

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
26 March 2020

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Committee on Fund's risks concerning;
 - Changes to the Fund's Risk Register (see Appendix); &
 - The Fund's risk in relation to key personnel.

Background

The Risk Register

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. A reconfiguration of the Risk Register took place during 2019 to make it a more dynamic document and the new design was approved by the Committee on 18th July 2019. Members requested that whilst a full Risk Register is maintained by officers only the following risks need to be highlighted to Committee on a quarterly basis.
 - New risks;
 - Risks which have changed or been re-categorised;
 - Risks which are rated red; and
 - Risks which are considered to have been mitigated & stabilised & can be recommended for approval to the register's ceased/dormant category for continued monitoring by officers only.
3. Under the reconfigured Risk Register strategy, the identification of risks will be more evidence based using the Scheme update, Business Plan, Audit recommendations, Minutes of meetings, Fund's KPI dashboard and Brunel and investment pooling data as sources of information for risk identification.

Key personnel

4. Due to factors including the creation of the BPP organisation & the consequential impact of the public sector pay freeze, 2017 saw several officers leave the services of the Pension Fund, culminating in the departure of a permanent s151 officer in the early part of 2018. Since 2018 & completion of a departmental restructure officers have sought to stabilise the staffing resource servicing the Fund & are pleased to note that a permanent s151 officer has now been appointed with effect from 4th March 2020.
5. In consideration this staffing experience over the last couple of years officers are now keen for the Fund to establish a greater level of resilience, particularly in relation to vulnerabilities arising from the loss of its key personnel. Consequently, members are asked to consider the officers proposed actions in the section below.

Key Considerations for the Committee / Risk Assessment

The Risk Register

6. The significance of risks is measured by the interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
7. During the last quarter the following "new risks" were identified.
 - **PEN050: Implementation of the Pension Regulator's Code of Practice 15:** (Green) Over reliance by the Fund is potentially being placed on the Pension Regulator to simply combine & rationalise the existing Codes of Practice in a new Code of Practice 15. Certainty around the impact of internal controls & effective governance cannot be assessed until the details are released.
 - **PEN051: Fixed income portfolios are currently being scoped by Brunel, which client group have input into but may not be the best fit for Wiltshire:** (Green) Fixed income portfolios will transition to Brunel from late 2020 onwards. There is a risk that the investment strategy is not properly implemented, or that there is a delay before assets can transition.
 - **PEN052: COVID-19:** (Red) COVID-19 is an infectious global virus which the WHO has classed as a pandemic. The UK Govt. is taking action similar to other countries badly affected by the virus which is expected to cause significant business continuity issues to the management of the pension fund.
8. The evidence-based review of the register identified the following risks had changed or need to be recategorized;
 - **PEN026: A lack of effectiveness of Committee meeting due to the impact of MiFID II Regulations:** (From Amber to Green) Guidance received from officers & the Independent Adviser to the Fund has mitigated the impact of MiFID II. Officers implemented a self-assessment return which was completed by members verifying their competence to maintain "professional client status". A member training strategy for 2020/21 includes MiFID II related training. To be moved from Dynamic to the Ongoing section.
 - **PEN036: Failure to implement a Dashboard of KPIs for regular monitoring:** (From Amber to Green) A regular dashboard of KPIs monitoring the pension Fund's activities are now being brought to the Board & Committee each quarter. The implementation of a new Pension Administration Strategy document will further enhance the flow KPI information to members. To be moved from Dynamic to the Ongoing section.
9. Risks remaining "red", high risk:
 - **PEN042: Significant retrospective legislation changes related to the McCloud case:** It is still unclear exactly what impact there will be on the administration, although the impact actuarially speaking is likely to be minimal. Members requested that it be kept as a red risk until the administrative impact is clearer.
10. It is recommended that one risk is removed from quarterly presentation to the Committee. This is;
 - **PEN024: The implementation of Brexit causes investment volatility or unexpected legislative changes:** (From Amber to Green) The Brexit Treaty has been signed. If trade negotiation creates a risk a new risk can be created relevant

to the impact of the trade negotiations. It is recommended that this risk be moved from Dynamic to dormant.

- **PEN030: Failure to procure & contract manage service providers appropriately:** (Green) A contract management framework has been developed by officers which is both managed & maintained, including regular reporting to members. The risk has reduced, and it is recommended that it be moved from Dynamic to dormant.

Board recommendations at their meeting – 13th February 2020

- **PEN049: Failure to comply with the FCAs MiFID II compliance:** (From Amber to Green) A paper setting out the procedures was submitted to the Board on 13th February. The Fund will be audited in 2020 for its compliance with MiFID II. To be moved from Horizon to the Ongoing section.
Recommendation to remain amber under the results of the audit are known.
- **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** (Red) Progress and updates should continue to be regularly reported to Committee
Recommendation to amend the risk to include a monitoring & reporting timetable of BPP.

Key personnel

11. The officer strategy to mitigate the loss of key personnel from the Fund is proposed to take the following form;

- As part of the officer training strategy all officers will be asked to complete a self-assessment training form. Based on the feedback a map of the knowledge & understanding across all officers will be developed to evidence any areas of knowledge vulnerability with the operating function of the Fund.
- The feedback will be applied, along with knowledge of known vulnerabilities to firstly implement a targeted training strategy to enable succession management & secondly to consider the making of strategic appointments to not only support existing key personnel but mitigate the Fund's vulnerability in certain practice areas.
- The annual review of the Fund's Business Continuity Plan also will take into account the vulnerability which can arise from the loss of key personnel.

Financial Implications

12. No direct implications.

Legal Implications

13. There are no known implications from the proposals.

Environmental Impacts of the Proposals

14. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no known implications currently.

Proposals

16. The Committee is asked to note the attached Risk Register and note the changes/actions made by officers in points 7 to 10 to the Committee.

17. The Committee is asked to note the officers' approach to the Fund's key person risk.

ANDY CUNNINGHAM

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Unpublished documents relied upon in the production of this report: NONE