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## **PENSION FUND RISK REGISTER UPDATE**

**Report by Chief Officer Audit & Risk**

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### **JOINT PENSION FUND COMMITTEE AND PENSION BOARD**

**4 March 2024**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to provide the Members of the Pension Fund Committee and Pension Board with an update on the review of the refreshed Pension Fund Risk Register.**
- 1.2 Effective Risk Management is one of the foundations of effective governance of the Pension Fund. It requires a coherent approach to the management of risks that it faces every day through the identification, analysis, evaluation, control and monitoring of risks linked to the business plans and activities of the Pension Fund.
- 1.3 At the joint meetings of the Pension Fund Committee and Pension Board during 2023, the following risk management items were agreed:
  - (a) 21 March 2023 - proposal to refresh the Pension Fund Risk Register and the associated approach and timetable;
  - (b) 22 September 2023 – progress update on the proposals to amalgamate and re-categorise the risks on a more manageable scale; and
  - (c) 12 December 2023 – progress estimated at 80% with a summary of the refreshed Pension Fund Risk Register.
- 1.4 This report provides the outcome of the full formal review of the risks in the refreshed Pension Fund Risk Register and outlines the next steps.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Pension Fund Committee:**
  - a) Acknowledges the full formal review of the risks in the refreshed Pension Fund Risk Register;**
  - b) Approves the refreshed Pension Fund Risk Register set out in Appendix 1; and**
  - c) Notes that quarterly Pension Fund Risk Register updates will be presented to the joint meetings of the Committee and Board.**








### **3 BACKGROUND**

- 3.1 Effective Risk Management is one of the foundations of effective governance of the Pension Fund. It requires a coherent approach to the management of risks that it faces every day through the identification, analysis, evaluation, control and monitoring of risks linked to the business plans and activities of the Pension Fund.
- 3.2 At the joint meeting of the Pension Fund Committee and Pension Board on 21 March 2023, the proposal to refresh the Pension Fund Risk Register and the associated approach and timetable were agreed.
- 3.3 At the joint meeting of the Pension Fund Committee and Pension Board on 22 September 2023, the refreshed Pension Fund Risk Register arising from the proposals to amalgamate and re-categorise the risks on a more manageable scale was approved.
- 3.4 At the joint meeting of the Pension Fund Committee and Pension Board on 12 December 2023, a summary of the refreshed Pension Fund Risk Register was presented, estimating that approximately 80% of the Risk Review activity was complete as at 23 November 2023. The outcome of the refresh was the reduction in the number of risks on the Pension Fund Risk Register from 51 risks to 17 risks through mostly amalgamation, and some removal, of risks within the following Categories: Funding; Investment; Administration; Governance; and National Policy / Regulations.

### **4 RECENT RISK REGISTER REVIEW ACTIVITY**

- 4.1 Since the Pension Fund Risk Register Update report was presented on 12 December 2023, the Chief Officer Audit & Risk and the Corporate Risk Officer have completed the remaining elements of the amalgamation of a number of risks, removal of risks outwith its control, and re-categorisation of the remaining risks within the refreshed Pension Fund Risk Register. This has continued to be a significant undertaking, requiring research and learning along the way.
- 4.2 Thereafter, formal risk reviews by the Risk Owners i.e. the Director of Finance & Procurement, Director People Performance & Change, and HR Shared Services Manager, associated with the 17 risks on the refreshed Pension Fund Risk Register were facilitated by the Chief Officer Audit & Risk and the Corporate Risk Officer.
- 4.3 The formal risk review for each of the risks has taken account of the amended or enhanced risk descriptions, and common risk factors/causes, consequences, and control measures to avoid duplication. These have been used to assess the effectiveness of each control measure in mitigating the impact and/or likelihood of the risk materialising, and in turn evaluating the current risk score. Where the assessment of the control measure is deemed to not be fully effective, further risk mitigation actions have been identified for implementation by relevant officers within realistic timescales. It was noted that some of the improvements within the Governance Review and Stewardship Code Action Plan will indeed be further mitigation actions.

- 4.4 The following table summarises the risk categorisation and risk ratings from the refreshed Pension Fund Risk Register, the details of which are shown in Appendix 1 for information and formal approval.

<b>Category</b>	<b>Number</b>	<b>Risk Ratings</b>
Funding	3	3 x 
Investment	3	2 x  and 1 x 
Administration	5	4 x  and 1 x 
Governance	3	3 x 
National Policy / Regulations	3	3 x 
<b>Total</b>	<b>17</b>	

## **5 RISK MANAGEMENT NEXT STEPS 2024/25**

- 5.1 The Corporate Risk Officer will upload the Pension Fund Risk Register into the Council's performance and risk management system (Ideagen – formerly Pentana). This will provide benefits in the recording, and routine risk review, monitoring and reporting of risks. It should be noted that the presentation format of the Pension Fund Risk Register will look different in future using reports generated from the Ideagen system, whilst the core elements of managing risks will remain the same.
- 5.2 The Risk Programme of Work for the Corporate Risk Officer in 2024/25 will continue to be developed on a quarterly rolling basis to incorporate the cycle of Pension Fund Risk Register reviews by the Risk Owners (in accordance with Pension Fund Risk Management Policy and Strategy, subject to its approval at 4 March 2024 meeting).
- 5.3 The Pension Fund Risk Register reporting activity will be aligned to the cycle of business to be considered at the joint meetings of the Committee and Board (in accordance with Pension Fund Risk Management Policy and Strategy, subject to its approval at 4 March 2024 meeting).
- 5.4 Subject to the approval of Pension Fund Risk Management Policy and Strategy at 4 March 2024 meeting, the Chief Officer Audit & Risk and the Corporate Risk Officer will prepare and deliver Risk Management Training for the members of the Committee and Board, and officers, to reflect the new Pension Fund Risk Management Policy and Strategy. This will ensure clarity on roles and responsibilities, process, oversight and monitoring.

## **6 IMPLICATIONS**

### **6.1 Financial**

There are no direct financial implications arising from the recommendations of the report.

### **6.2 Risk and Mitigations**

The report sets to assure the Pension Fund Committee and the Pension Board that the refresh of the risk register will enable more efficient and effective risk management arrangements going forward.

### 6.3 **Integrated Impact Assessment**

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance report for assurance purposes.

### 6.4 **Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals. Good governance including the management of risks is important to enable the Pension Fund to achieve its objectives, including those supporting sustainable development.

### 6.5 **Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration. Good governance including the management of risks, is important to enable the Pension Fund to achieve its objectives, including those relating to climate change.

### 6.6 **Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

### 6.7 **Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

### 6.8 **Changes to Scheme of Administration or Scheme of Delegation**

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the content in this report.

## 7 **CONSULTATION**

7.1 The Director Finance & Procurement, Director Corporate Governance (and Monitoring Officer), Director People Performance & Change, HR Shared Services Manager, and Communications Team have been consulted on this report in line with required practice.

### **Approved by**

**Jill Stacey, Chief Officer Audit & Risk**      **Signature .....**

### **Author(s)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk
Emily Elder	Corporate Risk Officer

**Background Papers:** Pension Fund Risk Register

**Previous Minute Reference:** 12 December 2023

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Emily can also give information on other language translations as well as providing additional copies.

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