

Cambridgeshire Pension Fund

Pension Fund Committee

Date: 13 December 2021

Report by: Head of Pensions

Subject: Risk Monitoring

Purpose of the Report: To present the Cambridgeshire Pension Fund Risk Monitoring Report

Recommendations: The Committee is asked to review the current risks facing the Fund

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1. Background

- 1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28 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.
- 1.2 At this time it was agreed that the Pension Fund Board would monitor risks in a quarterly basis and the Pension Fund Committee would review on a bi-annually basis, unless any concerns were raised by the Board prior to this.
- 1.3 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. Full details can be found - [Code of Practice](#).

2. Recommendations made by the Pension Fund Board

- 2.1 During the meetings of 22 February, 2 July and 5 November 2021 the Pension Fund Board reviewed the risk register and full details of the amendments made are in appendix 1 of this report. The changes have largely been as a result of increased activity surrounding pension scams and cyber security. Other changes have been as a result of service impacts such as not receiving data in a timely manner and recruitment and retention considerations.
- 2.2 Mitigations and scores have been reviewed across the board and updated where necessary to ensure the risk register remains as robust as possible and fit for purpose.
- 2.3 Committee members are asked to review the full risk register located in appendix 2 of this report and advise if any further changes are required.

3. Short to Medium term risks

3.1 Impact of the pandemic

- 3.1.1 The service has continued to predominantly work remotely during the period. Gradually some elements of the service have resumed such as face to face meetings and the allocation of increased working capacity allowing for increased administrative functions, this has particularly impacted the ability to make and receive calls.
- 3.1.2 During August and September, the Service saw an increase in staff illnesses such as Covid 19 and seasonal flu following previous lockdowns, this has impacted the Service's ability to maintain high standards of productivity in some areas and this will continue to be monitored.
- 3.1.3 High level discussions regarding staff returning to the office continue to take place centrally.

3.2 Administrative pressures facing the Fund

- 3.2.1 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

3.3 Loss of knowledge from the Pension Fund Committee and Pension Fund Board

- 3.3.1 Following the local elections on the 6 May 2021, there have been new members appointed to both the Committee and Board. In order to ensure members have the required skills and knowledge to fulfil their duties an initial training session was delivered on 21 June 2021. This session provided a detailed explanation of how the Fund is governed and fiduciary duty.
- 3.3.2 Subsequent CIPFA skills and knowledge modules were delivered virtually from July to September 2021 by the Fund's governance advisors, Aon.
- 3.3.3 All members are expected to undertake any missed training by the end of December 2021 in order to meet the training requirements of the Fund.

4. Relevant Pension Fund Objectives

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.

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.

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.

Continually monitor and measure clearly articulated objectives through business planning. Deliver consistent plain English communications to stakeholders.

Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

Ensure cash flows in to and out of the Fund are timely and of the correct amount.

5. Risk Management

5.1 The Pension Fund Committee and Pension Fund Board are expected to monitor risk and compliance and act appropriately where there is a cause for concern.

5.2 The risks associated with not monitoring risk and acting appropriately have been captured in the Fund's risk register as detailed below.

| Risk mitigated | Residual risk |
|---|---------------|
| Failure to understand and monitor risk and compliance | Green |
| Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making. | Green |

5.3 The full risk register can be found in appendix 2.

6. Finance & Resources Implications

6.1 None.

7. Communication Implications

Website: The risk register is on the Pensions Service Website. The Local Pension Board will be kept up to date with risks at each meeting.

8. Legal Implications

8.1 None

9. Consultation with Key Advisers

9.1 Consultation with the Fund's advisers was not required for this report.

10. Alternative Options Considered

10.1 There are no alternative options to be considered

11. Background Papers

- 11.1 The Cambridgeshire Pension Fund Risk Strategy – [Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS](#)

12. Appendices

- 12.1 Appendix 1 – Amendments to the Risk Register
- Appendix 2 - The Cambridgeshire Pension Fund Risk Register

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 01/12/2021

Has this report been cleared by Head of Pensions? Mark Whitby – 19/11/2021

Has the Chair of the Pension Committee been consulted? Councillor Whelan – 01/12/2021

Has this report been cleared by Legal Services? Fiona McMillan – 19/11/2021

| Appendix 1 – Amendments to the Risk Register | | | |
|--|--|--|--|
| Current Risk No | Risk | Change | Detail |
| 3. | As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments. | Added mitigation | The Head of Pensions is chairing an ACCESS Task & Finish Group responsible for the development of Pool Guidelines and future ESG reporting requirements, ensuring the Fund's responsible investment needs are met. |
| 6. | The Pension Fund and its members may become a target for fraudsters and criminals (cyber-crime). | Updated risk | Risk separated from IT risk with specific mitigations applied (cyber-crime references removed from risk 16). |
| 9. | Those charged with governance are unable to fulfil their responsibilities effectively. | Updated risk score Added Mitigation | Gross score increased to 12 (impact 3, likelihood 4) with no increase to the residual score due to new Committee and Board members. CIPFA Skills and Knowledge training within 6 months of joining followed by targeted training based on decisions that the Committee are asked to make. |
| 10. | Risk of fraud and error | Added mitigations | Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. Aspects of the control environment are tested by Internal Audit and External Audit. |

| Current Risk No | Risk | Change | Detail |
|-----------------|--|---|---|
| 12. | Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed. | Added mitigation | An Administration Strategy is in place setting out employer performance targets. |
| 13. | Failure to recognise and manage conflicts of interest | Updated risk score Added mitigation | Residual likelihood increased to 3 which gives an overall score of 6. Governance and legal advice sought as required. |
| 14. | Incorrect/poor quality data held on Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders | Risk score updated Added mitigations | Residual likelihood increased to 2 resulting in the overall rating moving to 6 from 3 due to delayed and incorrect information being received by the Fund. Dedicated Employer Services Team to query/chase data as required. Administration Strategy in place which sets out expectations of employers and potential sanctions. Escalation process in place for repeated incorrect or delayed data being received by the Fund. |

| Current Risk No | Risk | Change | Detail |
|-----------------|---|-------------------|--|
| 16. | Pension Fund systems and data may not be secure and appropriately maintained | Added mitigations | <p>Continually keeping up to date with evolving developments ensure robust cyber resilience in conjunction with specialist advice.</p> <p>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.</p> <p>Continually keeping up to date with evolving developments to ensure robust cyber resilience in conjunction with specialist advice, including the resilience when using laptops and non-corporate Wi-Fi networks.</p> |
| 17. | Failure to administer the schemes in line with regulations and guidance | Added mitigation | Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. |
| 20. | Actual experience materially differs from actuarial assumptions used at each valuation. | Added mitigations | <p>Investment performance is reported monthly to the Fund Actuary.</p> <p>A specialist longevity service is employed to provide accurate Fund specific longevity analysis.</p> <p>Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions, ensuring numerous possible financial scenarios are modelled.</p> |
| 21. | Failure to act appropriately upon expert advice and/or risk of poor advice | Added mitigations | <p>Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.</p> <p>Continually keeping up to date with evolving developments ensure robust cyber resilience in conjunction with specialist advice.</p> |

| Current Risk No | Risk | Change | Detail |
|-----------------|---|---|--|
| 24. | Unable to deliver pension services due to inadequate recruitment and retention processes. | <p>Updated risk score</p> <p>Added mitigation</p> | <p>Gross score to increase to 9 and residual risk increase to 6 due to current labour market shortages.</p> <p>Utilising additional recruitment avenues, allowing for a wider target audience.</p> |