

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

Risk Register Review Pensions Board 18th November 2019	Classification PUBLIC	Enclosures Three AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → **INTRODUCTION ¶**

- 1.1 This report provides the Pensions Board with a copy of the Fund's risk register, last updated in September 2019. The report outlines the Fund's approach to the monitoring of risk, provides an overview of the risk register and indicates key changes to the Fund's risks since the last update. The report also outlines changes made to the risk register and risk reporting as a result of recommendations from the Pensions Regulator.

2. → **RECOMMENDATIONS¶**

- 2.1 The Pensions Board is recommended to:
- Note the report

3. → **RELATED DECISIONS¶**

- 3.1 Pensions Board 20th March 2019 - Pension Fund Risk Register and Policy

4. → **COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶**

- 4.1 The attached risk register highlights the importance of effective risk management to the financial performance of the Pension Fund. Given the importance of the Pension Fund to the Council's finances, failure to effectively manage the risks associated with the Fund could have a significant negative impact on the Council's financial performance.
- 4.2 There are no direct financial consequences arising as a result of this report

5. → **COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶**

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:
- Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
 - Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
 - Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

- 5.2 Further details of the suggested functions of local pension boards are provided by statutory guidance ((Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales). This guidance suggests that reviewing the pension fund risk register might be included by administering authorities within the remit of their local pension board
- 5.3 Taking into account the role of the Pension Board as set out in the Regulations and statutory guidance, the consideration of the risks associated with administering the Pension Fund would appear to properly fall within the Board's remit

6. → **RISK REGISTER¶**

- 6.1 The Pension Fund Risk Register highlights the key risks faced by the Pension Fund and the measures that can and have been put in place to control those risks. The register is Pension Fund specific, although its content is drawn from the full Financial Services Risk Register drawn up in conjunction with the Council's risk management team. Risks are therefore monitored from the perspectives of both the Pension Fund and the Council as a whole, as the materialisation of risks associated with the Pension Fund will ultimately impact upon the Council.
- 6.2 The magnitude of risks within the register is assessed along two dimensions: Likelihood – the probability that a risk will materialise Impact – the consequences if the risk were to materialise These are scored on a matrix, which indicates overall levels of risk as follows: High risk (red) – need for early action / intervention where feasible, Medium risk (amber) – action is required in the near future Low risk (green) – willing to accept this level of risk or requires action to improve over the longer term
- 6.3 Following recommendations made by the Pension Board in 2018, a new presentation template for the pension fund risk register has now been introduced. The changes present the Fund's risks in a more visual way, assessing risks relative to the target level of risk which the Fund is willing (or required) to accept. The intention is to ensure that monitoring of risk is aligned more closely with the Fund's business plan to ensure that developing or worsening risk areas are highlighted early on.
- 6.4 The Pensions Regulator (TPR) has also made recommendations in relation to risk reporting for LGPS funds. The Regulator recommends that funds' full risk registers should be a standing item on Pensions board and Committee agendas. As such, the Board will receive a copy of the full Pension Fund risk register at each meeting, rather than the high level summary initially recommended.

7. → **RISK BREAKDOWN¶**

- 7.4 **Key risks** - the Fund's key risks are as follows:

- Asset risk - failure to meet objectives through poor asset performance
- Funding risk - the growth rate of liabilities outstrips that of assets
- Poor membership data - poor administration or employer data provision resulting in inaccurate member records

The Fund's key risks are mostly unchanged since the previous review; however, the likelihood rating of 'Poor membership data' has improved from 'almost certain' to 'likely'

- 7.5 **New/emerging risks** - No new risks have been added since the previous review. However, the wording and actions on 'Reliance on external systems' have been changed to better reflect the risk of cybercrime and the actions to be taken to prevent

it. This change has been made in line with recommendations from the Pensions Regulator

- 7.6 **Deteriorating risks** - no risk ratings have deteriorated since the previous review
- 7.7 The Fund's full risk register (broken down by governance, funding & investment and administration & communications risks can be found at Appendix 1 to this report. The register assesses risks relative to the target level of risk which the Fund is willing (or required) to accept. The risk register was last updated in September 2019.

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Appendices

Appendix 1a - Risk Register - Admin & Comms

Appendix 1b - Risk Register - Funding & Investment

Appendix 1a - Risk Register - Governance