



West Northamptonshire Council

Local Pension Board

27/01/2022

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund – Risk Register
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Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	11/01/2022
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List of Appendices

Appendix A – The Northamptonshire Pension Fund Risk Register

1. Purpose of Report

- 1.1. To present the Pension Board with the Northamptonshire Pension Fund Risk Register.

2. Executive Summary

- 2.1 The Northamptonshire Pension Fund Risk Register is reviewed by the Local Pension Board at every meeting and bi-annually by the Pension Committee.
- 2.2 The Risk Register was last reviewed by the Local Pension Board on 4 November 2021 and the Pension Committee on 15th December 2021.
- 2.3 Appendix A of this report contains the current Risk Register.
- 2.4 Section 5.3 of this report details the short to medium term risks that the Fund is actively managing at this time.

3. Recommendations

- 3.1 The Pension Board is asked to review the Risk Register.

4. Report Background

- 4.1 The Northamptonshire Risk Strategy and Risk Register were reviewed and approved by the Pension Committee in March 2019. Following this approval, the Pension Fund Board have reviewed the risks facing the Fund on a quarterly basis and the Pension Fund Committee have reviewed on a bi-annual basis. This report is a continuation of the review process to ensure the risk register remains up to date and relevant.
- 4.2 At this time it was agreed that the Pension Board would monitor risks on a quarterly basis and the Pension Fund Committee would review on a bi-annual basis unless any concerns were raised by the Board prior to this.
- 4.3 This supports the Pension Regulator's Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link - [Codes of practice | The Pensions Regulator](#).

5. Issues and Choices

- 5.1 Presentational changes have been applied to the Risk Register summary to allow the reader to easily identify any changes in risk scores at each review and the objectives have also been included to allow easier cross referencing for each risk.
- 5.2 The more detailed changes to the register as part of this review are listed below:

Risk No	Risk	Proposed change(s)
1.	Employers unable to pay increased contribution rates.	To remove the word <u>increased</u> from the risk description as a difficulty to pay contributions may not necessarily be linked to an increase in the rate.
3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Mitigations amended/added as follows: <ul style="list-style-type: none">• A new Responsible Investment Policy has been agreed that increases the climate and carbon reporting requirements of the Fund and its managers• An action plan is being developed to help reduce the carbon risk within the Fund's investments and transition to a more sustainable portfolio• The Head of Pensions is chairing an ACCESS Task & Finish Group helping ensure the Fund's Responsible Investment ambitions can be met through the ACCESS Pool
6.	The Pension Fund and its members may become a target for fraudsters and criminals (cyber-crime).	Mitigation added: <ul style="list-style-type: none">• Highest risk third parties have completed a cyber survey and action plans are being developed from responses
8.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	Mitigation added: <ul style="list-style-type: none">• Investment allocations are closely monitored, in particular, the Investment Sub Committee receives quarterly performance reports which highlight variations from the strategic asset allocation

12	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	Updated mitigation: <ul style="list-style-type: none"> Escalation pathways have been agreed with the Fund's major providers of member data.
13.	Failure to recognise and manage conflicts of interest.	Mitigation added: <ul style="list-style-type: none"> Conflicts of Interest Policy will be developed following guidance from the Scheme Advisory Board and DLUHC resulting from the Good Governance Review
14	Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	Updated mitigations: <ul style="list-style-type: none"> The Data Improvement Policy and Plan are in place and reviewed annually. The Local Pension Board have oversight of policy reviews in line with Pension Committee approvals.
20	Actual experience materially differs from actuarial assumptions used at each valuation.	Mitigation updated: <ul style="list-style-type: none"> Investment performance is reported quarterly to the Fund Actuary.
24.	Unable to deliver pension services due to inadequate recruitment and retention processes.	Risk scoring updated: <ul style="list-style-type: none"> Residual likelihood 3 moved back to 2 due to establishment increase.
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Updated mitigation: <ul style="list-style-type: none"> The Fund has an appropriate Investment Strategy Statement in place which the Fund's Responsible Investment Policy. An action plan is being developed to help reduce the carbon risk within the Fund's investments and transition to a more suitable portfolio.

5.3 Board members are asked to review the full risk register located in appendix A of this report and advise if any further changes are required.

5.4 Officers have identified a number of short term risks that should be noted by the Pension Board as follows:

5.4.1 The impact of the pandemic – In light of the Omicron variant, most Officers are still predominately working from home. Numbers of staff in the office have been kept to a minimum to allow for the continuation of incoming and outgoing calls for members.

The Service has seen minimal impact due to covid related illness during the period.

5.4.2 Knowledge for new members of the Pension Committee and Pension Board – The deadline for completion of the core competency modules was 31 December 2021, however not all Committee and Board members had completed all 7 modules of this training and an email was issued confirming an extension to 31 January 2022. It is imperative that all the training is undertaken by this time to comply with the Pensions Regulator requirements and to reduce the risk of challenge on any decisions made.

6 Implications (including financial implications)

6.1 Resources and Financial

6.1.1 There are no resources or financial implications arising from the proposals.

6.2 Legal

6.2.1 None

6.3 Risk

6.3.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below -

Risk	Residual risk rating
Failure to understand risk and compliance	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

The Fund’s full risk register can be found in appendix A.

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

6.5 Consultation

6.5.1 Not applicable.