

## **PENSION FUND RISK REGISTER**

### **Report of the County Treasurer**

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

**Recommendation: That the Board 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. The risks that have been identified are incorporated into the Fund's Risk Register.
- 1.2. The Pension Board monitors the Risk Register as part of its scrutiny role in relation to risk and compliance, and will raise any specific concerns to the Investment and Pension Fund Committee, as necessary. The Board previously considered the Risk Register at its meeting on 23<sup>rd</sup> April 2018.
- 1.3. The Risk Register is attached at Appendix 1 to this report. It highlights the key risks in relation to the Pension 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.
- 1.4. The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and the Risk Register is presented to the Committee on an annual basis.

#### **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. 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 planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented.
- 2.3. 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. Revisions to the Risk Register

3.1. The Risk Register is reviewed and updated on an ongoing basis during the year. The following changes have been made to the Register since it was last presented to the Board:

- Risk F12 has been updated to reflect the increasing likelihood of a No-Deal Brexit. As a result, the current risk score has increased making this a high risk score even with the mitigations in place. It could be argued that Brexit, particularly a No-deal Brexit, is the highest risk currently facing the Fund, particularly in view of the proximity of the date of leaving the European Union to the date of the next triennial valuation of the Fund (31<sup>st</sup> March 2019). The perceived economic impact of Brexit, especially a No Deal Brexit could lead to significant market instability that could in turn lead to a reduction in the Fund's assets and/or an increase in liabilities, thereby reducing the funding level and resulting in increases in employer contributions.
- During 2017/18, the Pension Board have reviewed the Risk Register and suggested that clearer descriptions relating to the General Data Protection Regulations are added to risks PP10 and PP11. The Board also recommended that Risk PP6 is expanded to include the risk of employees not joining the Scheme.
- Several risks have been updated to reflect progress towards the investment pooling objectives and the set up of the Brunel Pension Partnership. The management of risks around the performance of fund managers will gradually transfer across to Brunel over the next two years, and the mitigation in respect of risks F2, F3 and F4 have been changed to reflect this. The risk of higher than forecast transition costs remains (Risk B2), but the process for managing those risks is now clearer.
- Risk I1 has been updated to reflect the secondment arrangements for the Head of Peninsula Pensions and the Investment Manager to swap roles to provide greater resilience in relation to key person risk, and several changes have been made to risk owners to reflect the change of roles.
- Risk CM1 has been updated to include the future plan to review and update the Communications Strategy.
- Risk I1 has been updated to reflect that officers have now completed The Pensions Regulator Trustee Toolkit.
- The key risks in relation to Peninsula Pensions are recorded under risk reference PP. Several new risks have been included under this section, including risk PP16 which covers the risk of failure for the shared service arrangement with Somerset.
- Risk PP18 has been added to the register since April review, which covers the risk of cyber attacks.

3.2. Taking account of the revisions above there are now 43 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 mitigating action
High	10	2
Medium	23	7
Low	10	34

3.3. Action taken to mitigate risks has reduced the number of high risks from 11 to 1. The remaining high risk is in respect of a market crash leading to a failure to reduce the deficit.

#### **4. Conclusion**

- 4.1. The Board is 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

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