

## 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 September 2018 and by the Pension Board in March 2018.

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 March 2018 the following changes have been made:

<b>Risk No</b>	<b>Risk</b>	<b>Change</b>
F3	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Residual risk score increased due to falling bond yields.
F8	Orphaned employers give rise to added costs for the Fund	New Period Comments: Two high risk employers without guarantors will be leaving the fund between March 2018 and January 2019 reducing this risk. Since one large employer remains in this category the risk has not changed.
F9	New Risk: Financial loss experienced during the transitioning of Assets to the new Brunel Portfolio's.	New Period Comments: £510m has been transitioned to the BPP passive portfolio's and a full reconciliation has confirmed that all assets transitioned as expected.
A/R1	Significant additional costs resulting from changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform, and/or more complex regulations requiring increased administration resources.	New Period Comments: In order to effectively deal with the increased workload emanating from the new 2016 CARE scheme, additional pensions officers were recruited to in the Pension Administration Team during 2016. A further four staff members have now been recruited in 2018 to bring the staffing within the Pension Administration team up to the agreed full establishment funded by the budget.
G9	Transition from the current custodian to State Street Bank under the Brunel Pension Partnership resulting in failings during the transition and/or inadequate performance reports post transition and/or negative impacts on the final accounts of the Pension Fund due to failings in the accounting reports received from State Street Bank	New Period Comments: No major problems were encountered during the transition and assets transferred were reconciled back to the detailed records held by each manager. Satisfactory performance reports now being provided by State Street, the key information from which will be included in more detailed reports being produced by the Brunel Pension Partnership.

### **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**

Mark Spilsbury - Head of Pension Fund (01452 328920)