CT/14/60
Investment & Pension Fund Committee
12 September 2014

PENSION FUND RISK REGISTER

Report of the County Treasurer

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

Recommendation: That the Committee notes the Pension Fund Risk Register, and the additional actions proposed to mitigate risk.

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 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. These are then combined to produce an overall risk score. Each risk is scored assuming no mitigation, and then on the basis of the mitigation in place.

2.2. There are 27 risks 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	15	5
Low	5	21

2.3. Action taken to mitigate risks has reduced the number of high risks from 10 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. The risk register includes a specific risk (Cu2) in relation to the transfer of custody arrangements from JP Morgan to Northern Trust, following the recent procurement exercise. Once the transition has been concluded and the new systems and processes are successfully embedded from the Devon Fund's viewpoint, then this risk can be removed from the risk register.

2.6. 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 mitigation actions identified.

3. Conclusion

3.1. Monitoring of the Risk Register will be an important role for the new Pension Board required to be set up under the Public Sector Pensions Act 2013. Future reports on the Risk Register will be taken to the Pension Board from 1 April 2015 onwards. Should the Pension Board identify specific concerns requiring policy changes then reports will be brought to the Investment and Pension Fund Committee for approval.

3.2. The Committee are asked to note the Pension Fund Risk Register, and the additional actions proposed to mitigate risk.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Mark Gayler
Tel No: (01392) 383621 Room G97