

PENSIONS COMMITTEE: 28 NOVEMBER 2022

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM : 5

PENSION FUND RISK REGISTER

Reason for this Report

1. To review the current Risk Register for the Pension Fund.

Background

2. A Risk Register for the Pension Fund is maintained as part of the Corporate Risk Management process. The Register covers all aspects of management of the Fund including Investments, Funding, Governance and Administration.

Issues

3. The Risk Register is regularly reviewed by Fund officers and is also presented to the Local Pension Board for their review. The Risk Register was considered by the Pension Board at its meeting on 7 November 2022 and a copy of that report is appended as Appendix 1. A number of incremental changes were proposed to the Register presented to the Board at that meeting and these are listed below :-
 - P1 : The Proposed Improvement Actions have been extended to reflect the on-going discussions with Aon (the Fund Actuary) as to how the recent increase in inflation can be incorporated into the 31 March 2022 tri-annual valuation.
 - P2 : Proposed Improvement Actions has been updated to record that Russell Investments have presented updates on their portfolio to the Investment Panel in 2022 (June and October meetings).
 - P3 : Proposed Improvement Actions include enhanced Fund diversification with the forthcoming investments into the WPP Private Credit and Open-ended Infrastructure sub-funds.
 - P9 : Completion of MSS roll-out to Active Members for Employers using iConnect is now a Current Control.
 - P14 : Current Controls now reflect that MoU has been sent to Employers
 - P15 : Waiting for an update from Mercer on their timeline for completing the GMP Reconciliation exercise.

- P20 : Proposed improvement Actions provides an update on the on-going recruitment process.
 - P21 : Proposed Improvement Actions include update on the progress with the introduction of the WPP Sustainable Equity Fund and submission of WPP Stewardship code 2022 report.
4. In addition following a discussion of the Risk Register at that meeting the Board recommended the following additional changes to the Register :-
- P2 : Additional comment added to refer to the recent fall in UK Govt Gilts and associated market volatility requiring BoE intervention although this has had a minimal impact on this Fund.
 - P4 – commentary added about potential change of ownership of Link with a change in the Risk Rating impact to “2 – Significant” with an increase in the residual risk to Medium – Red / Amber. The Link position to be kept under review.
 - P15 – the Board were disappointed with the performance of Mercer and asked officers to escalate their concerns about the delay.
 - P20 : Residual Risk increased to B2 to reflect the continuing difficulties experienced with the recruitment of new staff and the implications for some of the other risks in the register.

The current Risk Register including the above amendments is attached as Appendix 2 with the standard Risk Matrix used for the Council's Corporate Risk Register attached as Appendix 3.

Legal Implications (to be confirmed these are from the June 2022 Pension Committee report)

5. The Pensions Committee terms of reference include, ‘ *To discharge the following specific strategic functions with regards to the Fund, taking account of advice from the Corporate Director Resources and the Fund's professional advisers:...*
- e) To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.*’ To this end, this report, in effect, requests that the Committee considers the contents of the attached Risk Register for the Pension Fund , which is maintained as part of the Corporate Risk Management process

The general legal advice set out below should be considered.

General Legal Advice

Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax

payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff’s Corporate Plan 2022-245

The well-being duty also requires the Council to act in accordance with ‘sustainable development principle’. This principle requires the Council to act in a way, which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrates approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

Financial Implications

6. There are no financial implications arising directly from this report.

Recommendations

7. That the Committee notes the contents of the Risk Register.

CHRISTOPHER LEE CORPORATE DIRECTOR RESOURCES

Appendices:

Appendix 1 7 November 2022 Pension Board Risk Register Report

Appendix 2 Risk Register November 2022

Appendix 3 Risk Matrix