

<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 05</b>
<b>Date: 20 February 2019</b>	

## **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:

- Deletions of risks;
- Amended risks;
- New risks;
- Revised scoring matrix.

- 2.2 The Committee should provide any further comments on the Revised Investment and Funding Risks to the Compliance Manager prior to the next Pension Strategy Board (PSB) meeting, due to be held on 6 March 2019.

### **3. Background**

- 3.1 During 2018, 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 (83 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 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.
- 4.4 The revised Risk Register now has 48 risks recorded. An overview of developments within the Risk Register is set out below.

Risk Type	Total Previous risks	Total Revised risks	No. Previous Amber risks	No. Revised Amber risks	No. Deleted / Merged risks	No. New risks added
Governance	22	14	2	6	11	3
<b>Investment</b>	<b>16</b>	<b>8</b>	<b>2</b>	<b>4</b>	<b>9</b>	<b>1</b>
<b>Funding</b>	<b>21</b>	<b>10</b>	<b>5</b>	<b>8</b>	<b>12</b>	<b>1</b>
Administration	18	10	4	3	10	2
Communications	6	4	1	0	4	2
<b>TOTAL</b>	<b>83</b>	<b>46</b>	<b>14</b>	<b>21</b>	<b>46</b>	<b>9</b>

4.5 From the above table you will note:

- 46 risks have been deleted/merged with other risks to reduce repetition;
- amber rated risks have increased due the revised risk wording descriptions. For example, we have now captured more causes within one risk description.

4.6 All risks were amended to improve their risk description wording.

## 5. Risk Scoring

5.1 Risk Scoring has been revised to better align to the ECC's Risk Scoring Matrix.

5.2 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'.

## 6. Next Steps

6.1 The Committee are invited to comment on the revised Investment and Funding risks and provide their comments to the Compliance Manager by close of play Tuesday 22 February 2019 to enable comments to be provided to the PSB at their 6 March 2019 meeting where the full Risk Register will be provided to the Board for approval.

## 7. Risk Implications

7.1 Maintaining an up to date risk register is best practice.

## **8. Communication Implications**

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

## **9. Finance and Resource Implications**

- 9.1 The revision of the objectives and risk register has been a challenging piece of work with the final phase, revision of the Business Plan and 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.

## **10. Background Papers**

- 10.1 Update of Pension Fund Activity provided to the PSB at its meeting held on 12 September 2018, agenda item 6.
- 10.2 Revised Investment and Funding Risks provided to the ISC at its meeting held on 28 November 2018, agenda item 5.
- 10.3 Risk Review provided to the PSB at its meeting held on 19 December 2019, agenda item 5.