

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>LOCAL PENSION BOARD - AVON PENSION FUND</b>	
MEETING DATE:	<b>13 September 2022</b>	<b>AGENDA ITEM NUMBER</b> <span style="float: right;"><b>7</b></span>
TITLE:	<b>Risk Management Update – Risk Register</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: Appendix 1 Avon Pension Fund Risk Register		

**1. THE ISSUE**

1.1. The purpose of this report is to update the Pension Board with the latest risk register as at September 2022.

**2. RECOMMENDATION**

2.1. That the Board notes the report.

**3. FINANCIAL IMPLICATIONS**

3.1. There are no direct implications related to the Pension Board in connection with this report.

**4. REPORT – RISK MANAGEMENT PROCESS & RISK REGISTER**

4.1. The risk register identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.

4.2. The Risk Register is reviewed every quarter by the pension management team. All risks with a review date are re-evaluated using the evaluation form and updates agreed and made to the risk register. Any new risks identified or changes to any other risks are also considered and the necessary amendments made.

4.3. The risk register including likelihood, impact and mitigating actions is included in Appendix 1.

4.4. The risks identified fall into the following general categories:

- (i) Fund administration & control of operational processes and strategic governance processes and TPR compliance – mitigated by having appropriate policies and procedures in place, use of electronic means to receive and send data and information
- (ii) Service delivery partners not delivering in line with their contracts or SLAs – mitigated by monitoring and measuring performance

- (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian – mitigated by processes to reconcile payments, regular review of strategic return and manager performance and annual review of investment strategy, robust legal contracts to protect against fraud & negligence
- (iv) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team
- (v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions – mitigated by having well defined investment policies and by engaging with the government through the consultation process

## **5. QUARTERLY REVIEW OF RISK MANAGEMENT & REGISTER**

5.1. The quarterly review took place in August 22 and the management team agreed the following changes and updates:

### **5.2. R68 - Failure to achieve 2025 & 2030 decarbonisation targets**

**5.2.1.** A new risk has been added to the register to reflect the reputational risk to the Fund of failing to achieve 2025 and 2030 decarbonisation targets.

**5.2.1.1.** The risk is mitigated by active policy advocacy at domestic and international levels via membership to groups such as IIGCC and LAPFF which ensures policy remains supportive of the low carbon transition.

**5.2.1.2.** Asset allocation to renewables and low carbon transition aligned equities give the Fund the best chance of achieving targets (while capturing upside as demand for renewables increases).

**5.2.1.3.** Following disclosures/reporting/transparency best practice to keep all stakeholders informed of potential risks to climate change targets.

**5.2.1.4.** Tactical decisions made by underlying managers to capture exposure to commodities e.g. DRF portfolio exposure to commodity based currencies.

**5.2.1.5.** Long-term investment approach focused on real-economic decarbonisation provides strong rationale for not taking short-term positions in order to decarbonise portfolio in isolation.

### **5.3. R57 - Introduction of Cost Transparency Disclosures**

**5.3.1.** The decision has been taken to remove this risk from the register. CTI disclosures are received from all managers for year ending March 22 including all private market portfolios so remove from the register, therefore the risk is now negligible.

### **5.4. R29 - Service delivery efficiency & customer service**

5.4.1. This risk was reviewed and left unchanged in terms of risk score. The Fund continues to maintain satisfactory levels of service to customers whilst trying to focus on more digital ways of communication to improve the service.

5.4.2. Annual pension (benefit) statements have been made available to download from My Pension Online for both deferred and Active members

this year. The Fund is continuing its efforts to sign up more members to its online portal.

5.4.3. Challenges over recruitment remain and professional advisors have been used to assist with key projects so that customers are not impacted.

**6. EQUALITIES**

6.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

**7. CLIMATE CHANGE**

7.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council’s Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

**8. CONSULTATION**

8.1. The Report and its contents have been discussed with the Service Director – Financial Control & Pensions representing the Avon Pension Fund and the Service Director – Commercial & Governance representing the administering authority.

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<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	