

# Staff and Pensions Committee

8<sup>th</sup> June 2020

## COVID-19 – Pension Fund Administration Impact and Actions

### Recommendations

1. That the Staff and Pensions Committee notes and comments on the report.

#### 1 Executive Summary

1.1 COVID-19 is impacting across many aspects of the fund's operations. This report focuses on the impact on administration activity. A separate report focusing on the funding and investments impact will be reported to the Pension Fund Investments Sub Committee.

#### Business As Usual Activity

1.2 The administration function has transitioned to large scale home working, but this has required considerable effort and has inevitably caused some disruption. From day 1 of the lockdown, the leadership team met regularly to ensure the prioritisation of payment processing for retirements and death cases.

1.3 Close contact has been maintained with payments and payroll teams to ensure payments are made as normal. Disruption has been kept to a minimum and attention has moved on to the processing of other administration tasks.

#### Staffing & Operations

1.4 A key focus has been to consider and look after the welfare of the administration team as they transition from office to home-based working. All the team can work from home, having all the necessary IT equipment. Some challenges were encountered in respect of systems access and performance but were resolved. The need for anyone to attend the office physically has been minimised.

1.5 Recruitment activity to deliver the new structure and expanded team size has continued with some new permanent members of staff joining the team and settling in well, working through induction and learning their role.

1.6 The administration team are keeping in touch by having regular video calls at team and individual level, and the health and wellbeing of the team is being monitored. Staff welfare is a priority, both in terms of minimising exposure to transmission risk and the risk of feeling isolated as the intensity and novelty

of the transition subsides and remote working normalises.

- 1.7 Work on the implementation of system improvements continues. The business case for the implementation of the iConnect system has been progressed further.
- 1.8 The general direction of travel is for processes that work electronically. Over time there will be a move to correspondence being sent and received through secure email, reducing the volume of print and post needed.
- 1.9 Immediate changes were made to redirect office phone calls to mobiles, and up to date information and guidance was published in our email response and on the Fund website.
- 1.10 Some issues have been experienced in respect of the operation of systems and procedures, but these have been resolved.

## 2 COVID-19 Risk Assessment

- 2.1 A COVID-19 risk assessment has been undertaken in 2 stages.

First an assessment of the existing strategic risks and how the COVID-19 issue impacts on each of these. This is summarised below

Ref	Risk	Original March 2020 Assessment		Update as at May 2020 In Comparison to the Original Risk Assessment
		Risk Level Before Mitigations	Risk Level After Mitigations	
1	Long term returns fail to be in line with assumptions	6	3	Significantly higher risk
2	Short term falls in asset values	6	4	Significantly higher risk
3	Cashflow requirements cannot be met	12	6	Higher Risk
4	Poor performance of actively managed funds	6	4	No change
5	Failure to realise pooling benefits	6	4	No change
6	Fraud	6	3	Higher Risk
7	Liabilities increase further than assumptions	6	2	No change
8	Inadequate data quality	16	9	No change
9	Employer contributions not being paid	12	9	Significantly higher risk
10	Fund reputation is harmed	9	6	No change
11	Loss of service provision due to disruption	4	3	Higher Risk
12	Lack of skills and knowledge	9	4	No change
13	Failure to meet governance standards	12	8	No change

- Secondly to identify specific COVID-19 risks and analyse these directly. This is summarised in the table below and detailed in Appendix 1.

Ref	Risk	Gross Risk		Risk Level	Net Risk after Mitigations		Risk Level
		Likelihood	Impact		Likelihood	Impact	
1	Cashflow - Delayed Employer Contributions	3	4	12	3	4	12
2	Cashflow - Investments Impact	4	4	16	4	3	12
3	Losses in Investment Values and Returns	4	4	16	4	3	12
4	Governance Disruption	3	4	12	3	3	9
5	Health and Safety of Members	3	4	12	2	3	6
6	Health and Safety of Staff	4	4	16	3	3	9
7	Loss of continuity working with advisers, partners, fund managers, and Border to Coast	3	3	9	3	2	6
8	Administration Service Disruption	4	4	16	3	3	9
9	Inability to Recover	3	3	9	2	3	6

## 2.2 The notes below focus on administration related issues and actions:

- A systematic approach to dealing with employer cashflow issues is being considered. At the time of writing there have not been a significant number of problems presented by employers, but the first employer contributions of 2020/21 are not yet due. Mitigating actions will reduce the risk but the risk remains high and the scoring scale of 1-4 does not offer enough granularity to reflect the impact;
- In respect of urgent decision-making arrangements, there are currently no decisions required of an urgent nature, existing administration policies have been adequate to cover the issues experienced to date;
- A process to appoint to the vacant Pensions Administration Delivery Lead post continues and at the time of writing had reached the stage of an offer of appointment has been made;
- Staff in the pension fund and wider Council are sharing best practice on how to work effectively from home; and
- The fund's officers continue to liaise with external advisers and entities, including employer payroll functions where appropriate.

### 3 Financial Implications

- 3.1 The key potential administration related financial implication is in respect of the collection of employer contributions. A number of mitigating actions are in place to mitigate this as set out in Risk 1 in the Risk Register in Appendix 1.

### 4 Environmental Implications

- 4.1 There will be reductions in CO2 emissions from staff working from home.

### 5 Supporting Information

- 5.1 The risk register scores set out above are based on the following convention:

- Gross risk – risk before mitigating actions
- Net risk – risk after mitigating actions

- 5.2 Risk probability and impact are classified into 4 categories as follows:

		Likelihood			
		Unlikely 1	Possible 2	Likely 3	Very Likely 4
Impact	Very High 4	4	8	12	16
	High 3	3	6	9	12
	Medium 2	2	4	6	8
	Low 4	1	2	3	4

- 5.3 Risk impact and likelihood are multiplied together to provide an overall risk score. Red risks are those with scores of 10 or higher, green risks have scores of 3 or lower, and the remainder are amber.

### 6 Timescales and Next Steps

- 6.1 The additional COVID-19 risks have been separated out in this initial assessment to provide clarity of their overall impact. However, from Quarter 2 the intention is to have subsumed COVID-19 related risks and actions into a single updated Pension Fund risk register.

### Appendices

Appendix 1 – COVID-19 Risk Register

### Background Papers

None.

	<b>Name</b>	<b>Contact Information</b>
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Kam Kaur, Bill Gifford, Bob Stevens, Neil Dirveiks, John Horner and Bhagwant Singh Pandher