CT/15/61
Devon Pension Board
2 July 2015

PENSION FUND RISK REGISTER

<u>Report of the County Treasurer</u>

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board notes the report and considers whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Introduction

1.1. Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

1.2. The Risk Register, updated as at 31^{st} March 2014 and attached at Appendix 1 to this report, highlights the key risks in relation to the Devon Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporates the risk register of both the Investments Team and Peninsula Pensions.

2. Assessment of Risk

2.1. Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. A score between 0 and 5 is then assigned to each risk identified for both impact and the likelihood. These scores are then multiplied to produce an overall risk score. Each risk is initially scored assuming that no mitigating controls exist, and is then scored again on the basis of the mitigation in place.

2.2. 28 risks have been recorded in the Risk Register. The following table summarises the number of risks assigned to low, medium and high risk scores, before and after mitigation.

Risk Category	Number of Inherent Risks Identified	Number of Risks following mitigation action
High	7	1
Medium	16	5
Low	5	22

2.3. Action taken to mitigate risks has reduced the number of high risks from 7 to 1. The remaining high risk is of a market crash leading to a failure to reduce the deficit. The Fund has a diversified portfolio of assets to mitigate against downturns in individual markets, but the events of 2008/9, when the Fund value reduced by £370 million, demonstrates that if the markets as a whole crash then there is little that mitigating actions can do. However, those losses were recouped in full during the following financial year, demonstrating that the effect of such an event is likely to be short term.

2.4. In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and these are detailed together with the responsible officer and the planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented.

2.5. Further risks are likely to arise from future decisions taken by the Investment and Pension Fund Committee, and from changes in legislation and regulations. Where such new risks arise they will be added to the risk register, assessed, and mitigating actions identified.

3. Conclusion

3.1. Monitoring of the Risk Register will be an important role for the Pension Board. Should the Board identify specific concerns requiring policy changes then reports will be taken to the Investment and Pension Fund Committee for consideration.

3.2. The Board is asked to note the Pension Fund Risk Register and the actions proposed to mitigate risk.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
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