

## West Northamptonshire Council

### Pension Committee

15/06/2021

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Northamptonshire Pension Fund Risk Register
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#### Contributors/Checkers/Approvers

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	14 May 2021

#### List of Appendices

**Appendix A – Northamptonshire Pension Fund Risk Register**

**Appendix B – Northamptonshire Pension Fund Risk Strategy**

#### **1. Purpose of Report**

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- 1.1. To present to the Pension Committee the Northamptonshire Pension Fund Risk Register and Risk Strategy.

#### **2. Executive Summary**

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- 2.1 The Northamptonshire Pension Fund Risk Register is reviewed biannually by the Pension Committee and at every meeting of the Local Pension Board.
- 2.2 The Risk Register was last reviewed by the previous Pension Committee on 11 December 2020 and by the previous Local Pension Board on 11 March 2021.
- 2.3 Appendix A of this report contains the current Risk Register following updates made by Officers and the Local Pension Board since December 2020.
- 2.4 Appendix B of this report contains the Northamptonshire Pension Fund Risk Strategy (for information).
- 2.5 Section 5.2 of this report details the short to medium term risks that the Fund is actively managing at this time.

#### **3. Recommendations**

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- 3.1 The Pension Committee is asked to:
- a) Review the current risks facing the Northamptonshire Pension Fund

b) Approve the risk register including the amendments made as detailed in section 5.1.

3.2 Reason for Recommendations:

- To achieve the Pension Fund objective that is to “continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate”.
- To accord with the Pension Regulator’s expectations on managing risk.

**4. Report Background**

- 4.1 The Northamptonshire Pension Fund Risk Strategy was reviewed and approved by the previous Pension Committee on 22 March 2019. Following this approval, the Local Pension Board have reviewed the risks facing the Fund as recorded on the Risk Register at each meeting and the Pension Committee, biannually.
- 4.2 This approach to monitoring risk supports the Pension Regulator’s code of practice (governance and administration of public service pension schemes).

**5. Issues and Choices**

5.1 Since the last time the Risk Register was presented to the Pension Committee a number of updates have been made as detailed below.

Risk	Added control
9 – Risk of fraud and error	Working to achieve full compliance with the Pensions Regulator’s Pledge to combat pension scams.
	Aspects of the control environment are tested by Internal and External Audit
11 – Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	An Administration Strategy is in place setting out employer performance targets.
	In the process of agreeing escalation pathways with the Fund’s major providers of member data.
13 – Pension Fund systems and data may not be secure and appropriately maintained-including cyber risk	Continually keeping up to date with evolving developments to ensure robust cyber-resilience in conjunction with specialist advice, including resilience when using laptops and non-corporate Wi-Fi networks.
	Data asset mapping is being undertaken (and will be continually reviewed) to understand risks during data transfer and whilst data is held by third parties.
	Development of a Cyber Strategy and action plan to increase resilience.
14 – Failure to administer the scheme in line with regulations and guidance	Working to achieve full compliance with the Pensions Regulator’s Pledge to combat pension scams.
18 – Actual experience materially differs from actuarial assumptions used at each valuation	Investment performance is reported monthly to the Fund Actuary.

Risk	Added control
	A specialist longevity service is employed to provide accurate Fund specific longevity analysis
19 - Failure to act appropriately upon expert advice and/or risk of poor advice	Working to achieve full compliance with the Pensions Regulator's Pledge to combat pension scams.
	Continually keeping up to date with evolving developments to ensure robust cyber-resilience in conjunction with specialist advice, including resilience when using laptops and non-corporate Wi-Fi networks.

- 5.2 Officers have identified a number of short term risks that should be noted by the Pension Committee as follows:
- 5.2.1 The impact of the pandemic - The service is continuing to work in the main part remotely and use electronic platforms for business as usual activities. The service continues to run effectively and there is no cause for concern as to the continuation of this approach.
- 5.2.2 Administrative pressures facing the Fund - On the 25 February 2021 the Restriction of Public Sector Exit Payments Regulations 2020 were formally revoked; however, it is expected that HM Treasury will draft new regulations to implement a public sector exit payment cap in short order. A public consultation has been promised before the new regulations are made in law. As with the now revoked exit payment cap legislation, the Pensions Service will need to repeat the communication activities undertaken with scheme members and scheme employers as well as make changes to the processes required for processing redundancy retirement benefits in accordance with the new regulations and associated guidance.
- 5.2.3 Loss of knowledge from the Pension Committee and Local Pension Board - The recent local elections will have a short to medium term effect on the governance of the Fund as a result of new Councillor representatives being appointed to the Pension Committee and Local Pension Board potentially leading to a loss of skills and knowledge which may impact effective decision making. To minimise the impact, Officers arranged an induction training session in June to deliver the roles and responsibilities of members and overarching information on the Northamptonshire Pension Fund. This was followed by a CIPFA Skills and Knowledge module covering the topic of governance including the important matter of fiduciary duty. Other CIPFA Skills and Knowledge modules will be delivered as soon as possible. External training will also continue to be supported and promoted where appropriate.

## 6. Implications (including financial implications)

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### 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 There are no legal implications arising from the proposals.

### 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 No.	Risk	Residual risk rating
10	Failure to understand and monitor risk and compliance	Green
17	Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

#### 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.

#### 6.5 Consultation

6.5.1 Not applicable.

### 7. Background Papers

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7.1 The Pension Regulator’s code of practice (governance and administration of public service pension schemes) - <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/code-14-public-service.ashx>