

PENSION FUND RISK REGISTER

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Board be asked to note the Pension Fund Register and the additional actions proposed to mitigate risk.

2) Introduction

- 2.1 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.
- 2.2 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 19th July 2022, and comments made at board meetings have been taken on board in updating the register.
- 2.3 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.
- 2.4 The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in October 2022.

3) Assessment of Risk

- 3.1 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.
- 3.2 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. As a result of the incorporation of the risk register into the Authority's risk management system, there is now a more rigorous system in place for regular review of the risks identified, enabling better risk management.
- 3.3 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.

4) Revisions to the Risk Register

- 4.1 The risk register remains unchanged in relation to the Peninsula Pensions risks since the last board meeting in February. Officers are currently working with audit colleagues on updating the register in time for the next board meeting.
- 4.2 At the February meeting, the board picked up that a control under F2 required updating to reflect the 2022 valuation. This has now been actioned. F12 has also been updated to reflect the completion of the 2022 valuation. There were also minor amendments to controls under risks CM1, F14 and G2.
- 4.3 There are now 41 risks recorded in the Risk Register, 23 of which relate to Devon Pension Fund management and 18 to Peninsula Pensions. 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 | 9 | 2 |
| Medium | 11 | 6 |
| Low | 3 | 14 |
| Peninsula Pensions | | |
| High | 3 | 0 |
| Medium | 7 | 4 |
| Low | 8 | 14 |

- 4.4 Across Devon Pension Fund management and Peninsula Pensions, action taken to mitigate risks has reduced the number of high risks from 11 to 2. The remaining high risks are in respect of:
- F5- Global Financial Crisis leading to a failure to reduce the deficit.
 - F2 -Investment strategy not providing sufficient returns longer term.
 - F14 – Cyber Security

5) Conclusion

- 5.1 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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