

PENSION FUND COMMITTEE – 14 SEPTEMBER 2018

RISK REGISTER

Report by the Director of Finance

Introduction

- 1) At the 11 March 2016 meeting, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.
- 2) The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.
- 3) A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2018/19. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

- 4) The Pension Board were generally happy with the risk register as presented to their meeting on 13 July 2018. They raised no material issues for the Committee to consider further.

Latest Position on Risks

- 5) There have been several changes to the risk scores since the June meeting of this Committee, largely reflecting the work undertaken in delivering the improvement action plan. The change and reason for the change are set out below.
- 6) Risk 3 covers the risks associated with a lack of understanding of individual scheme member choices (opt outs, transfer to 50:50 scheme, early retirements etc) which in the short term could impact on cash flow and in the long-term impacts on funding levels where the investment strategy is not properly aligned with the scheme liabilities. Work to delivered improved reporting on scheme member choices was targeted to be completed for this

meeting, but has slipped due to the higher priority work associated with the improvement action plan. These reports will need to be developed over the second half of 2018/19.

- 7) The target date for Risk 7 has been amended from March 2018 to March 2019. This reflects the decision to take no further action on this risk at the current time (the risk is currently at target score), but to review the approach to employer risk as part of the planning for the 2019 Valuation.
- 8) The likelihood scores for risks 8 to 10 have all been reduced, either from likely to possible, or from possible to unlikely. All three of these risks relate to impacts associated with poor data quality. As discussed elsewhere on this agenda, a significant amount of work has been achieved in delivering the improvement action plan, leading to improvements in our data quality scores, the publication of the majority of our Annual Benefit Statements by the statutory deadline (such that we do not consider that there is a material breach of the Regulations this year), and the resolution of the majority of long standing queries. Whilst there is still work to be undertaken to complete the action plan, and to ensure that we do not have similar issues with data quality going forward, it is felt that sufficient progress has been achieved to reduce the current risk scores.
- 9) Similarly, we have reduced the risk score for risk 11 which relates to the risk of insufficient resource to deliver our statutory responsibilities. This reflects the progress made under the improvement action plan which reduces the overall work pressure on the current staff. The reduction in the likelihood score to possible rather than the target score of unlikely, reflects the fact that the team is still carrying significant vacancies.
- 10) The comments for risk 12 have been updated to reflect the fact that we have now held the initial training day for members of both the Committee and the Board. At this stage though, we do not feel we can reduce the likelihood of the risk of insufficient skills and knowledge on the Committee from possible to unlikely. This will require the completion of follow up training sessions to widen the overall skills and knowledge of the Committee.
- 11) The wording of risk 15 has been amended to clarify that the risks associated with breaches of data security do cover breaches of the General Data Protection Regulations.
- 12) Finally, the likelihood score of risk 18 associated with the impact on the pension liability profile of significant structural change amongst scheme employers, has been reduced to unlikely i.e. the risk is now at target. Whilst structural change remains on the agenda, awareness of the potential pension implications are now much higher, such that any potential impacts should be identified at an earlier enough stage for the impacts to be properly mitigated.

RECOMMENDATION

- 13) **The Committee is RECOMMENDED to note the current risk register, and to determine any changes it wishes to see made.**

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Service Manager, Pensions; Tel: 07554 103465