

## Review of the Pension Fund Risk Register

### Report of the Director of Finance

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.

Risk Score Range	Risk Category
1 to 6	Low
7 to 12	Medium
13 to 25	High

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 Committee in September 2019, a number of changes have been made, which are all highlighted in yellow, with the new narrative being shown in red, in the attached updated risk register.

The residual risk scores of the following risks have been amended:

Risk F3 – Fall in risk free returns on Government Bonds leading to a rise in the value placed on liabilities.

The likelihood has reduced from a 3 to a 2 because of the outcome of the 2019 triennial valuation of the Fund, which used a discount rate based on an asset outperformance assumption over bond rates, under which the funding position will improve significantly.

Risk F4 – Increasing Pension Fund Deficit (over the long term)

The likelihood has reduced from a 3 to a 2 because of the outcome of the 2019 triennial valuation of the Fund, under which the funding position will improve significantly.

F/D1 – Pensioners living longer and increasing the cost to the Fund.

The likelihood has reduced from a 3 to a 2 because detailed Gloucestershire related longevity data, which has been used as part of the 2019 valuation of the Fund, indicates that the level of increase in longevity is slowing down.

G5 – Lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to the administering the LGPS.

The likelihood of this risk has, temporarily, increased from a 3 to a 4, to cover the period of recruitment of, and knowledge transfer to, a new Head of the Gloucestershire Pension Fund, following the imminent retirement of the current post holder.

The other changes relate to amended period comments which are shown in red text. These update the risk register to reflect the current position, without changing the overall residual risk score.

The main changes relate to:

- the likely outcome of the 2019 triennial valuation of the Fund;
- the review of the strategic asset allocation which will be undertaken in the context of the valuation results;
- the changes in the ill health pension strain insurance arrangements,
- the position relating to the small number of admitted bodies without a guarantor.

Finally, the old risk F/D3, which was: “a company admitted to the Fund as an admission body may become financially unviable”, largely duplicated the old risk F8 which was “employers without a guarantor fail financially leaving a deficit with the Fund”.

Hence the old risk F/D3 has now been deleted from the risk register and risk F8 has been slightly amended to read:

“A company, without a guarantor, admitted to the Fund as an admission body, may become financially unviable, leaving a significant financial deficit with the Fund”.

The Risk Register is being considered by the Pension Committee on the 8<sup>th</sup> November 2019, and a verbal update of the discussions at the Pension Committee will be given to the Board.

### **Recommendation**

That the Board notes the risk register.

### **Contact Officer**

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