

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 and Pension Board in March 2017 where a number of changes were requested as detailed in the minutes for those meetings. All such changes have been considered as part of the latest review of the risk register undertaken in May 2017.

Following feedback from the Pension Board the Pension Committee have agreed that in future a report on the Risk Register will be considered at each of their regular quarterly meetings.

Report

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

As per previous reports 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.

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

The risks are referenced as follows:

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

The Risk Register was reviewed in August 2017 and a number of changes have been made, as follows:

Risk Reference	Summary of Changes
F2	Risk: Inappropriate long term investment strategy . Change: New period comments inserted.
F4	Risk: Increasing Pension Fund deficit. Change: New period comments inserted.
F9	Risk: The Financial Conduct Authority (FCA) is proposing that local authorities will be classified as "retail" rather than "per se professional" clients under the European Union's Markets in Financial Instruments Directive (MiFIDII). Change: New period comments inserted.
F/D2	Risk: 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. Change: New period comments inserted.

All of the narrative changes are shown in bold italics in the risk register.

Recommendation

The Committee are asked to review and agree the attached Risk Register, including the amendments summarised above and included within the Risk Register.

Contact Officer

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