

## **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 3<sup>rd</sup> April 2019.
- 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 Pension Board highlighted a number of areas where additional plans had now been completed or dates had slipped, and the Risk register has been amended to take those additional plans into account, where appropriate removing them from the additional plans section and adding them to the mitigating controls.
- 3.2. In addition, two new risks have been added. Risk F4 has been added in relation to ESG (Environmental, Social and Governance) risks. Whilst these risks have been included within the Investment Strategy Statement, and managed through the investment strategy in place, they haven't previously been referenced in the Fund risk register. This omission has now been corrected.
- 3.3. Risk F16 refers to the McCloud and Sargeant cases. These cases are legal challenges to protections put into revised scheme regulations in the Judges' and Firefighters pension schemes for those nearing retirement, with the implication that those protections are illegal due to age discrimination legislation. These cases are likely to have implications for the LGPS regulations which put in place similar protections for those nearing retirement when the CARE (Career Average) scheme was brought in in 2004. It was announced at the end of June that the Government has not been granted an appeal and therefore we now await the outcome of negotiations and employment Tribunal decisions on how the situation will be remedied. This could result in significant additional liabilities for the LGPS and therefore the Devon Fund.
- 3.4. Taking account of the revisions above there are now 45 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	11	3
Medium	24	7
Low	10	35

- 3.5. Action taken to mitigate risks has reduced the number of high risks from 11 to 2. The remaining high risk is in respect of a market crash leading to a failure to reduce the deficit, and the impact of a no deal Brexit.

### 4. Conclusion

- 4.1. The Board are asked to note the Pension Fund Risk Register, and the additional actions proposed to mitigate risk.

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Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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