

# Agenda Item 6

**Pension Board  
9 March 2021**

## **Review of the Pension Fund Risk Register**

### **Report of the Head of Pensions**

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 December 2020, the following changes have been made, which are either highlighted in yellow or with new or updated narrative being shown in red, on the attached updated risk register.

- **Increasing Risks**

The residual risk rating has been increased for risk F6, relating to pay and price inflation being significantly more than anticipated. There is a potential risk for an inflationary environment as a result of the Covid pandemic, as Governments and central banks look to dealing with the substantial debt burden the global pandemic has caused. Due to the inherent link to the pension funds liabilities, inflation is one of the main risks to the Fund.

Therefore, it is proposed that a review of the inflation and interest rate risks on the Fund will be undertaken in 2021 with any identified mitigations or appropriate strategies brought back to Committee for consideration. Until this review has been concluded the residual risk will remain increased.

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- Decreasing Risks

The residual risk ratings for risks F1, relating to investment returns, F2, relating to the implementation of the long-term investment strategy, and F4, relating to the Pension Fund deficit, were previously increased due to the impact of COVID- 19 and an agreed recommendation to review the equity strategy of the Fund.

These risks have now been returned to their previous levels based upon the current overall funding level, as determined by the Actuary and the completion of the review of the Fund equity strategy.

- Updated but no changes to residual risk rating

Risk G5, relating to the lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS, was increased in September. This risk was partially reduced as a result of the Head of Pensions taking up the role on 9 November 2020. However, the residual risk for G5 remains at a medium residual risk as the team resources, as agreed by Committee in January 2021 have yet to be recruited to. The recruitment of the agreed resources also applies to the maintaining of Risks A/R 1.1 & 1.2 at a medium risk level at this time.

Risk G7, relating to 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, along with Risk G5 above is being monitored due to the forthcoming local elections, scheduled for May 2021.

All of the remaining risk ratings within the risk register have been reviewed.

## **Recommendation**

That the Board notes the risk register and the following Committee recommendations;

- the increase and proposed review in relation to risks F6.
- the reduction in residual risk in relation to risk F1, F2 & F4
- the continued increased position relating to residual risk ratings for risks G5, A/R 1.1 & 1.2.

## **Contact Officer**

Matthew Trebilcock – Head of Pensions (01452 328920)