

Essex Pension Fund Investment Steering Committee	ISC 05
Date: 28 November 2018	

Revised Investment and Funding Risks

Report by the Director for Essex Pension Fund

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1. Purpose of the Report

- 1.1 To provide the Committee with an update on the revised Investment and Funding Risks for the Fund.

2. Recommendation

- 2.1 The Committee should note the report.

3. Background

- 3.1 Earlier this year a review was undertaken on the Fund's objectives. These objectives form the basis of the Business Plan, Risk Register and Scorecard that are presented quarterly to the Pension Strategy Board.
- 3.2 At its February meeting the Committee reviewed the Investment objectives, and made the change detailed below.

Original	Revised
To maximise the returns from investments within reasonable risk parameters	No change
To ensure the Fund is properly managed	To ensure the Fund's investments are properly managed before, during and after pooling is implemented.
Ensure investment issues are communicated appropriately to the Fund's stakeholders	No change

- 3.3 It should be highlighted at ISC meetings that the Committee uses more detailed targets to measure the performance of each manager / mandate. These are highlighted in the investment tables (specifically table 1C) and various reports from Hymans Robertson.

4. Review of Risks

- 4.1 A significant amount of work has now been undertaken on the full risk register (c. 90 risks). All risks have been reviewed by Officers, meetings have taken place with the Independent Governance & Administration Adviser in addition to dialogue with investments advisers and the Fund Actuary.
- 4.2 The format of Risk Register has been revised to align to the format of the Essex County Council (ECC) risk registers. This provides further detail on the control activities/mitigations and their owners.
- 4.3 Most of the work has been completed and final reviews are now being scheduled.
- 4.4 Members will be aware that the Investment Strategy Statement (which the Committee determines) includes the full listing of both Investment and Funding risks. An overview of developments on these areas is set out below.

5. Investment Risks

- 5.1 The previous Risk Register recorded 16 Investment Risks with 2 of those holding a residual risk rating equating to an Amber.
- 5.2 The revised Risk Register now records 10 Investment Risks with 5 of those holding a current risk rating equating to an Amber.
- 5.3 6 risks were deleted and/or merged with another risk to reduce repetition.
- 5.4 4 risks were amended to improve their risk description wording.
- 5.5 All 10 risks have revised control activities/mitigations with named control owners.

6. Funding Risks

- 6.1 The previous Risk Register recorded 22 Funding Risks with 5 of those holding a residual risk rating equating to an Amber.
- 6.2 The revised Risk Register now records 10 Funding Risks with 8 of those holding a current risk rating equating to an Amber.
- 6.3 12 risks were deleted and/or merged with another risk to reduce repetition.
- 6.4 4 risk were amended to improve their risk description wording.
- 6.5 All 10 risks have revised control activities/mitigations with named control owners.

7. Risk Scoring

- 7.1 Risk Scoring has been revised to better align to the ECC's Risk Scoring Matrix.
- 7.2 The difference to note is there will no longer be a use for the 'yellow' scoring where threats were scored as medium. In line with the ECC's matrix, low and medium are scored as 'green', high as 'amber' and very high as 'red'.

8. Next Steps

- 8.1 Final reviews are expected to take place in December and January. Details will then be brought to the Committee's February meeting.

9. Risk Implications

- 9.1 Maintaining an up to date risk register is best practice.

10. Communication Implications

- 10.1 Other than ongoing reporting to the PSB, there are no communication implications.

11. Finance and Resource Implications

- 11.1 The revision of the objectives and risk register has been a challenging piece of work with the final phase, revision of the Scorecard, still to be completed. Although significant input will still be required by officers and advisors on the development of the revised scorecard, the 2019/20 quarterly updates and annual review of objectives, risk and scorecard will be less of a burden on resources.

12. Background Papers

- 12.1 Latest Update of Pension Fund Activity provided to the PSB at its meeting held on 12 September 2018, agenda item 6.