

Report to: Pension Committee

Date of meeting: 27 May 2022

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS: The Pension Board is recommended to:

- 1) Endorse the removal of Risk A4 - Risk on Dissolution of Business Operations from Orbis to ESCC
 - 2) Endorse the removal of Risk A6 - Major Incident preventing staff access to office
 - 3) Endorse the increased risk rating of Risks I5 for Funding risk due to higher inflation and I10 - External Fraud
 - 4) Endorse if there are any further risks to include on the risk register
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1. Background

1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 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 a pension fund, those risks will come from a range of sources, including the funding position, Local Government Pension Scheme (LGPS) Pooling, General Data Protection Regulation (GDPR), investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

1.3 Since the last meeting of the Pension Board and Pension Committee, officers have continued to review the Risk Register to ensure all appropriate risks and mitigations have been identified.

1.4 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risk to be eliminated. In these cases, a level of risk is tolerated and kept under review.

2. Supporting Information

2.1 The Risk Register is included at **Appendix 1**.

3 Changes to the Risk Register

3.1 Amendment to Risk I10 – External Fraud. Officers are having ongoing discussions regarding the provision of tracing services for both deferred members and deceased pensioners. Whilst some measures are in place to allow for the identification of incorrect addresses and deceased members the Fund has been operating without the full range of expected services since April 2021. A contract with a third-party provider was envisaged to take effect from 1 January 2022, however challenges have emerged in signing the contract since the preferred bidder was selected. As the contract was not signed following a late request for changes by the provider this has put the sending of Annual Benefit Statements to the correct deferred member addresses at risk. Risk I10 addressed external fraud risk including identification of deceased members, so this risk has been increased and further information provided. It is of note that this will not stop Annual Benefit Statements being produced. There is also a risk of a delay in identifying deceased members, meaning the Fund could pay pensions longer than it should.

3.2 Whilst concerns have been raised about some of the proposed contract terms, namely around potential liability that would be passed to the Fund, it has been established that there is a greater risk in not signing the contract than signing with the disputed terms. This is because of the relatively low risk of attracting liability for breach of terms of accessing data from central government sources.

3.3 Officers recommend risk A4 – Risk on Dissolution of Business Operations from Orbis to ESCC is withdrawn from the risk register as this has now successfully been brought in house. There is no further risk anticipated from this dissolution.

3.4 Officers recommend risk A6 - Major Incident preventing staff access to office is withdrawn from the risk register as the Fund works primarily away from the office now instead this should form part of the Business Continuity Plan.

3.5 Officers have increased the likelihood and impact on risk I5 for Funding risk due to higher inflation, due to the current economic climate and anticipated inflation in the short and medium term.

3.6 Changes to wording throughout the register on risk controls and responses. These are all highlighted in green text where the wording is new or updated.

4. Conclusion

4.1 Pension Board is recommended to consider and endorse the removal of two redundant risks A4 and A6 and consider and endorse the revised risk rating for I8 and I5.

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