

Report Title:	<b>Risk Reporting</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 18 September 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

## **REPORT SUMMARY**

A risk register is brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report deals with the regular reporting of the revised risk register to the Pension Fund Committee in line with the Risk Management policy approved on 13 March 2023.

The Fund has adopted the 2018 CIPFA risk management framework “Managing risk in the Local Government Pension Scheme”.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Pension Fund Committee notes the report;

- i) Approves the updated risk register for publication including any changes since the last approval date, suggesting amendments as required.**

### **2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

- 2.1. The Scheme Manager (The Royal Borough of Windsor and Maidenhead as the Administering Authority for the Fund) has a statutory duty to establish and operate risk controls. Failure to implement an adequate and appropriate risk assessment policy and risk register could lead to breaches of law. Where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant, the Pension Regulator (tPR) must be notified in accordance with the Scheme Manager’s policy on reporting breaches of the law.
- 2.2. As a live document, this risk register (attached at Appendix 1) is kept under review and shall be presented to and reviewed by the Local Pension Board and the Pension Fund Committee on a quarterly basis.
- 2.3. There are 47 risks in total identified in this quarter’s risk register, compared to 49 last quarter. 3 risks have been removed or merged and one has been added.

- 2.4. Key changes from the last date of approval (additions, removals, significant changes to mitigations and/or risk scores) are brought to the Committee's attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):
- 2.4.1. PEN001 – Moved from trending down to trending sideways as there is recognition that yields (measure of future risk-adjusted returns) are increasing but offset by the recognition of increased climate transition and physical risks.
  - 2.4.2. PEN002 – Moved from trending up to trending sideways as geopolitical tensions are still elevated but relatively constant since last quarter.
  - 2.4.3. PREVIOUSLY PEN003 – Removed Brexit as a standalone risk as it has now been over 6 years since the referendum. The risk is generally covered elsewhere.
  - 2.4.4. RENUMBERED PEN005 – Increased reputation impact score from 1 to 2, increased post-mitigation likelihood of occurrence from 1 to 2, and moved from trending sideways to trending up. All in recognition that an increased rate environment is putting greater strain on private businesses.
  - 2.4.5. NEW PEN007 – New risk added to recognise the risks facing the fund associated with physical and transition related climate risks. This risk is recognised already elsewhere on the register, but categorising it separately enables us to associate likelihood and impact scores and monitor its trend over time. This also reflect the fact that we specifically analyse climate risk through the triennial valuation process now.
  - 2.4.6. PEN008 – Moved from trending up to trending sideways, as mortality rate tables appear not to have undergone any significant variation sine last quarter.
  - 2.4.7. PREVIOUSLY PEN009 – This risk has been consolidated with PEN008 in recognition that two separate risks was not required to account for mortality risk. The risk of mortality rate changes in both directions, including the use of our longevity insurance contract, can be fully recognised in a single risk item.
  - 2.4.8. RENUMBERED PEN010 – Moved from trending sideways to up, recognising that longer-term inflation projections are higher.
  - 2.4.9. RENUMBERED PEN013 – Moved from trending down to trending up, recognising that discount rates have decreased, asset values have underperformed, and longer-term inflation projections have increased, putting increased pressure on both Primary and Secondary employers' contributions.
  - 2.4.10. RENUMBERED PEN016 – Added additional treatment measure around educating members on benefits of LGPS membership.

- 2.4.11. RENUMBERED PEN018 – Added treatment measure to reference the Fund’s new pass-through provisions from 1 April 2023 and reduced the pre-mitigation impact score following results of covenant analysis which concluded that the risk of employer failure is likely to be immaterial to the Fund overall.
  - 2.4.12. RENUMBERED PEN018 – Added treatment measure to reference triennial covenant assessment of all employers.
  - 2.4.13. RENUMBERED PEN024 – Moved from trending sideways to trending up as McCloud remedy is expected to be in effect from 1 October 2023. Also added treatment measure of increasing headcount to support this.
  - 2.4.14. RENUMBERED PEN026 – Moved from trending down to trending up, increased likelihood of occurrence before mitigations from 2 to 3 and increased after-mitigation likelihood from 1 to 2, also amended text to focus on general breach of regulations not just those relating to payments. All changes are with respect to the McCloud remedy and the Fund’s preparedness for this.
  - 2.4.15. RENUMBERED PEN034 – Moved from trending down to trending sideways, as recent personnel changes have resulted in loss of institutional knowledge and experience.
  - 2.4.16. RENUMBERED PEN044 – Moved from trending sideways to trending up, changed reputation impact from 1 to 3, likelihood pre-mitigation from 3 to 4 and post-mitigation likelihood from 2 to 3. All due to McCloud remedy implementation imminent and the Fund’s preparedness for this.
  - 2.4.17. RENUMBERED PEN044 – Amended wording so that risk focuses on the Fund’s compliance with its statutory policies, as compliance with legislation is covered elsewhere.
  - 2.4.18. REMOVED PEN049 – Removed risk, recognising that all investment manager liaison is delegated to LPPI and there is no intention for this to change. Thus, the Fund’s MIFID 2 election status is not of practical importance.
- 2.5. All risks that have been removed, from September 2023, are disclosed in the Risk Register for information purposes.

### **3. KEY IMPLICATIONS**

- 3.1. Failure to maintain and keep under review the Pension Fund’s key risks could lead to a loss in confidence and sanctions being imposed by the Pensions Regulator where failings are deemed to be materially significant for the Pension Fund and its stakeholders.

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1. Failure to monitor identified risks and to implement appropriate strategies to counteract those risks could lead to an increased Fund deficit resulting in employers having to pay more.

#### **5. LEGAL IMPLICATIONS**

- 5.1. The Administering Authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge.

#### **6. RISK MANAGEMENT**

- 6.1. The risk register is attached at Appendix 1 to this report, it is reviewed quarterly by the Pension Board and the Pension Fund Committee and updated regularly by officers to ensure all risks are appropriately documented and mitigated where possible.

#### **7. POTENTIAL IMPACTS**

- 7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2. Equalities. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. An Equality Impact Assessment (EQIA) screening exercise has been completed and approved in respect of this report and shared with the RBWM Equalities team. It has been determined through the EQIA screening that a full EQIA is not required and is therefore not appended with this report.
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

#### **8. CONSULTATION**

- 8.1. No specific formal consultation since the date of last review, however, Committee members and Pension Board members undertook a detailed annual review session in January 2022 followed by a risk appetite statement review and training session on 21 April 2022 during the development of the Risk Management Policy previously approved on 4 July 2022, which the appended risk register is consistent with. The Fund's external advisors have been consulted in developing the revised Risk Management Policy.

## 9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

## 10. APPENDICES

10.1. This report is supported by 1 Appendix:

- Appendix 1 – Risk Register

## 11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Elizabeth Griffiths	Executive Director of Resources (Section 151 officer)	n/a	n/a
Elaine Browne	Deputy Director of Law and Governance (Monitoring Officer)	30/08/2023	
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy Section 151 officer)	30/08/2023	01/09/2023
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	30/08/2023	
<i>Other consultees:</i>			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	30/08/2023	
Alan Cross	Chairman – Local Pension Board	30/08/2023	06/09/2023

## 13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund