



Gloucestershire

COUNTY COUNCIL

Meeting papers

Pension Board

Wednesday 26 October 2016 at 10.00 am

Members' Room - Shire Hall, Gloucester



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Pension Board	
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AGENDA	

1	APOLOGIES	Stephen Bace
2	DECLARATION OF INTERESTS	Stephen Bace
3	MINUTES OF THE PREVIOUS MEETING (Pages 1 - 8)	Stephen Bace
4	MINUTES OF THE PENSION COMMITTEE MEETING (Pages 9 - 14) For the Board to note the minutes of the Committee meeting on 12 August 2016.	Graham Burrow
5	ANNUAL PENSION BOARD REPORT (Pages 15 - 16)	Graham Burrow
6	PENSION FUND RISK REGISTER (Pages 17 - 30)	Graham Burrow
7	EXCLUSION OF PRESS AND PUBLIC <i>That in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following agenda items, because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.</i>	

8	UPDATE ON BRUNEL PENSION POOLING (Pages 31 - 78) Awareness Briefing Slides	
9	NEXT MEETING To agree a date for the new meeting.	
Membership – <i>Cllr Nigel Moor , Sean Collins (Head of Pensions, Oxfordshire County Council), Owen Shaw (Scheme Member Representative), Jon Topping (Head of Finance, Gloucester City Council) and Kate Walton (Head of Finance, University of Gloucestershire)</i>		

(a) **DECLARATIONS OF INTEREST** – Members requiring advice or clarification about whether to make a declaration of interest are invited to contact the Monitoring Officer (Jane Burns ☎01452 328472 /fax: 425149/ e-mail: Jane.Burns@gloucestershire.gov.uk) prior to the start of the meeting.

(b) **INSPECTION OF PAPERS AND GENERAL QUERIES** - If you wish to inspect Minutes or Reports relating to any item on this agenda or have any other general queries about the meeting, please contact:
 Stephen Bace, Senior Democratic Services Officer (Scrutiny Team)
 ☎:01452 324204 /fax: 425850/e-mail: stephen.bace@gloucestershire.gov.uk

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EVACUATION PROCEDURE - in the event of the fire alarms sounding during the meeting please leave as directed in a calm and orderly manner and go to the assembly point which is **outside the main entrance to Shire Hall in Westgate Street**. Please remain there and await further instructions.



PENSION BOARD

MINUTES of the meeting of the Pension Board, held on Friday 22 April 2016 at 10.00 am in the Cabinet Suite - Shire Hall, Gloucester.

PRESENT:

Sean Collins	Jon Topping
Cllr Nigel Moor	Kate Walton
Owen Shaw	

17. APOLOGIES

There were no apologies at the meeting.

18. DECLARATIONS OF INTEREST

No declarations of interest were made at the meeting.

19. MINUTES OF THE PREVIOUS MEETING

The minutes of the board meeting held on 23 October 2015 were agreed and signed as a correct record of that meeting.

Board member, Owen Shaw, reaffirmed his retirement as Head of Human Resources at Cirencester College. Members noted that Owen's attendance at future meetings would be as a 'member' representative of the Pension Board, and not as an 'employee representative'.

At the request of board members, it was agreed a 'summary of actions sheet' would be circulated with the minutes of future meetings. **Action by – Jo Moore**

20. UPDATE REGARDING ANNUAL BENEFIT STATEMENTS

Head of Pension Fund, Mark Spilsbury, gave an update on the production and distribution of the Annual Benefits Statements 2015/16. Noting member's concerns from the previous meeting, Mark informed members that significant steps had been taken to ensure employer information was provided on time, and of the importance of communicating this requirement to those concerned.

Requesting an update on the employers who had not, as yet, sent in their returns, members welcomed the new approach and urged officers to consider imposing charges on late returns to reflect additional costs. Officers were requested to notify employers of this intention.

Action by – Mark Spilsbury

21. BREACHES POLICY

Head of Pension Fund, Mark Spilsbury, referred to the legal requirement for members of the Pension Committee and Pension Board to report significant breaches of the law to the Pensions Regulator.

Formal training of the procedures for the reporting of breaches to be given to the Pension Committee and Pension Board on 27 April 2016. The policy to be introduced after the training session.

In adherence to this requirement, officers produced a Breaches Policy Guideline, setting out the necessary framework from which to identify, manage, and where necessary, report any breaches of law. Examples of potential breaches were noted at Appendix A of the report.

Members requested that the Director of Strategic Finance advise the Chairman of the Pension Committee of potential or retrospective breaches of policy, and to inform the Pension Board of this position. It was suggested the request be inserted in the policy guidelines, and this was agreed.

Action by – Mark Spilsbury

22. KEY PERFORMANCE INDICATORS

Head of Pension Fund, Graham Burrow, outlined the Key Performance Indicators developed and piloted by the national Local Government Pension Scheme (LGPS) Advisory Board to monitor the management and performance of local authority pension funds.

Graham informed members that there had been no official confirmation from the Pension Scheme Advisory Board that the performance indicators had become mandatory. Pending notification of this instruction, it was suggested the Gloucestershire Pension Fund continue to monitor performance based on the principles set out in the performance indicators for 2016/17. An update on this position to be presented at the next board meeting.

It was suggested officers amend the Key Performance Indicator Proforma Sheet to record 'maximum' and 'actual' scores, where possible. .

Action by – Graham Burrow

23. BUSINESS PLAN 2016/17

Head of Pension Fund, Graham Burrow, gave an update on the Local Government Pension Fund Business Plan 2016/17.

Seeking advice on how the Pension Board might become more actively engaged at Pension Committee meetings, it was suggested officers liaise with the Chairman of the Pension Committee to seek approval for the inclusion of a standing item on the agenda of future committee meetings. It was hoped consideration of the minutes of

board meetings at committee meetings would allow the committee to note any areas of concerns, and to provide an opportunity for board members to address the committee, subject to the invitation of the Chairman.

Action by - Graham Burrow

Expressing concern about 'resources' and the 'resilience of officers' in administering the Gloucestershire Pension Fund, board members were assured by officers that significant measures had been put in place to overcome some of the previous challenges. Such of the measures included; creation of additional posts and clarification of roles within the administration team. Officers informed the Pension Board that they were confident the new arrangements would help fulfil member's expectations.

24. RISK REGISTER

Head of Pension Fund, Mark Spilsbury, gave an update on the Pension Fund Risk Register. The risk register is presented to the Pension Committee on a 6 monthly basis and was last presented on 12 February 2016.

Questioning the relatively low risk scoring for some of the risk levels, several members proposed that the Pension Committee be asked to consider adding 'emerging risks' to the register.

One particular area of concern identified at the meeting was the current position relating to the West Oxfordshire/Cotswold District unitary proposal. Another area of concern was the potential risks associated with the development of the South West Investment Pool (Brunel Project). The Pension Board requested that these two areas of concern be highlighted as 'emerging risks' to the Pension Committee.

Action by – Mark Spilsbury

25. EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following agenda items, because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

26. POOLING OF INVESTMENTS

As part of the July 2015 Budget Statement, the Chancellor of the Exchequer announced that the government would be working with Local Government Pension Scheme (LGPS) Administering Authorities to ensure they pooled investments in order to reduce costs while maintaining overall investment performance.

Minutes subject to their acceptance as a correct record at the next meeting

Joint Head of the Pension Fund, Graham Burrow, updated members on the Fund's Pooling proposals. In noting the information, members requested further updates on key issues.

Action by – Graham Burrow

27. INVESTMENT FEES

Following a request at the last meeting, Head of the Pension Fund, Graham Burrow, updated members on investment fees.

28. NEXT MEETING

The Pension Board noted the dates of future Pension Committee meetings: -

Friday 13 May 2016
Friday 12 August 2016
Friday 11 November 2016
Friday 2 December 2016 (annual meeting)
Friday 10 February 2017 (provisional date)
Friday 12 May 2017 (provisional date)
Friday 2 September 2017 (provisional date)

It was suggested the next board meeting be held in late October, taking into account the outcomes of the May and August committee meetings.

Suggested items for the meeting included: -

- a) Administration update report;
- b) Risk register update (including updates on the West Oxfordshire/Cotswolds unitary proposal and the pooling of investments);
- c) KPI's (standard item)
- d) Risk register (standard item)

CHAIRPERSON

Meeting concluded at 12.30 pm

SUMMARY ACTION SHEET

Pension Board Meeting – 22 April 2016

NO	ITEM	ACTION	WHO	UPDATE
1	Agenda Cover Sheet	Amend 'board member status' for Owen Shaw from 'employee representative' to 'scheme member representative'. Owen has retired from his position as Head of HR at Cirencester College.	Stephen Bace	To be actioned for all future meetings
2	Minutes (Item 3)	Officers to produce a summary sheet of key actions to accompany the minutes of Pension Board meetings.	Jo Moore	To be produced for all meetings including the 22 April meeting.
3	Annual Benefit Statements (Item 4)	The Pension Board welcomed the proposal to impose charges to reflect additional costs incurred on employers failing to meet the deadlines for submitting employer returns. Officers to notify employers of this decision.	Mark Spilsbury	All employer returns were received by the due date, hence no charges were levied. Increased charges for not meeting the deadlines will be considered as part of the next consultation on the Administration Strategy due to take place in February 2017 following agreement by the Pension Committee on 11 th February 2017
6	Breaches Policy (Item 5)	Jo Walker (Director: Strategic Finance) to notify the Chairman of the Pensions Committee of any significant breaches of law. Officers to notify the Pension Board of any breaches.	Jo Walker and Mark Spilsbury	Actioned. No significant breaches have taken place to date.
7	KPI's (Item 6)	Where possible, officers to record 'maximum scores' and 'actual scores' to the KPI pro forma.	Graham Burrow	To be actioned once format and status of KPI's

SUMMARY ACTION SHEET

Pension Board Meeting – 22 April 2016

				has been confirmed
8	KPI's (Item 6)	Board members requested an update, (at the next Pension Board meeting), on how the Gloucestershire Fund was performing against primary performance indicators and the position regarding secondary indicators.	Graham Burrow	The Scheme Advisory Board (SAB) have not confirmed whether these are the KPIs to be used by LGPS Funds. Therefore this information is not currently available.
9	Business Plan (Item 7)	Subject to the agreement of the Chairman of the Pension Committee, the minutes of Pension Board meetings to be considered at Pension Committee meetings. A standing item to be included on the Pension Committee agenda.	Mark Spilsbury Graham Burrow	Agreed and actioned
10	Business Plan (Item 7)	Subject to the agreement of the Chairman of the Pension Committee, a spokesperson from the Pension Board to be given an opportunity to ask questions/make comments at Pension Committee meetings. The invitation to speak to be made under the item of the agenda relating to 'Consideration of the Pension Broad minutes'.	Mark Spilsbury	Agreed and actioned
11	Business Plan (Item 7)	Officers to circulate the minutes of the 'Project Brunel Shadow Oversight Board' meetings to the members of the Pension Board.	Mark Spilsbury	Minutes distributed with the papers for this meeting.
12	Business Plan (Item 7)	In noting the minutes of the Project Brunel Shadow Oversight Board meetings, the Pension Board to raise any concerns arising from the minutes with officers, who will advise the Chairman of the Pension Committee of any concerns. If the matter is unresolved, the Pension Board to consider arranging a special meeting.	Mark Spilsbury	Minutes to be discussed at October Board Meeting with any issues being fed back to the Chair of the

SUMMARY ACTION SHEET

Pension Board Meeting – 22 April 2016

				Pension Committee.
13	Risk Register (Item 8)	The Pension Committee to consider placing an additional risk on the risk register relating to the impact of the Cotswold/West Oxfordshire unitary proposals.	Mark Spilsbury	Cotswold/West Oxfordshire unitary proposals have now been dropped.
14.	Risk Register (Item 8)	The Pension Board indicated it would like to monitor the potential risks associated with the West Oxfordshire/Cotswold District unitary proposal'.	Pension Board	Cotswold/West Oxfordshire unitary proposals have now been dropped

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PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 12 August 2016 commencing at 10.00 am.

Present:

Cllr David Brown	Cllr Ray Theodoulou (Chairman)
Cllr Jasminder Gill	Cllr Nigel Cooper
Cllr Colin Hay	Peter Clark (Staff and Trade Union Representative)
Cllr Lynden Stowe	

Officers in Attendance:

Jo Walker – Director: Strategic Finance
Mark Spilsbury - Joint Head of Pension Fund
Graham Burrow – Joint Head of Pension Fund
Jo Moore – Democratic Services
Steve Tyson (Independent Investment Advisor)

59. APOLOGIES

Apologies were received from Cllr Shaun Parsons.

60. MINUTES

The public minutes of the meeting held on Friday 1 July 2016 were agreed as a correct record of that meeting.

61. DECLARATIONS OF INTEREST -

No declarations of interest were made at the meeting.

62. PUBLIC QUESTIONS -

No questions were received.

63. MEMBERS' QUESTIONS -

No questions were received.

64. TRAINING UPDATE

Graham Burrow, Joint Head of the Pension Fund, updated members on forthcoming training events.

Members were advised that a briefing on the business case for the Brunel Pension Partnership would be held at Oxford on Monday 17th October. While this briefing

Minutes subject to their acceptance as a correct record at the next meeting

was primarily for the Buckinghamshire, Gloucestershire and Oxfordshire Funds the briefing would also be open to other participating funds.

The event on 17 October 2016 will give members an opportunity to provide input on the full business case before it is submitted to the Pension Committee on 2 December 2016.

Noting concerns about the date and location of the event, members were advised that similar sessions would be held on: -

7 October 2016 – Exeter racecourse (Cornwall, Devon, Dorset, Somerset)

14 October 2016 - Keynsham (Avon/Wiltshire/Environment Agency)

65. MARKET VALUATIONS AND QUARTERLY PERFORMANCE REVIEW OF THE FUND, QUARTER 2 2016

Mark Spilsbury, Joint Head of the Pension Fund, gave a short overview on the market values for each fund manager and an update on the performance of the funds for the period 1 April to 30 June 2016. The report was noted.

66. PENSION FUND ANNUAL REPORT

The Gloucestershire Local Government Pension Fund is managed and administered by Gloucestershire County Council on behalf of all Gloucestershire local authorities and other local bodies providing public services as part of the Local Government Pension Scheme (LGPS) Regulations. The Annual Pension Fund Report is prepared in accordance with Local Government Pension Scheme Regulations 2013, and the requirement to publish an annual report before 1 December.

Graham Burrow, Joint Head of the Pension Fund, presented the 2015/16 Annual Report for the year ending 31 March 2016. The committee was informed that the external auditor's report would not be available until mid September 2016 and that any amendments or necessary changes would be added prior to final publication of the report.

Having considered the report, the committee **RESOLVED** to note the Gloucestershire Pension Fund Annual Accounts and agreed the contents of the Annual Report.

67. STOCK LENDING REPORT

Joint Head of the Pension Fund, Graham Burrow, presented the council's annual Stock Lending Review Report, including details of the current list of active approved borrowers, as detailed in Appendix A to the report.

Outlining the stock lending year end position as of 31 March 2016, Graham informed the committee that the stock lending is carried out by the Fund's custodian, BNY Mellon and this had resulted in income for the Fund of £34,000 in 2015/16.

Members were advised that, at the request of the Pension Fund, BNY Mellon had been asked to produce a list of additional borrowers from which to increase income generation. Responding to the request, BNY Mellon had proposed extending the list of borrowers, (outlined at Appendix B), to create the most positive impact on the fund's lending opportunities. It was anticipated that this, in addition to other changes to the fund's stock lending arrangements, would increase the fund's annual stock lending income by a further £32,000 per annum.

The committee noted the report, and

RESOLVED to agree the changes to the Pension Fund's list of approved borrowers and collateral arrangements.

68. PENSION FUND RISK REGISTER

As Administrative Authority, Gloucestershire County Council is required to maintain, (and keep under review), a Funding Strategy Statement (FSS) for the Gloucestershire Pension Fund. The Council is also required to identify any risks associated with the Pension Fund and the measures or controls taken to counter such risks. The Risk Register was last reviewed by the Pension Committee in February 2016.

Mark Spilsbury, Joint Head of the Pension Fund, informed members that, since the last committee meeting, a new risk (G8) had been identified; relating to Cyber Security and the possible 'failure to protect key information and data as a result of exploited technological vulnerabilities facilitated through malicious attack'.

In addition Risks F1 and F5 would be monitored during 2016/17 to check whether their risk ratings might need to be changed from 'low' to 'medium' following the decision to leave the EU.

The committee noted and agreed the amendments to the Risk Register, as highlighted by the published report.

69. THE ACTUARY'S REPORT ON THE FUND AT 30 JUNE 2016

Graham Burrow, Joint Head of Pension Fund, presented the Gloucestershire Funding Update Report as at 30 June 2016. The Funding Update Report represents a 'point in time' measurement of the funding position, including making comparisons and assumptions between funding levels and financial market data reported by Hymans Robertson, (as Fund Actuary), at 31 March 2013; 31 March 2016 and 30 June 2016..

Minutes subject to their acceptance as a correct record at the next meeting

Members were informed that the funding level at the March 2013 valuation had been 70.1 per cent. The estimated funding level at 31 March 2016 had increased to 79.7 per cent, dropping slightly to 77.9 per cent at 30 June 2016. The estimated change in the deficit as at 30 June 2016 was largely due to a drop in gilt yields.

It was noted that as part of the 31 March 2016 Triennial Fund valuation a number of , the Fund had reviewed and changed some of the financial assumptions used during the Triennial valuation.

The Funding Update Report was noted.

70. EXCLUSION OF THE PRESS AND PUBLIC

As Chairman of the Pension Committee, Cllr Ray Theodoulou proposed and members,

RESOLVED that

In accordance with Section 100 A (4) of the Local Government Act 1972 the public should be excluded from the meeting for the following agenda items, because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

71. EXEMPT MINUTES

The exempt minutes of the meeting held on Friday 1 July 2016 were agreed as a correct record and signed by the Chairman.

72. MINUTES OF SHADOW OVERSIGHT BOARD

Following the Government's requirement for Local Government Pension Scheme (LGPS) Pension Funds to prepare proposals for pooling investments, the Gloucestershire Pension Fund, along with 9 other Funds in the South West, agreed to create the Brunel Pension Partnership (BPP).

Although the proposals have yet to be agreed, the BPP have put a number of shadow arrangements in place to help develop pooling proposals and instil good governance arrangements. The Shadow Oversight Board is a key part of this process.

The minutes of the Brunel Shadow Oversight Board Meeting on 23 June 2016 were noted.

Minutes subject to their acceptance as a correct record at the next meeting

73. FUND POOLING PROPOSALS

Mark Spilsbury, Joint Head of the Pension Fund, updated members on the Fund's Pooling proposals. In noting the information, members welcomed the opportunity to provide input at the forthcoming briefing sessions to be held in October and requested further updates on progress at future meetings.

74. GMO MANDATE

The Committee received a report from Graham Burrow, Joint Head of the Pension Fund relating to the performance of the Fund's Investment Manager, GMO.

75. CWPT

Joint Head of the Pension Fund, Mark Spilsbury, gave an update on the Pension Fund's position in relation to the Cotswold Water Park.

76. ADMISSION BODY REQUESTS

The committee received a report from the Director: Strategic Finance.

77. INVESTMENT UPDATE

Steve Tyson, Independent Pension Advisor, gave a detailed update on the Pension Fund's long-term investment strategy.

78. INVESTMENT REPORT - WESTERN ASSET

Catherine Matthews and Marek Siwicki from Western Asset gave a detailed overview of the Investment Company's portfolio.

CHAIRMAN

Meeting concluded at 13.45 pm

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The Gloucestershire Local Government Pension Scheme (LGPS) Pension Board

All Public Sector Pension schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension scheme in ensuring compliance with LGPS and other pension regulations.

The County Council, as administering authority of the Gloucestershire LGPS agreed the terms of reference of the Pension Board in February 2015. These terms of reference are included within the Fund's Governance Policy document on pages 48 to 56 of this Annual Report.

Employers, scheme members and the relevant unions were invited to be considered to become members of the Pension Board and the following were appointed.

Employer representatives

Cllr Nigel Moor (Gloucestershire County Council)
Kate Walton (University of Gloucestershire)

Scheme member representatives

Owen Shaw
Jon Topping

Taking account of the relevant LGPS regulations and guidance, the Gloucestershire LGPS decided to also appoint an independent non voting chair of the Pension Board. An independent chair of the Pension Board can not have any involvement (eg, through membership or employer links) with the local pension scheme they would be chairing but having good experience and knowledge of the LGPS would be advantageous and would assist the other Board members in their role. To comply with these requirements the Gloucestershire LGPS invited the Head of Pension Fund at the Oxfordshire LGPS, Sean Collins, to become chair of the Gloucestershire Pension Board.

The Pension Board had an initial training session in July 2015 which was followed by their first meeting. Members of the Pension Board are also invited to attend joint training and update sessions with members of the Pension Committee and are also sent all agenda papers for the Pension Committee meetings, which they can attend as observers. The minutes of the Pension Board are reported to the next Pension Committee and a member of the Board can give a verbal update to the Committee on these minutes.

The Board met twice during the financial year 2015/16 as well as a third meeting in April 2016 and the areas they have focussed on include: the Pension Fund's Risk Register, Key Performance Indicators, the Fund's Business Plan, scheme costs and the development of the Governments requirement for LGPS Funds to combine their investments in pools of around £25 billion via one FCA regulated company which is responsible for selecting the fund managers but with the asset allocation decisions remaining with individual Funds.

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Review of the Pension Fund Risk Register

Report of the Strategic Finance Director

Introduction

The Administering Authority is required by the Local Government Pension Scheme (LGPS) Regulations to maintain a Funding Strategy Statement (FSS) and to keep it under review. The FSS is always reviewed as part of the Triennial Valuation.

In preparing the FSS, the LGPS Regulations require the Administering Authority to have regard to the best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This guidance includes the need to identify risks relating to the Pension Fund and the measures or controls to be taken to help counter those risks.

The Risk Register was last reviewed by the Pension Committee in February 2016 and the Pension Board in April 2016 and is submitted to the October Board in accordance with the 6 monthly agreed timetable for review.

Report

The attached Risk Register reflects the risks relating to the Pension Fund as shown in the FSS and indicates the significance of each risk .

The significance of individual risks is measured by a scoring system which multiplies the likelihood of the occurrence with the potential impact of such an occurrence. Both “likelihood” and “impact” are scored 1 – 5 and after multiplying both numbers together, the higher the product, the higher the risk.

Based on these scores, the following summarises the risk levels, from low, to high.

Level of Risk	Score	Colour		
Low	1 – 6		Green	
Moderate	7 – 12		Amber	
High	13 – 25		Red	

The following scoring matrix indicates which risk score is produced by multiplying the different levels of “likelihood” and “impact” together. It also defines the different levels of “likelihood” and “impact” represented by the scores of 1 to 5 and illustrates the resultant levels of risk that can be produced.

RISK	IMPACT / CONSEQUENCE				
	(1)	(2)	(3)	(4)	(5)
LIKELIHOOD	Insignificant	Minor	Moderate	Major	Critical
Almost Certain (5)	5	10	15	20	25
Highly Likely (4)	4	8	12	16	20
Probable (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

The attached Risk Register shows each risk, scored before and after controls are in place (i.e. the inherent and residual risks), and also shows the target level for each risk, i.e. the risk appetite.

The risks are cross referenced to the Funding Strategy as follows:

- Financial Risks (F)
- Funding / Demography Risks (F/D)
- Administration / Regulatory Risks (A/R)
- Governance Risks (G)

Review of Risk Register

The Risk register has been reviewed and includes one new risk since it was last considered by the Pension Board, as detailed below:

New Risk: G8 : Cyber Security. Failure to protect the Pension Funds key information and data as a result of exploited technological vulnerabilities facilitated through malicious attack (internal or external).

The following changes have also been made to risk register since it was last considered by the Pension Board:

Risk F1 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.

Due to increased uncertainty following the BREXIT vote and possible negative long term implications, this risk will be closely monitored to determine whether the likelihood of this risk materialising needs to be increased from 2 to 3, which would increase the overall risk rating from low to medium.

Risk F5 - Active investment manager under-performance relative to benchmark.

Due to increased uncertainty following the BREXIT vote and possible negative long term implications, this risk will be closely monitored to determine whether the likelihood of this risk materialising needs to be increased from 2 to 3, which would increase the overall risk rating from low to medium

Recommendation

That the Board notes the Risk Register.

Contact Officer

Graham Burrow (01452 328944)

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Risk Register - Gloucestershire LGPS Pension Fund - New Risk

Version: 1c
Date: October 2016

Ref	Date Added	Risk Description	Objective	IR Likelihood	IR Impact	IR Risk Score	Current controls in place, including from other Assurance Providers (e.g. OFSTED)	RR Likelihood	RR Impact	RR Risk Score	Direction of Travel	Risk Appetite	Categories of Risk	Risk Owner	Date Reviewed	Period Comments	Further Actions Required	FA Due	Progress of FA	Period Comments	FA Owner	
F1	01/04/2014	Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	The achievement of fully funded pension liabilities over the long term	4	3	12	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	2	3	6	→	Low	Financial	Head of Pension Fund	July 2016	Due to increased uncertainty following the BREXIT vote and possible negative long term implications, this risk will be closely monitored to determine whether the likelihood of this risk materialising needs to be increased from 2 to 3, which would increase the overall risk rating from low to medium.						
F2	01/04/2014	Inappropriate long-term investment strategy.	The achievement of fully funded pension liabilities over the long term	4	3	12	Regular monitoring of Fund's cash flow with actuarial estimates of future cash flow position. Overall investment strategy options including diversification considered as an integral part of the funding strategy. Use of asset liability modelling. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	2	3	6	→	Low	Financial	Head of Pension Fund	July 2016							
F3	01/04/2014	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	The achievement of fully funded pension liabilities over the long term	4	3	12	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	2	3	6	→	Low	Financial	Head of Pension Fund	July 2016							

Risk Register - Gloucestershire LGPS Pension Fund - New Risk

Version: 1c
Date: October 2016

Ref	Date Added	Risk Description	Objective	IR Likelihood	IR Impact	IR Risk Score	Current controls in place, including from other Assurance Providers (e.g. OFSTED)	RR Likelihood	RR Impact	RR Risk Score	Direction of Travel	Risk Appetite	Categories of Risk	Risk Owner	Date Reviewed	Period Comments	Further Actions Required	FA Due	Progress of FA	Period Comments	FA Owner		
F4	01/04/2014	Increasing Pension Fund deficit	The achievement of fully funded pension liabilities over the long term	4	3	12	Actuarial review via Triennial Valuation and regular update reports. Regular consideration by Pension Committee on manager performance relative to funding assumptions, funding position and funding strategy. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	2	3	6	→	Low	Financial	Head of Pension Fund	July 2016								
F5	01/04/2014	Active investment manager under-performance relative to benchmark.	Maximising investment returns to help the Fund achieve its funding targets	4	3	12	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark. Diversification of investments across asset classes and across different fund managers	3	3	9	→	Medium	Financial	Head of Pension Fund	July 2016	Due to increased uncertainty following the BREXIT vote and possible negative long term implications, this risk will be closely monitored to determine whether the likelihood of this risk materialising needs to be increased from 2 to 3, which would increase the overall risk rating from low to medium.							
F6	01/04/2014	Pay and price inflation significantly more than anticipated.	The achievement of fully funded pension liabilities over the long term	4	2	8	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.	3	2	6	→	Medium	Financial	Head of Pension Fund	July 2016								

Risk Register - Gloucestershire LGPS Pension Fund - New Risk

Version: 1c
Date: October 2016

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F7	01/04/2014	Unexpected increase in employer's contribution rate	To stabilise changes in employer contribution rates over the long term	4	3	12	An explicit stabilisation mechanism has been agreed for eligible employers as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions. Obtain information on financial strength of individual employers. Discuss with employers their ability to absorb rises in their level of contribution. Where appropriate mitigate impact through deficit spreading and phasing in of contribution rises, with appropriate security from employers and further analysis by the Fund's actuary.	2	3	6	→	Low	Financial	Head of Pension Fund	July 2016								
F8	01/04/2014	Orphaned employers give rise to added costs for the Fund	To ensure individual employers in the Fund are responsible for their own costs	4	3	12	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. At risk employers are identified and are engaged in discussions over remedial actions in advance of retirement of all active members. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers	2	3	6	→	Medium	Financial	Head of Pension Fund	July 2016								
F/D1	01/04/2014	Pensioners living longer, thus increasing cost to Fund.	The achievement of fully funded pension liabilities over the long term	5	2	10	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation. The Fund also sets life expectancy assumptions using ClubVita, which is a specialised longevity company and provides life expectancy assumptions based on the profile of the Fund's own membership. Administering Authority encourage any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs.	3	2	6	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								

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F/D2	01/04/2014	Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees leading to the possibility of there not being sufficient liquid funds available to pay liabilities as they fall due.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	Continue to monitor at each valuation, seeking monetary amounts rather than % of pay. Between valuations regularly monitor level of active members on both a total Fund basis and by individual employer. Regularly monitor how cash flow positive the Fund is. Regularly review investment strategy.	2	3	6	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								
F/D3	01/04/2014	A company admitted to the Fund as an admission body may become financially unviable	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	A transferee admission body will always have a funding guarantee from the transferring scheme employer. A community admission body will only be admitted to the Fund if they have a funding guarantee from a scheme employer with tax raising powers. A surety bond to cover the cost of paying pensions early if the company goes into liquidation is also generally required by the scheme employer to cover the potential risk of the admitted body becoming insolvent and the value of this surety or bond is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	3	3	9	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								
F/D4	01/04/2014	Deteriorating patterns of early retirements	To ensure individual employers in the Fund are	4	3	12	Employers are charged the extra cost of non ill-health retirements following each individual decision	2	3	6	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								
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F/D5	01/04/2014	Reductions in payroll causing insufficient deficit recovery payments	To ensure individual employers in the Fund are responsible for their own costs	4	3	12	Require employers to pay sums due for deficit recovery contributions as a fixed monetary amount rather than being expressed as a % of pay.	2	3	6	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								
F/D6	01/04/2014	Ill-health retirements significantly more than anticipated	To ensure individual employers in the Fund are responsible for their own costs	4	3	12	Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumption built in. Ill health insurance is available to be purchased by individual employers	2	3	6	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								
F/D7	01/04/2014	Adverse effect on the Fund's investment strategy and employer contributions if large numbers of active members are outsourced on a "closed" (to new entrants) basis	The achievement of fully funded pension liabilities over the long term	3	3	9	Take advice from the Fund actuary on the likely impact this will have on Fund investment out performance assumptions and employer contributions. Monitor levels of outsourcing on a "closed" basis and advise employers of implications so these are taken into account when they consider the business case for an outsourcing. Regularly review investment strategy and strategic asset allocation.	2	3	6	→	Low	Funding/ Demographic	Head of Pension Fund	July 2016								

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F/D8	30/07/2015	Transfers out of the Fund into DC schemes due to introduction of "Freedom & Choice" resulting in a change in funding level	The achievement of fully funded pension liabilities over the long term	3	3	9	Taken advice from the Fund actuary on the proportion of the Fund's active and deferred members aged 55 or over and the maximum exposure of the Fund to these transfers, split between active and deferred members. Considered impact on funding level given different possible levels of take up from active and deferred members.	2	2	4	→	Medium	Funding/ Demographic	Head of Pension Fund	July 2016								
A/R1	01/04/2014	Significant additional costs resulting from changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	Efficient management of the Fund by the Administering Authority, ensuring its responsibilities are met, while costs are minimised	3	3	9	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Considered different % take up scenarios for active and deferred members The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.	2	3	6	→	Low	Administration/ Regulatory	Head of Pension Fund	July 2016								
A/R2	01/04/2014	Failure to collect and account for contributions from employers and employees on time	Efficient management of the Fund by the Administering Authority, ensuring its responsibilities are met, while costs are minimised	4	3	12	Regular monthly monitoring and reconciliation of Fund contributions received, including a detailed analysis of individual employer contributions and employee contributions by pay banding. Robust debt management processes are in place to recover any late payments	2	3	6	→	Low	Administration/ Regulatory	Head of Pension Fund	July 2016								

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A/R3	01/04/2014	Loss of funds through fraud or misappropriation	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	Procedures and processes are in place and applied in relation to eg: checking for "ghost" scheme members; multiple levels of authorisation for claims and fund payments plus secondary checking of lump sum payments. Procedures are documented and staff are trained and managed in carrying these out. The Fund's internal auditors carry out regular reviews.	2	3	6	→	Low	Administration/Regulatory	Head of Pension Fund	July 2016							
A/R4	01/02/2016	Does the fund have sufficient resources to provide sufficient input to the development of the South West Regional Pool without having a detrimental effect on the service provided	To ensure the fund is proactive in the development of the proposals and the robust control environment required for the collective management of assets, to avoid a detrimental impact on the fund.	4	4	16	Additional staffing resources may be required to facilitate dedicated staffing resources to take forward the pooling proposal. This may require additional contributions from participating funds.	2	3	6	→	Medium	Administration/Regulatory	Head of Pension Fund	July 2016							
G1	01/04/2014	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants	The achievement of fully funded pension liabilities over the long term	4	3	12	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations. Deficit contributions may be expressed as monetary amounts.	2	3	6	→	Low	Governance	Head of Pension Fund	July 2016							

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G2	01/04/2014	Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review	2	3	6	→	Low	Governance	Head of Pension Fund	July 2016								
G3	01/04/2014	Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	The Administering Authority requires employers with Best Value contractors (Transferee Admission Bodies) to inform it of forthcoming changes. The administering authority also monitors contract periods of Transferee Admission Bodies and regularly monitors levels of active employees across all employers but particularly for Community Admission Bodies. Where their active membership materially decreases further steps are taken.	2	3	6	→	Low	Governance	Head of Pension Fund	July 2016								
G4	01/04/2014	An employer ceasing to exist with insufficient funding or adequacy of a bond.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a scheme employer with tax raising powers as guarantor. Reviewing bond or guarantor arrangements at regular intervals. Monitoring funding levels more closely as approaching cessation and reviewing contributions well ahead of cessation if thought appropriate	3	3	9	→	Low	Governance	Head of Pension Fund	July 2016								

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G5	01/04/2014	Failure to comply with the Myners' Investment Principles	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	Compliance as detailed in the Statement of Investment Principles is kept under regular review.	2	3	6	→	Low	Governance	Head of Pension Fund	July 2016								
G6	01/04/2014	Lack of relevant expertise, knowledge and skills at officer and member level in relation to administering the LGPS	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	Training needs assessments for the Administering Authority are carried out and an annual training plan produced. The Fund subscribes to the CIPFA Knowledge and Skills Framework for the LGPS and makes this information available to all members of the Pension Committee and relevant officers. Appropriately qualified external advisers and consultants are used as appropriate.	2	3	6	→	Low	Governance	Head of Pension Fund	July 2016								
G7	01/04/2014	Failure to hold personal data securely and keep pension records up-to-date and accurate	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	4	16	Personal data and scanned documents relating to scheme members are maintained in an online system with logical access controls via individual password access for those that need to maintain and access this information. Procedures for maintaining pension records are documented and the process is monitored and managed within the Pensions Administration team. Procedures are regularly reviewed by the Fund's internal auditors. Physical access controls are also in operation within the Pension Fund office.	1	4	4	→	Low	Governance	Head of Pension Fund	July 2016								
G8	01/02/2016	Failure to protect the Pension Fund's key information and data as a result of exploited	Efficient management of the Fund by the Administering Authority, ensuring it's	5	5	25	Anti-malware and internet security software. Patch management policies and procedures. Compliance with PSN.	2	2	4	→	Medium	Governance	Head of	July 2016		New risk added at the request of the						

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	07/07/2016	technological vulnerabilities facilitated through malicious attach (internal or external).	Authority, ensuring its responsibilities are met, while costs are minimised				Internal and External ICT security testing. Managing user privileges.					medium	Governance	Pension Fund	July 2016	at the request of the Pension Committee.						

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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