



Purpose: For Information

Committee report

Committee	PENSION FUND COMMITTEE
Date	27 JULY 2022
Title	PENSION FUND RISK REGISTER
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report provides the pension fund committee with an update on the pension fund risk register following its review by the local pension board at their meeting on 15 June 2022.

RECOMMENDATION

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| 2. That the committee note the report from the pension board on the updated risk register. |
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BACKGROUND

3. The fund's Risk Management Policy was adopted by the pension fund committee at its meeting on 24 November 2021.
4. At the pension fund committee meeting on 25 May 2022, the committee adopted the Isle of Wight Council Pension Fund risk register and agreed that the Local Pension Board be asked to maintain oversight of the risk management framework and risk register, to be reported to the committee at each future meeting.
5. The pension board reviewed the risk register at its meeting on 15 June 2022. The report presented to the board is linked in the background papers to this report.
6. The summary risk register, as presented to the board but with updated commentary to 4 July 2022, is included as at Appendix 1 to this report, contains 48 risks covering all aspects of the fund's operation.
7. There have been no scoring changes since the board meeting or since the last report the pension fund committee, only updates to commentary on the mitigation actions.

Red rated risks

8. There are currently 9 risks rated red, with one of those having a “very high” risk score – the key person risk. The board expressed concern over the issues of staffing capacity, resilience, and continuity planning and requested an update on the proposed structure review be presented at their next meeting in October 2022.
9. Each of these risks and their associated mitigation actions is presented in detail at Appendix 2.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Responding to climate change and enhancing the biosphere

10. 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

11. 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.
12. 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.

Corporate Aims

13. Other than those items listed above, there is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#).

Pension Fund Strategic Aims

14. 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.
15. 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.

16. 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

17. As confirmed at the committee meeting on 25 May 2022, the pension board has been tasked with maintaining oversight of the risk management framework and risk register. Each board meeting receives a report on the risk register and changes made. Minutes from the board meetings record the discussions, and the subsequent report to pension committee includes those comments.

FINANCIAL / BUDGET IMPLICATIONS

18. 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.
19. 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

20. 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".
21. 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.
22. 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.
23. 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

24. 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.

25. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

26. 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.
27. 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.
28. 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.
29. 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.
30. 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

31. Appendix 1 – Summary risk register at 5 July 2022.
32. Appendix 2 – Detailed risk register: red risks.
33. Appendix 3 – Risk scoring profile.

BACKGROUND PAPERS

34. 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>

35. Local Pension Board, 15 June 2022 Item 8: Risk Management - risk register
<https://iow.moderngov.co.uk/documents/s8278/ITEM%208%20-%20Risk%20Register%20Update.pdf>

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