

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 2018 and by the Pension Board in October 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)

Since the risk register was last considered by the Pension Board in October 2017 the following changes have been made:

As requested by the Pension Board at its October 2017 meeting, and agreed by the Pension Committee in November 2017, the following new governance risk 8 has been added to the risk register:

Loss of experience on the Pension Fund Committee or Pension Board, and/or the lack of adequate training, resulting in a negative impact on governance arrangements within the Gloucestershire LGPS.

As requested by the Director of Strategic Finance and agreed by the Pension Committee in November 2017, the following new governance risk 9 has been added to the risk register:

Transition from the current custodian to State Street Bank under the Brunel Pension Partnership resulting in:

- Failings during the transition
- Inadequate performance reporting post transition
- Negative impacts on the final accounts of the Pension Fund due to failings in the accounting reports received from State Street Bank.

As noted in the risk register, no major problems were encountered during the transition and assets transferred were reconciled back to the detailed records held by each manager. At the time of the update of the risk register the adequacy of the performance report and accounting reports is not known hence this remains a medium risk.

At its meeting in February 2018 the Pension Committee agreed that the following new governance risk 10 is added to the risk register:

Failure to comply with the General Data Protection Regulation, resulting in breaches which have to be reported to the Pension Regulator and the Information Commissioners Office resulting in complaints from scheme members and/or significant financial fines.

As noted in the Administration report elsewhere on the agenda, detailed guidance is expected to be issued to all LGPS funds by the Local Government Association within the coming weeks and support is being obtained from the GCC Information Management Team to ensure compliance within the Gloucestershire Pension Fund.

Finally, since the risk register was last considered by the Pension Board in October 2017, a number of new period comments have been inserted into the risk register (which are shown in bold in the period comments column), and the residual risk score for risk F9 has been reduced following confirmation from all of our Investment Managers that they have agreed to categorise the Gloucestershire LGPS as professional clients.

Recommendation

That the Board note the Risk Register and consider whether there are any changes that it wishes to recommend to the Pension Committee.

Contact Officer

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