

# Staff and Pensions Committee

14<sup>th</sup> September 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 continues to effect how the Fund goes about delivering services however the fund continues to deliver business critical functions. This report focuses on the impact on administration activity. A separate report focusing on the funding and investments impact is being reported to the Pension Fund Investments Sub Committee.

#### *Business as Usual Activity*

1.2 Home working continues to be the default position for Pension Fund staff, although some office presence is required for example to deal with physical post.

1.3 Normal business activity has continued, for example payroll runs, collection of contributions, and the generation of annual benefits statements. A separate report on the agenda sets out current administration activity and performance in detail.

1.4 No new adverse issues have been experienced relating to Covid that have impacted on operations, however the potential long-term effect of remote working on physical and mental health is an issue to keep under review.

#### *Staffing & Operations*

1.5 A key focus continues to be the welfare of staff. The administrating authority offers a range of support facilities for staff that are available to all pension fund staff and has run wellbeing questionnaires from time to time since the lockdown to assess the position.

1.6 New permanent members of staff have continued to settle in well.

1.7 The administration team continue to use Microsoft Teams and other similar platforms to work together and with external colleagues and agencies, and the functionality is working well.

1.8 The iConnect project continues to progress and more detail is provided in the Administration update.

## 2 COVID-19 Risk Assessment

2.1 The Covid Risk Register has been updated to reflect the latest position (this covers bot investment and administration). The table below shows how the risk assessment has changed. Experience

Ref	Description	Original Risk Assessment (February 2020)		Change In Gross Risk		Quarter 2 Risk Assessment		Commentary of Direction of Travel From Original Covid Assessment to Quarter 2
		Gross Risk	Net Risk	Gross Risk	Net Risk	Gross Risk	Net Risk	
1	Cashflow - Delayed Employer Contributions	12	12	-3	-3	9	9	Experience to date has not presented any systematic issues with employer contributions
2	Cashflow - Investments Impact	16	12	-4	-3	12	9	Cashflow has remained relatively neutral and the cashflow strategy is working positively
3	Losses in Investment Values and Returns	16	12	-4	0	12	12	Risk remains high however the funding strategy does not assume high risk/return on investments
4	Governance Disruption	12	9	-6	-3	6	6	Implementation of governance review actions
5	Health and Safety of Members	12	6	0	0	12	6	Experience has been positive to date but no change in risk assessment
6	Health and Safety of Staff	16	9	-4	0	12	9	Likelihood of an issue is lower given experience to date, however potential impact remains high and net risk remains the same
7	Loss of continuity working with advisers, partners, fund managers, and Border to Coast	9	6	0	-2	9	4	Experience to date is that partners and external advisers have proved to be resilient
8	Administration Service Disruption	16	9	-4	-3	12	6	Implementation of governance review actions
9	Inability to Recover	9	6	0	0	9	6	Critical operations continue effectively, and this reduces the reliance upon recovery
Average		13.1	9.0	- 2.8	- 1.6	10.3	7.4	

2.2 Overall risks are assessed to be slightly lower and this is driven by developments and experience over the last 3 months. It is important to note that the scoring mechanism only facilitates 4 options for likelihood and impact (refer to Section 5.2) therefore changes in individual scores cannot show small granularity, either staying the same or appearing to jump. For example, on risk 3, management actions will lower the net risk but the scoring does not have the granularity to show this. However the objective of the risk assessment is to promote an active discussion and awareness of risk, and to assist the Fund with understanding where it needs to give its attention, rather than presenting a perfect set of risk scores.

2.3 The notes below provide additional commentary on administration related issues and actions:

- senior management posts in the pensions administration team are all now filled, and the team is effectively now up to business as usual staffing capacity;
- there have not been a significant number of problems presented by employers and contributions performance continues to be broadly normal. The Fund is considering policies to manage systematic employer issues if they do present.

2.4 The actions identified in the generation of the original Covid-19 risk assessment and action plan remain valid, with some having been progressed and some being ongoing. Appendix 1 also details the revised risk scores.

### 3 Financial Implications

3.1 The key potential administration related financial implication is in respect of the collection of employer contributions, however this risk has to date not materialised systematically.

### 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 This is the second quarterly report dedicated to Covid risks and actions and having this has provided transparency and focus. However the Fund currently has 2 risk registers (the other being main fund risk register, which is reported to the Pension Fund Investment Sub Committee), and which complicates the overall assessment of risk. The intention is for Quarter 3 to simplify back to a single risk register and action plan incorporating Covid issues as appropriate.

## Appendices

Appendix 1 – COVID-19 Risk Register

## Background Papers

None.

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Local Member(s): None

Other members: Councillors Kaur and Gifford