worcestershire
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AGENDA ITEM 7

PENSIONS COMMITTEE
13 MARCH 2017

RISK REGISTER

Recommendation

The Chief Financial Officer recommends that The Risk Register be approved and adopted for annual review by the Committee.

Background

1. Guidance issued by CIPFA on the application of the Myner's Principles in the LGPS in 2010 indicated that the creation and adoption by Pensions Committees of a risk register was best practice.

2. Risk management is central to the management of the Pension Fund as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Statement of Investment Principals. The risk register allows for consideration of all of the Fund's risks in a single document.

Risk Register

3. In line with CIPFA best practice guidance, the risk register for the Fund has been updated and reviewed by the Pension Board that sets out the risks associated with the governance, investments, funding, administration and communications objectives of the fund. The risk register also details the mitigating actions in place to reduce the impact and probability related to each specific risk. Risk scores have been set in relation to each risk to help identify key risks to the fund and each risk has been assigned to a risk owner.

4. The key objectives of the Risk Register are to:

- identify key risks to the achievement of the Fund's objectives
- consider the risks identified
- assess the significance of the risks

5. The risk evaluation table in appendix 1 to the report has been designed in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the probability value against the impact value to give the total score. The risk rating scores are then used to prioritise the risk rating which is shown in the register.

Key Risks

6. Of the risks identified in the risk evaluation table (Appendix 1), nine risks are currently listed as having a residual risk score rated as 'amber', which indicates an outstanding medium level risk to the Fund.

7. Four of the nine risks have associated mitigating actions, detailed in Appendix 1, that are currently being undertaken by the Fund but remain a medium risk. These risks relate to ensuring the fund has sufficient assets to pay liabilities as they fall due whilst maintaining as nearly constant employer contributions as possible. The Fund mitigates these risks through triennial strategic asset allocation reviews, regular reviews of active external asset manager performance and the implementation of a Funding Strategy Statement following triennial Actuarial Valuations. The residual risk is the inherent risk that can only be mitigated to a certain level, for example volatility in investment returns is partially mitigated through actions such as diversification of investments.

8. The remaining five 'amber' risks have outstanding actions associated with them, as detailed in Appendix 1, that are due for completion prior to 1st January 2018. The first actionable risk relates to a requirement for KPI reporting, which will be implemented by Fund officers by 31st March 2017. The next risk relates to achieving the government's asset pooling criteria, which is being actioned through the LGPS Central Programme Board and Programme Delivery Group. The third risk relates to MiFID 2, the issues of which are being progressed through a MiFID II sub group, including representatives of Funds/pools and the FCA. The fourth and fifth risks, that will be further mitigated, relate to minimisation of unrecoverable debt on termination of employer participation. Fund officers will be implementing an ongoing covenant review and assessment process for all fund employers by 31st December 2017.

Supporting Information

Appendix 1 – Risk Evaluation Table

Contact Point for this report

Sean Pearce, Chief Financial Officer
Tel: 01905 846268
Email: spearce@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report: