, will ensure continued compliance with the requirements of the Pensions Regulator.
39. Further risks are likely to arise from future decisions taken by the Pension Committee, the ACCESS pool or from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.
40. Should the council fail to ensure appropriate systems of internal control the Pensions Regulator has the power to issue an improvement notice under section 13 of the Pensions Act 2004. This would have reputational issues for the council.

APPENDICES ATTACHED

- 41. Appendix 1 – Summary risk register at 27 March 2023.
- 42. Appendix 2 – New risks, full risk register at 27 March 2023.
- 43. Appendix 3 – Red risks, full risk register at 27 March 2023.
- 44. Appendix 4 – Risk scoring profile.

BACKGROUND PAPERS

- 45. Isle of Wight Council Pension Fund Risk Management Policy
[Risk Management Policy | Isle of Wight Pension Fund](#)

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Risks Under Service Area - Pension Fund

Risk	Assigned To	Current score: (27-Mar-23)	Review Date	Previous score: (04-Oct-22)	Change
RESILIENCE (Key person risk (G3))	Pension Fund Manager	15 RED	07/04/2023	CLOSED	REOPEN
Cyber security (NEW 2)	Pension Fund Manager	15 RED	31/05/2023	15 RED	=
ESG/RI and Climate Change (NEW 3)	Pension Fund Manager	12 RED	31/05/2023	12 RED	=
Investment pooling (I11)	Pension Fund Manager	12 RED	30/06/2023	5 GREEN	^
CAPACITY (Sufficient resources (A13))	Pension Fund Manager	12 RED	28/04/2023	CLOSED	REOPEN
Changes to legislation (NEW 6)	Pension Fund Manager	12 RED	31/05/2023	n/a	NEW
Governance arrangements (G1)	Pension Fund Manager	9 AMBER	30/06/2023	9 AMBER	=
mismatch between investment and funding strategies (G7)	Pension Fund Manager	9 AMBER	31/05/2023	9 AMBER	=
policy and decisions (G10)	Pension Fund Manager	9 AMBER	31/05/2023	9 AMBER	=
Pension Fund accounts (G9)	Pension Fund Manager	9 AMBER	31/05/2023	5 GREEN	^
Knowledge and understanding (G2)	Pension Fund Manager	8 AMBER	31/05/2023	8 AMBER	=
Communications (A1)	Pension Fund Manager	8 AMBER	30/06/2023	8 AMBER	=
Employer fails to pay contributions (A3)	Pension Fund Manager	8 AMBER	30/06/2023	8 AMBER	=
Employer fails to provide data (A8)	Pensions Manager (Admin)	8 AMBER	31/03/2023	8 AMBER	=
Longevity (F5)	Pension Fund Manager	8 AMBER	31/05/2023	8 AMBER	=
Professional advice (G5)	Pension Fund Manager	6 GREEN	30/06/2023	9 AMBER	v
Internal controls failure (G6)	Pension Fund Manager	6 GREEN	31/05/2023	9 AMBER	v
Investment Markets (NEW 4)	Pension Fund Manager	5 GREEN	31/05/2023	n/a	NEW
Employer engagement (NEW 5)	Pension Fund Manager	5 GREEN	30/06/2023	n/a	NEW
Pay and price inflation (F1)	Pension Fund Manager	5 GREEN	30/06/2023	9 AMBER	v
disclosure of information legislation (G8)	Pension Fund Manager	5 GREEN	31/05/2023	5 GREEN	=
Data quality (A2)	Pensions Manager (Admin)	5 GREEN	01/09/2023	5 GREEN	=
Assessment of benefit entitlements (A11)	Pensions Manager (Admin)	5 GREEN	31/03/2023	5 GREEN	=
Inappropriate long term investment strategy (I2)	Pension Fund Manager	5 GREEN	31/05/2023	5 GREEN	=
liquidity risk (I8)	Pension Fund Manager	5 GREEN	30/06/2023	5 GREEN	=
Other provider risks (I10)	Pension Fund Manager	5 GREEN	30/06/2023	5 GREEN	=
Freedom and Choice (F8)	Pensions Manager (Admin)	4 GREEN	31/03/2023	4 GREEN	=
Ceasing benefits (A9)	Pensions Manager (Admin)	2 GREEN	31/03/2023	2 GREEN	=
pandemic (all)	Pension Fund Manager	2 GREEN	31/05/2023	2 GREEN	=
Pension fund resourcing (NEW1)	Pension Fund Manager	CLOSED	25/11/2022	15 RED	CLOSED
Investment manager failure (I4)	Pension Fund Manager	CLOSED	25/11/2022	10 AMBER	CLOSED
changes to national pension arrangements (A4)	Pension Fund Manager	CLOSED	25/11/2022	9 AMBER	CLOSED
employer participation in LGPS (A5)	Pension Fund Manager	CLOSED	25/11/2022	9 AMBER	CLOSED

Risk	Assigned To	Current score: (27-Mar-23)	Review Date	Previous score: (04-Oct-22)	Change
External employers (F2)	Pension Fund Manager	CLOSED	25/11/2022	9 AMBER	CLOSED
Significant changes to an employer (A6)	Pension Fund Manager	CLOSED	25/11/2022	8 AMBER	CLOSED
compliance with legislation (A7)	Pension Fund Manager	CLOSED	25/11/2022	8 AMBER	CLOSED
insufficient investment returns (I1)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
Gilt rates fall (I3)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
Active manager underperformance (I5)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
multiple asset class failure (I6)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
single asset class failure (I7)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
employer exits without funding (F10)	Pension Fund Manager	CLOSED	30/12/2022	5 GREEN	CLOSED
Orphaned employers (F3)	Pension Fund Manager	CLOSED	25/11/2022	4 GREEN	CLOSED
increasing early retirements (F7)	Pension Fund Manager	CLOSED	25/11/2022	4 GREEN	CLOSED
exit credit payable (F11)	Pension Fund Manager	CLOSED	30/12/2022	4 GREEN	CLOSED
failure to commission cessation valuation (F9)	Pension Fund Manager	CLOSED	30/12/2022	2 GREEN	CLOSED

Pension Fund - Extract from Full Risk Register (3 new risks)

Financial Management - Technical Finance (Pension Fund)				
Risk: Investment Markets (NEW 4) (Id: 1301) - Assigned To: Pension Fund Manager				
Description: Investment strategy fails to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long term, due to any one or a combination of the following factors: - Fall in risk-free returns on Government Bonds - Collapse of investment manager, or its wilful negligence, fraud or default - Active investment manager under-performance relative to benchmark - Systemic failure of several asset classes and/or investment managers - Significant allocation to any single asset category and its underperformance relative to expectation. Consequence: - significant reduction in investment values and/or investment income. - loss of assets. - reduction in funding level - potentially higher employer contribution rates - reputational damage Review Date: 31/05/2023		Inherent Rating: 9 - Medium	Current Rating 5 - Low (27/03/2023)	Target Rating: 5 - Low
Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Advice will be taken from investment consultants should there be a need to transition assets from one investment manager to another, to ensure that out-of-market exposure and transition expenses are minimised.	0	31/03/2024	Pension Fund Manager	
investment portfolio diversified across a number of asset managers. independent investment consultants provide review of performance of portfolio as a whole, specific asset classes and individual fund managers at each committee meeting Any significant changes to the structure of the manager (including personnel, acquisitions, other activity) is reported to the committee. rolling quarterly action.	0	31/05/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Investment managers invited to attend pension committee meetings on a rolling cycle, which can be amended should issues with any manager arise. Managers are invited to present on current performance, actions for mitigations of poor performance (if necessary), views for the future, as well as ESG/RI issues. proposal for managers: May 23 = Partners (Infrastructure); Jul 23 = UBS (passive global); Nov23 = ACCESS/Link (pooling update); Feb24 = Baillie Gifford (DGF)	0	31/05/2023	Pension Fund Manager	
quarterly monitoring of interim funding level reported at each pension fund committee meeting linking to review of investment performance	0	31/05/2023	Pension Fund Manager	
Investment assets are held by custodian, in ringfenced accounts, to protect against investment manager default	0	31/05/2023	Pension Fund Manager	
pooled investment management agreements determined and monitored through ACCESS Support Unit and Link fund Solutions. monitored by officer working group and reported at each JC meeting. reported to each PFC meeting as part of performance review and reports back from ACCESS.	0	31/05/2023	Pension Fund Manager	
Assets invested on the basis of specialist advice, in a suitably diversified manner across assets classes, geographies, managers, etc. annual rolling review	0	31/05/2023	Pension Fund Manager	update 24-Mar-23: review of strategic asset allocation following 2022 valuation to be considered at 24 May 23 PFC.
review of investment strategy linked with every triennial valuation to ensure consistency of approach	0	25/05/2023	Pension Fund Manager	update 24-Mar-23: introduction to strategic asset allocation review presented at Nov22 PFC, high level recommendations to be complete for decision in May 2023. implementation thereafter
triennial valuation only anticipate long term returns on a relatively prudent basis to reduce risk of underperforming	75	31/03/2023	Pension Fund Manager	update 9-May-22: valuation assumptions discussed at meeting with Director of Finance on 5 May, to be presented at committee meeting on 25 May. final discount rate (asset outperformance assumption) will be confirmed once council's contribution modelling completed. Update 1-Jul-22: meeting on 21 June discussed council's contribution rate and discount factor. no concerns, final decision can be deferred until valuation results further progressed. update 4-Oct-22: discussion of whole fund results with s151 officer included consideration of current significant market volatility. Will also be included in committee report for November. update 24-Mar-23: valuation results reflect long term returns only. Mitigation complete once valuation results published.

Financial Management - Technical Finance (Pension Fund)

Risk: Employer engagement (NEW 5) (Id: 1302) - Assigned To: Pension Fund Manager

<p>Description: Administering Authority fails to engage with employers on a regular basis, meaning it is unaware of: - structural changes in employer membership (e.g. large fall in employee members, large number of retirements). - an employer closing to new entrants. - economic circumstances causing financial pressures on the employer. - outsourcing decisions from scheduled body. Employers may be unaware of impacts of changes to scheme regulations, etc.</p> <p>Consequence: - Inappropriate funding strategy set for that employer/group of employers; unaffordable contribution rates. - Employer could approach exit without notice, resulting in either significant unaffordable deficit due to the fund, or significant credit payable to employer. - Admission agreements not prepared and/or inappropriate employer contribution rates agreed. - Failure to commission cessation calculation on a timely basis. - Employer cannot meet its obligations, leading to increased risk/additional cost to other employers.</p> <p>Review Date: 30/06/2023</p>	<p>Inherent Rating:</p> <p>9 - Medium</p>	<p>Current Rating</p> <p>5 - Low (27/03/2023)</p>	<p>Target Rating:</p> <p>5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
The actuary may revise the rates and adjustments certificate to increase an employer's contributions between triennial valuations - policy created in FSS 2023	0	31/03/2026	Pension Fund Manager	
Cessation policy included in FSS 2023. Further, more detailed, policies to be developed: Exit credits; flexibilities on exit. Formal documentation of current practice to ensure employers aware of fund policies, and their options when it comes to exit planning	0	31/03/2025	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
outsourced contracts, whether the Council or one of the fund's scheduled employers is letting authority, tend to have a pass through arrangement whereby employer contribution rate is fixed for the new supplier for the duration of the contract, to give certainty on contract pricing. Engagement with council's procurement team ensures fund is made aware of potential outsourcings from the council. Need to develop engagement with College and academies for this purpose.	0	29/09/2023	Pension Fund Manager	
Regular contact maintained with admitted body employers with membership less than 5 to discuss planning for exit. Engagement as part of valuation process and at least every 6 months, or if membership numbers change.	0	30/06/2023	Pension Fund Manager	
Admin team to communicate with finance team if membership numbers change significantly during year. use of i-connect for monthly data submission by all employers will highlight significant changes in membership/participation, and will prompt engagement with that employer to determine circumstances.	0	30/06/2023	Pensions Manager (Admin)	
The Administering Authority has a close relationship with employing bodies and communicates required standards - e.g. for submission of data. rolling annual mitigation.	25	31/03/2023	Pensions Manager (Admin)	
Employer engagement as part of triennial valuation planning, sharing of draft results at early stage, meetings with those "non-standard" employers (community admission bodies, housing associations)	100	30/12/2022	Pension Fund Manager	update 24-Mar-23: this was completed as part of the 2022 valuation.

Financial Management - Technical Finance (Pension Fund)

Risk: Changes to legislation (NEW 6) (Id: 1304) - Assigned To: Pension Fund Manager

<p>Description: Fund is not aware of, or fails to adequately respond to, changes arising from central government and/or HMRC, including:</p> <ul style="list-style-type: none"> - changes from public sector report (McCloud) - changed to a particular type of employer in LGPS (e.g. academies) - Climate risk reporting - TPR General code <p>Consequence:</p> <ul style="list-style-type: none"> - incorrect assessment or payment of benefits - inappropriate information provided to stakeholders - increased complaints - impact on funding strategy for particular type of employer and/or fund as a whole. - impact on investment strategy. - non-compliance with legislation, regulations and/or codes of practice - reputational damage - potential financial penalties. <p>Review Date: 31/05/2023</p>	<p>Inherent Rating:</p> <p>12 - High</p>	<p>Current Rating</p> <p>12 - High</p> <p>(27/03/2023)</p>	<p>Target Rating:</p> <p>5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
McCloud remedy consultation delayed until early calendar year 2023.	25	31/10/2023	Pensions Manager (Admin)	update 9-Sep-22: Actuaries have factored in assumptions to valuation results, in line with government guidance. Data is being collected from employers - 86% of data requested has been received; 8%" analysed. Project report to each LPB meeting.
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
Take advice from Fund actuary on impact of changes on the Fund and amend strategies as appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: participating throughout 2022-23. restart reprogress for 2023-24
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: included in all meetings 2022-23. renewed focus in 2023-24
business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	0	31/03/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
training and development plans in place for all pension administration staff, identifying external events as well as in-house training. as part of annual PDR process.	100	30/06/2022	Pensions Manager (Admin)	update 16-May-2022: all administration staff have bespoke training plans in place, which are monitored as part of regular 1-2-1 meetings.

Pension Fund - Extract from Full Risk Register (6 red-rated risks)

Financial Management - Technical Finance (Pension Fund)					
Risk: RESILIENCE (Key person risk (G3)) (Id: 196) - Assigned To: Pension Fund Manager					
Description:			Inherent Rating:	Current Rating:	Target Rating:
reliance on key people, lack of supporting resource, single points of failure CLOSED 9 Sep 22: combined with A13 for NEW risk REOPENED 23Nov22 and renamed at request of committee Consequence: Severe disruption if key staff are absent for any period of time. Review Date: 07/04/2023			15 - Very High	15 - Very High (27/03/2023)	5 - Low
Mitigations / Actions	% Complete	Due Date	Assigned To	Update	
work force plan to be developed, using IWC model	0	26/05/2023	Pension Fund Manager	update 15-Mar-23: no progress on this, subject to outcome of structure review.	
Recruitment of three trainee posts to pensions administration team, to replace three resignations.	0	28/04/2023	Pensions Manager (Admin)		
Barnett Waddingham to present options report from structure review to Council's Corporate Management Team on 4 April 2023	0	04/04/2023	Pension Fund Manager		
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	100	31/08/2022	Pension Fund Manager	update 9-May-22: further competition launched via procurement portal to National LGPS Framework providers on 3 May. Deadline for submission of responses 24 May 2022; evaluation to be complete by 7 June, with award shortly thereafter and work to commence as soon as possible after award. update 30-May-22: 4 tender submission received by deadline - evaluation in progress. update 01-Jul-22: unable to identify preferred provider, so procurement process suspended 10 June 2022. Reworking of further competition documentation to be deferred until after award of custodian contract, so early August 2022,	
Financial Management staffing restructure changes Technical Finance Manager role to Pension Fund Manager, with 100% focus on Pension Fund. New cost centre to be created to separate Pension Fund Finance costs from mainstream Accountancy team.	100	01/04/2022	Pension Fund Manager	update 9-May-22: structure now implemented, cost centre created and budget transferred. costs to be monitored via Finance Mini Service Board monthly.	

Financial Management - Technical Finance (Pension Fund)

Risk: CAPACITY (Sufficient resources (A13)) (Id: 220) - Assigned To: Pension Fund Manager

Description:

Insufficient resources (staffing, financial) to deliver responsibilities - LGPS
 CLOSED 9-Sep-22: combined with G3 for NEW risk
 REOPENED 23-Nov-22 and renamed at request of committee

Consequence:

inability to pay benefits, unable to engage with stakeholders, inappropriate decisions, non-compliance with regulatory and best practice requirements

Review Date: 28/04/2023

Inherent Rating:

15 - Very High

Current Rating

12 - High

(27/03/2023)

Target Rating:

9 - Medium

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
succession planning for administration team	0	30/04/2023	Pensions Manager (Admin)	update 16-May-22: will be factored into output of operational structure review. Update 02-02-23 Due to be reviewed by CMT 7 March 2023. Update 16-03-23 review CMT pushed back to April.
next steps for structure review to be discussed between Chief Executive, Director of Finance and Director of Corporate Resources, including process for onward referral.	0	28/04/2023	Pension Fund Manager	
Ensure appropriate strategic planning is in place, identifying resource and budgetary needs and putting them in place as required	0	31/03/2023	Pension Fund Manager	
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	100	31/08/2022	Pension Fund Manager	update 9-May-22: further competition launched via procurement portal to National LGPS Framework providers on 3 May. Deadline for submission of responses 24 May 2022; evaluation to be complete by 7 June, with award shortly thereafter and work to commence as soon as possible after award. update 30-May-22: 4 tender submission received by deadline - evaluation in progress. update 01-Jul-22: unable to identify preferred provider, so procurement process suspended 10 June 2022. Reworking of further competition documentation to be deferred until after award of custodian contract, so early August 2022,

Financial Management - Technical Finance (Pension Fund)

Risk: Investment pooling (I11) (Id: 231) - Assigned To: Pension Fund Manager

<p>Description: ACCESS (investment asset pool) fails to meet Administering Authority's objectives or needs, through lack of appropriate sub-funds, additional costs, etc.</p> <p>Consequence: investments held outside pool, regulatory compliance, potential for government intervention, reputational issues</p> <p>Review Date: 30/06/2023</p>	<p>Inherent Rating: 12 - High</p>	<p>Current Rating 12 - High (27/03/2023)</p>	<p>Target Rating: 5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Rolling annual mitigation. Attendance at, and participation in, officer working groups at least monthly - covering investment sub-funds, illiquid asset investments, governance, etc.	0	30/06/2023	Pension Fund Manager	update 24-Mar-23: JMT active participation in main officer working group, EPT (for operator contract work), and Reporting sub-group (JEC). JMT attended all s151 meetings, and supported IWPF rep at all JC meetings. attendance at other working groups as and when possible. significant burden on single officer
Rolling annual mitigation. Chair of pension committee or named deputy attendance at quarterly Joint Committee meetings.	0	30/06/2023	Pension Fund Manager	update 9-May-22: Cllr Andre named as primary attendee for JC meetings, agreed by Cllr Jarman and monitoring officer. 2022-23 meetings: 6 Jun 22, 12 Sep 22, 5 Dec 22, 6 Mar 23 Update 9-Sep-22: Cllr Churchman now primary representative, Cllr Andre named deputy. Update 24-Mar-23: 100% participation in JC meetings.
as smallest fund, pressure on local budget from shared costs is greatest of all 11 ACCESS funds. Fund must be included in all governance and investment discussions to ensure our needs are reflected and our cost concerns are heard.	0	30/06/2023	Pension Fund Manager	update 9-Sep-22: active participation in officer meetings, and representation at Joint Committee meeting ensure our voice is heard. update 24-Mar-23: 100% representation at JC meetings in 2022-23, and active participation in discussions.
implementation of illiquid asset solutions subject to issues with adviser (MJ Hudson). Timing of transition of investments into new real estate solutions subject to market conditions, meaning it could be a very lengthy and potentially very expensive process. Uncertainty about when work on other illiquid classes will commence due to issues with MJH.	0	30/06/2023	Pension Fund Manager	update 24-Mar-23: UK real estate manager has been identified, but lack of clear understanding about the solution and transition plan is of concern

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
monitoring of government consultations, briefings, and updates from ACCESS Support Unit to ensure that fund is up-to-date with asset pooling developments and best placed to act when required	0	31/05/2023	Pension Fund Manager	update 9-May-22: DLUHC consultation on (among others) pooling and levelling-up expected to be issued in summer 2022. consultation will be shared with committee and board members for input. Update 24-Mar-23: Spring budget 2023 included details about potential consolidation of pools, fewer in number, larger in size. Consultation expected to be launched shortly, impact to be considered once consultation issued.
pool operator, Link Fund Solutions, business being sold by Australian parent group. Pool working with advisers (Hymans Robertson and Squire Patton Boggs) to ensure the proposed purchaser (Waystone Group) is suitable for ongoing relationship with underlying authorities	0	28/04/2023	Pension Fund Manager	update 24-Mar-23: negotiations between LFS and Waystone progressing. Assurance provided by advisers that, assuming negotiations conclude satisfactorily, there should be no significant disruption for the remaining duration of the current operator contract (march 2025)

Financial Management - Technical Finance (Pension Fund)

Risk: Cyber security (NEW 2) (Id: 1276) - Assigned To: Pension Fund Manager

Description:

A Cyber Security Incident is defined as:
 A Breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data or confidential information
 or
 An event having an actual adverse effect on the security of or unauthorised access to or use of, inability to access, loss or theft of, or malicious infection of network and information systems that reasonably may compromise the privacy or confidentiality, integrity, or availability of confidential information or personal data or the council's operating environment, services, network and information systems

Consequence:

Complete or significant Loss of data
 Unlawful release of personal data held by the Council to unauthorised third parties resulting in legal action/fines
 Loss of Council or individual staff members money through fraudulent transactions as a result of phishing
 Temporary or permanent disabling of key council ICT systems
 Other fraudulent activity
 Other breaches of GDPR

Review Date: 31/05/2023

Inherent Rating:	Current Rating	Target Rating:
15 - Very High	15 - Very High (27/03/2023)	13 - High

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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Review TPR single code of practice requirements for cyber risk considerations and ensure compliant. (NB TPR combined code expected to be launched Sept 2022)	25	07/04/2023	Pension Fund Manager	Update 15-Mar-23: TPR expect to launch "General Code" in spring 2023. but reviewing cyber processes against expectations set out in draft code issued for consultation. First steps = assessment of IWC and Heywood controls at board meeting on 4 April 2023
IWC cyber incident response plan has been obtained. To be reviewed for compatibility with pension fund needs, then used to create pension specific plan	0	31/03/2023	Pension Fund Manager	
Pension Fund specific disaster recovery/cyber incident response plan in place to ensure back-up systems are in place within an agreed timescale. Regularly reviewed and updated.	0	31/03/2023	Pension Fund Manager	
compliance with Council data security protocols and building access controls maintained. rolling annual mitigation	100	31/03/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Ensure appropriate training and awareness sessions provided to administration staff, other officers and members of the Pension Committee and Pension Board. monitored as part of annual PDR process and reported in pension fund annual report.	25	31/03/2023	Pension Fund Manager	
Cyber risk assessment tool (AON) to be completed, and action plan developed.	100	30/12/2022	Pension Fund Manager	update 9-Sep-22: access to tool currently blocked under IWC firewalls; incident reported to ICT 5/9/22 update 15-Mar-23: Cyber risk assessment tool completed and presented to Pension Board 26 October 2022. Actions identified to improve performance.
Financial Management - Technical Finance (Pension Fund)				
Risk: ESG/RI and Climate Change (NEW 3) (Id: 1277) - Assigned To: Pension Fund Manager				
Description: The fund fails to consider Environmental, Social and Governance risk factors, including climate change, when considering its investment strategy, funding strategy and reporting requirements. It also fails to engage with its investment managers (including the ACCESS pool) to ensure their climate risk processes align with those of the fund.		Inherent Rating: 12 - High		Current Rating 12 - High (27/03/2023)
Consequence: loss of returns through obsolete investments and/or stranded assets; reduction in funding level, higher employer contribution rates; reputational issues; non-compliance with legislation/regulations/reporting requirements.				Target Rating: 9 - Medium
Review Date: 31/05/2023				
Mitigations / Actions	% Complete	Due Date	Assigned To	Update
consider requirements of UK Stewardship code	0	29/03/2024	Pension Fund Manager	
ESG/RI workgroup established to review fund's current beliefs and statements to ensure fit for purpose.	25	30/06/2023	Pension Fund Manager	2 meetings held to date update 9-May-22: no meetings held since November 2021, due to officer capacity
Membership of LAPFF to improve engagement with investee companies. Reporting of engagement to be improved.	50	31/03/2023	Pension Fund Manager	
Fund has published responsible investment beliefs, set in 2019. To be reviewed to ensure still relevant and expanded where appropriate	0	31/03/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
fund commissioned ESG analysis and carbon footprint report in June 2021, which has informed some manager challenge, and will form baseline for future climate change actions.	0	31/03/2023	Pension Fund Manager	Update 9-May-22: consideration to be given to commissioning updated report for 2022-23. cost identified as £13k.
triennial valuation 2022 will model specific climate scenarios in determining likelihood of achieving funding targets, and setting contribution rates.	100	31/12/2022	Pension Fund Manager	update 4-Jul-22: assumptions for climate modelling agreed update 15-Mar-23: draft valuation report presented to pension committee on 8 February 2023. this included sensitivity analysis of results in three different climate scenarios.
ACCESS pool developing ESG/RI guidelines which should encompass all current statements from all 11 funds. Continued involvement in the development of those guidelines at officer and elected member level	100	25/11/2022	Pension Fund Manager	update 9-May-22: ACCESS ESG/RI guidelines were presented to elected member workshop on 27 April, with very few amendments proposed. Should be presented to 6 June 2022 JC meeting for onward recommendation. update 01-Jul-22: ACCESS JC meeting approved guidelines in principle. Next step, to build into local review of current statements. update 15-Mar-23: ACCESS JC formally recommended that guidelines be considered by local funds.
respond to DLUHC "Governance and reporting of climate change risks" consultation (issued 1 Sep. 22); develop action plan to ensure compliance with expected regulations. Reporting required for 2023-24 year, by 1 December 2024.	100	24/11/2022	Pension Fund Manager	Update 15-Mar-23: consultation response submitted 24 November 2022. Government have not yet issued their response, nor the regulations which enforce the requirements.

Financial Management - Technical Finance (Pension Fund)

Risk: Changes to legislation (NEW 6) (Id: 1304) - Assigned To: Pension Fund Manager

Description:

Fund is not aware of, or fails to adequately respond to, changes arising from central government and/or HMRC, including:

- changes from public sector report (McCloud)
- changed to a particular type of employer in LGPS (e.g. academies)
- Climate risk reporting
- TPR General code

Consequence:

- incorrect assessment or payment of benefits
- inappropriate information provided to stakeholders
- increased complaints
- impact on funding strategy for particular type of employer and/or fund as a whole.
- impact on investment strategy.
- non-compliance with legislation, regulations and/or codes of practice
- reputational damage
- potential financial penalties.

Review Date: 31/05/2023

Inherent Rating:

12 - High

Current Rating

12 - High

(27/03/2023)

Target Rating:

5 - Low

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
McCloud remedy consultation delayed until early calendar year 2023.	25	31/10/2023	Pensions Manager (Admin)	update 9-Sep-22: Actuaries have factored in assumptions to valuation results, in line with government guidance. Data is being collected from employers - 86% of data requested has been received; 8% analysed. Project report to each LPB meeting. update 3-Oct-22: Data from employers now 92% received and 81% analysed. Report to LPB on 26th October 2022 confirming these figures. Update 31-Oct-22: Data from employers now 92% received and 88% analysed.
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
Take advice from Fund actuary on impact of changes on the Fund and amend strategies as appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: participating throughout 2022-23. restart reprogress for 2023-24

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: included in all meetings 2022-23. renewed focus in 2023-24
business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	0	31/03/2023	Pension Fund Manager	
training and development plans in place for all pension administration staff, identifying external events as well as in-house training. as part of annual PDR process.	100	30/06/2022	Pensions Manager (Admin)	update 16-May-2022: all administration staff have bespoke training plans in place, which are monitored as part of regular 1-2-1 meetings.

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Appendix 2 - Risk Prioritisation Matrix

Likelihood/Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 <u>VERY HIGH</u>
	3 Likely	4 Low	8 Medium	12 High	15 <u>VERY HIGH</u>
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
	Scale	1 Low	2 Medium	3 High	4 Major
Impact/Severity					

15 - 16	Red	V. high risk
12 - 14	Red	High risk
7 - 11	Amber	Medium risk
1 - 6	Green	Low risk

Likelihood/Probability Criteria

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered - daily/weekly/monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

Impact/Severity Criteria

Factor	Scale	Effect on Service	Embarrassment/reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or several people	All personal details compromised/revealed	Litigation/claims/fines from Departmental £250k + Corporate £500k +	Costing over £500,000	Complete failure of project/ extreme delay – 3 months or more
High	3	Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual details compromised/revealed	Litigation/claims/fines from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Medium	2	Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual details compromised/revealed	Litigation/claims/fines from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual detail compromised/revealed	Litigation/claims/fines from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000	Minimal impact to project/ slight delay less than 2 weeks