

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

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