

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 August 2015 and is submitted to the February 2016 Committee 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 a new risk relating to the development of the South West investment pool (Project Brunel). This new risks is summarised below and is included on page 10 of the updated risk register.

New Risk: A/R4 : LGPS Asset Pooling (medium risk). Whether the fund has sufficient resources to move the pooling proposal forward, based on the Joint Committee approach, which does not detrimentally impact on the service.

The objective being 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.

Also, the residual risk rating for Risk F1 (top of page 1) has been reduced from 8 to 6 (Low).

This is because the “like for like” valuation comparison of South west funds undertaken by Hymans Robertson following the last valuation gave positive results for the Gloucestershire fund with the implied deficit recovery period at 11 years being the second lowest, with the Gloucestershire fund needing to achieve the lowest investment return (4.1%) to recover the deficit in 20 years.

The Risk Appetite has also been reviewed for a number of risks to ensure it reflects the funds views in terms of the maximum level of acceptable risk.

Recommendation

That the Board notes the updated Risk Register..

Contact Officer

Mark Spilsbury (01452 328920)