

## **PENSION FUND RISK REGISTER**

Mary Davis County Treasurer

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

The board is recommended to note the Pension Fund Register and the additional actions proposed to mitigate risk.

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### **1. Summary**

- 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 22<sup>nd</sup> January 2021
- 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. It incorporates the risk register of both the Investments Team and Peninsula Pensions. A one-page summary on risk management and the matrix used to assess risks is attached at Appendix 2.
- 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. The register was last approved by the Committee at its meeting held on 19<sup>th</sup> June 2020.

### **2. Introduction**

- 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. Current Position

- 3.1. Risks B1 and B2 have been updated to reflect that the transition of investments to Brunel is almost complete. These risks have now been rated as low following the mitigations in place.
- 3.2. Market performance and recovery in 2020/21 has been strong following the lows experienced in March 2020. Risks F2 and F6 have been updated to note this performance.
- 3.3. Risk F1 has been updated to reflect the development of a dedicated sharepoint site to provide a training and knowledge base for Committee and pension board members.
- 3.4. There are now 48 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
<b>Devon Pension Fund</b>		
High	12	3
Medium	15	4
Low	3	23
<b>Peninsula Pensions</b>		
High	3	1
Medium	6	2
Low	9	15

- 3.5. Action taken to mitigate risks has reduced the number of high risks from 15 to 4. The remaining high risks are in respect of;
- Market Crash leading to a failure to reduce the deficit (F6)
  - Investment strategy not providing sufficient returns longer term (F2)
  - Failure of the Pensions Administration system (PP17)
  - Cost implications of the McCloud judgement (F16).

#### **4. Conclusion**

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

Mary Davis  
County Treasurer

Electoral Divisions: All

#### **Local Government Act 1972:**

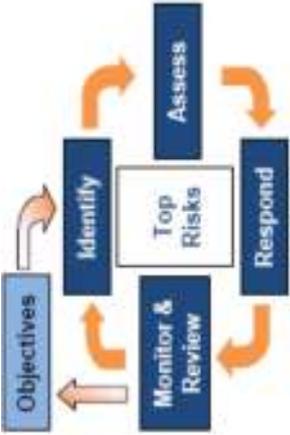
#### **List of Background Papers - Nil**

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# Devon Pension Fund Risk Register

Risk Management - is a modern management discipline and is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.

<p><b>1. Identify your risks</b></p> <p><b>Risk:</b> an event or action that will have affect our ability to achieve our <b>objectives</b></p> <p>Opportunities <b>and</b> Threats</p> <p>Event leads to Impact</p> <p>Identify in groups - by those responsible for delivery of the objectives</p> <p><b>When:</b></p> <p>Setting strategic aims</p> <p>Setting business objectives</p> <p>Early stages of project planning &amp; key stages</p> <p>Entering partnerships</p> <p><b>Categories can help:</b></p> <p>Political, Economic/Financial, Social, Technological, Legislative/Legal, Environmental, Community, Professional/Managerial, Physical, Partnership/Contractual.</p>	<p><b>2. Assess your risks</b></p> <p>Combination of the probability of an event and its consequences; Impact x Likelihood:</p> <table border="1" data-bbox="635 1115 938 1594"> <tr> <td></td> <td>6</td> <td>12</td> <td>18</td> <td>24</td> <td>30</td> </tr> <tr> <td>LIKELIHOOD</td> <td>5</td> <td>10</td> <td>15</td> <td>20</td> <td>25</td> </tr> <tr> <td></td> <td>4</td> <td>8</td> <td>12</td> <td>16</td> <td>20</td> </tr> <tr> <td></td> <td>3</td> <td>6</td> <td>9</td> <td>12</td> <td>15</td> </tr> <tr> <td></td> <td>2</td> <td>4</td> <td>6</td> <td>8</td> <td>10</td> </tr> <tr> <td></td> <td colspan="5">IMPACT</td> </tr> </table> <p><b>24 - 30 VERY HIGH (VIOLET)</b></p> <ul style="list-style-type: none"> <li>Immediate action</li> </ul> <p><b>15 - 20 HIGH (RED)</b></p> <ul style="list-style-type: none"> <li>Regular review to seek better control</li> </ul> <p><b>10 - 12 MEDIUM (AMBER)</b></p> <ul style="list-style-type: none"> <li>Review current controls / incorporate into action plan</li> </ul> <p><b>1 - 9 LOW (YELLOW)</b></p> <ul style="list-style-type: none"> <li>Limited action - long term plans</li> </ul>		6	12	18	24	30	LIKELIHOOD	5	10	15	20	25		4	8	12	16	20		3	6	9	12	15		2	4	6	8	10		IMPACT					<p><b>3. Respond to risks</b></p> <p>Concentrate on Top Risks:</p> <ul style="list-style-type: none"> <li>Set risk appetite</li> <li>Proportionate and cost-effective response</li> </ul> <p>Can we reduce likelihood?</p> <p>Can we reduce impact?</p> <p>Can we change the consequences?</p> <p>Treat</p> <p>Transfer</p> <p>Tolerate</p> <p>Terminate</p> <p>Devise Contingencies</p> <p>Business Continuity Planning</p>	<p><b>4. Monitor and Review</b></p> <p>Risk Registers:</p> <p>Baseline data to be prepared and monitored regularly; these should clearly indicate impacts, responses and contingencies as well as the risk owner.</p> <p>Use early warning indicators.</p> <p>Review Top Risks regularly as agenda item.</p> <p>Report progress to senior management.</p> 
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