

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.

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 26th April 2021
- 1.3. The Risk Register is attached at Appendix 1 and Appendix 2 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 (Appendix 1) and Peninsula Pensions (Appendix 2). A one-page summary on risk management and the matrix used to assess risks is attached at Appendix 3.
- 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. It is due to be presented to the next meeting on 17 September.

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. Proposal

- 3.1. Risk F1 has been updated following the recent local elections and the Investment and Pension Fund committee's approval of the 2021/22 training plan at its June meeting.
- 3.2. Risk F11 which relates to employers leaving the fund with a deficit has been updated following the Investment and Pension Fund committee's approval of the new fund policies on Debt Spreading and Deferred Debt arrangements.
- 3.3. Risk F17 has been updated with the results from the annual carbon footprint report for the period ending 31 December 2020.
- 3.4. Following the conclusion of Brunel's governance review, risk B3 has been updated.
- 3.5. A new risk PP5 has been added regarding the withdrawal of support for the Employer Self Service system.
- 3.6. The Pension Board highlighted in its April 2021 meeting that there was a duplicate within the risk register, risks PF12 and PP9 which both covered the risk of large numbers of scheme members transferring their LGPS benefits to personal pension schemes following the introduction of the Freedom and Choice rules. Officers have removed both risks from the register as the change in legislation was introduced now over 6 years ago and we have not seen a rise in transfer as initially feared.
- 3.7. There are now 46 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
Devon Pension Fund		
High	11	3
Medium	15	4
Low	2	21
Peninsula Pensions		
High	3	1
Medium	7	3
Low	9	15

3.8. Action taken to mitigate risks has reduced the number of high risks from 14 to 4. The remaining high risks are in respect of;

- Market Crash leading to a failure to reduce the deficit
- Investment strategy not providing sufficient returns longer term
- Failure of the Pensions Administration system
- Cost implications of the McCloud judgement

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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