



Purpose: For Decision

Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	25 MAY 2022
Title	ADOPTION OF PENSION FUND RISK REGISTER
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report presents the first draft of the Isle of Wight Council Pension Fund risk register for the committee's consideration and adoption.
2. On adoption, the summary risk register, all high rated "red" risks and those risks where the scoring has changed will be reported to each future pension fund committee and local pension board meeting.

RECOMMENDATION

3. That the committee adopt the draft risk register.
4. That the committee agree to receive the summary risk register (as at Appendix 1), showing changes from the previous report, at each future committee meeting.
5. That the committee request a detailed report on progress against all "red" risks at each future meeting.

CONFIDENTIAL / EXEMPT ITEMS

6. The main body of this report is not considered exempt from disclosure, but the appendices are deemed to be exempt from disclosure by virtue of paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) as it "relates to financial or business affairs of any particular person", (including the authority holding that information). The public interest in maintaining confidentiality outweighs the public interest in disclosing it.

BACKGROUND

7. Risk is the threat that an event or action may adversely affect the Fund's ability to achieve its objectives. A risk can be a threat, obstacle, barrier, concern, problem or event.

8. Risk management is the process of identifying, evaluating and prioritising such risks and identifying actions to minimise, monitor and control the impact of the risks.
9. The fund's Risk Management Policy was adopted by the pension fund committee at its meeting on 24 November 2021. At that meeting it was agreed that the risk register would be created and presented in due course for adoption.
10. The draft risk register has been created in conjunction with the fund's governance consultants, Hymans Robertson, with risk scoring and mitigation actions drafted by the Pension Fund Manager in discussion with other fund staff and advisers.
11. The administration risks, including scoring and mitigation actions, have been reviewed and agreed by the Pensions Manager.
12. The investment risks have been reviewed by the fund's investment consultants, Hymans Robertson.
13. The Local Pension Board received the full draft risk register for review and comment at their meeting on 6 April 2022. Their comments have been incorporated into the draft risk register which is presented with this report.
14. The current draft of the risk register, presented in summary at Appendix 1 to this report, contains 47 risks covering all aspects of the fund's operation:

Governance	11
Administration	13
Investment	12
Funding	11
Pandemic	1
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	48
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The full draft register including mitigating actions is presented at Appendix 2.

15. The risk scoring matrix from which the risk scores have been derived is shown below:

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

15-16	Red	Very High Risk
12-14	Red	High Risk
7-11	Amber	Medium Risk
1-6	Green	Low Risk

16. The current risks scores of the 47 risks presented in the appendices to this report are summarised below:

15-16	Very High Risk	1
12-14	High Risk	8
7-11	Medium Risk	17
1-6	Low Risk	22
		48

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

17. Within the [Corporate Plan 2021 – 2025](#) there are key areas of activity that will be our main areas of focus for the lifetime of this plan which will need to be central to everything we do as a council. While the operation of the pension fund does not specifically contribute to the council’s Corporate Plan, many of the priority areas are covered in the risk register.

Responding to climate change and enhancing the biosphere

18. 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

19. The pension fund has in excess of 16,000 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.

20. 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.

Pension Fund Strategic Aims

21. 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.
22. 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.
23. 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.

CONSULTATION

24. As outlined above, the risk register has been created in conjunction with the fund's advisers and has been reviewed at an operational level by fund staff. It has also been presented to the Local Pension Board for their comment.

FINANCIAL / BUDGET IMPLICATIONS

25. The costs incurred by the fund in drafting the risk register relate to consultancy costs. These cost of approximately £4,000 are borne by the pension fund.

LEGAL IMPLICATIONS

26. 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.
27. 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

28. 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.
29. Adoption of the risk register has no implications on any of the protected characteristics.

RISK MANAGEMENT

30. 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.
31. 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.
32. In addition to the Risk Management Policy the Fund has developed its risk register, which sets out the position in relation to each individual risks identified. Adopting the risk register, will ensure continued compliance with the requirements of the Pensions Regulator.
33. 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.
34. 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.
35. Once it has been agreed and signed off by the committee, the risk register, including any changes to the internal controls, will be a standing item on future Pension Fund Committee and Local Pension Board agendas and updates provided on a quarterly basis.

APPENDICES ATTACHED

36. Appendix 1 (CONFIDENTIAL) – summary draft risk register.
37. Appendix 2 (CONFIDENTIAL) – detailed draft risk register.

BACKGROUND PAPERS

38. Isle of Wight Council Pension Fund Risk Management Policy
<https://iow.moderngov.co.uk/documents/s6260/ITEM%208%20Appendix%201%20-%20IWCPF%20Risk%20Management%20Policy%202021%20v2.1.pdf>

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