



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 NOVEMBER 2021
Title	ADOPTION OF RISK MANAGEMENT POLICY
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report presents the revised Risk Management Policy for the Isle of Wight Council Pension Fund (the fund).
2. The policy has been independently reviewed by the fund's governance adviser, Hymans Robertson LLP, who have recommended amendments to ensure the fund reflects best practice.
3. The committee is asked to agree the changes to the risk management policy and approve it for publication on the fund's website and for inclusion in the fund's annual report and accounts.

BACKGROUND

4. This policy outlines the fund's approach to identifying and managing risks and forms a key part of its internal controls.
5. The fund's Risk Management Policy was adopted by the pension fund committee in December 2019. As part of the fund's governance arrangements, it is a requirement that all policies and strategies are subject to regular review. The annual review scheduled for December 2020 was initially delayed due to competing priorities and subsequently the Covid-19 pandemic crisis.
6. The revised Risk Management Policy is presented in full as Appendix 1 to this report.
7. The review undertaken by Hymans Robertson has not found any significant weaknesses within the existing policy. Any changes being suggested are, for the most part, minor and bring the document up to date.
8. The most substantive changes recommended to the policy focus on accountability and the roles and responsibilities of the Pension Fund Committee and senior fund officers in ensuring the importance of risk management is understood and the policy appropriately enforced. The revised policy also draws out the specific accountability

for the fund's Section 151 Officer for ensuring all required actions are taken and issues reported to the Committee. The approach to identifying, analysing and evaluating risk have otherwise remained unchanged.

9. A full list of changes made to the risk management policy is included at appendix 2 to this report.

STRATEGIC CONTEXT

10. 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.
11. 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.
12. The primary objective of the fund is to pay benefits to scheme members or their dependants in accordance with the Local Government Pension Scheme (LGPS) Regulations and other statutory provisions. The Risk Management Policy, together with a supporting risk register, forms part of the fund's key internal controls required by the Pensions Regulator to ensure this primary objective can be met.
13. 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.
14. 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.
15. In addition to the Risk Management Policy the Fund is also developing its risk register, which will set out the position in relation to each individual risks identified. The reporting of progress against the risk register will form a regular agenda item at future committee meetings, once it has been agreed and signed off by the committee.

CONSULTATION

16. Consultation with appropriate officers of the council has been undertaken. The risk register, once finalised, will also be a standard agenda item at each future meeting of both committee and board.

FINANCIAL / BUDGET IMPLICATIONS

17. There are no direct financial implications in adopting the amendments to this policy.

LEGAL IMPLICATIONS

18. 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.
19. This 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

20. 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.
21. There are no implications on any of the protected characteristics arising from the proposed changes to the risk management policy.

RISK MANAGEMENT

22. 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.
23. Adopting the revisions to this policy, relevant to all pension schemes for which the council is responsible, will ensure continued compliance with the requirements of the Pensions Regulator.
24. 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.

RECOMMENDATION

25. That the changes to the Risk Management Policy be approved for publication on the fund's website and for inclusion in the fund's annual report and accounts.

APPENDICES ATTACHED

26. Appendix 1: Isle of Wight Council Pension Fund Risk Management Policy 2021.
27. Appendix 2: Changes to the risk management policy.

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