

PENSIONS COMMITTEE
28 NOVEMBER 2018**RISK REGISTER**

Recommendation

1. **The Chief Financial Officer recommends that:**
 - a) **The updated Risk Register be noted; and**
 - b) **The Committee particularly note and comment on the amber risks identified in the risk evaluation table within the Appendix.**

Background

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 will be reviewed at each Pensions Committee meeting. It 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 the appendix 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), 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 eight risks have associated mitigating actions, detailed in the Appendix, 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 the Appendix (highlighted in light pink references I16, I17, F19 and F20).

9. The first actionable risk (reference I16) relates to pool assets with the newly formed pool LGPS central from the 1 April 2018. For Worcestershire this is still in its infancy and will begin to transition its assets over a 2 to 3 year period starting from early 2019.

10. The second actionable risk (reference I17) relates to ensuring the fund has sufficient information on the performance of its asset valuations that it transitions across to the pool. A dedicated client and performance monitoring working group is in place with representatives of the partner funds and LGPS central to ensure that this happens.

11. The third and fourth risks (reference F19 and 20) 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 31 December 2018.

12. The fifth risk is a new risk highlighted at the last Pensions Committee. It is understood that the triennial valuation results for a lot of funds will be suggesting potentially slightly lower contribution rates or not increasing them at least – which will be seen as positive by many Administering Authorities and employers obviously. However, the Treasury Model for 'cap and collar' which was used to model a notional national scheme – has suggested a potential different answer suggesting reducing benefits to scheme members and may be increased costs. The Scheme Advisory Board is having discussions with the Treasury to hopefully arrive at a sensible solution

13. It is proposed to close I18 relating to MIFID II as this has now been concluded and to merge F10 & F11 together and A2 & A3 together as in reality they are the same risk

Supporting Information

Appendix – Risk Evaluation Table

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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: