Division(s): N/A

PENSION FUND COMMITTEE – 2 SEPTEMBER 2016

RISK REGISTER

Report by Chief Financial Officer

Introduction

1. At its meeting on 11 March 2016, the Committee received a copy of the latest risk register for the Fund, and agreed that it should form a standard item for each quarterly meeting. This report therefore sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies new risks which have arisen since the initial register was produced.

2. The register has also been updated to identify where risks impact on the Fire Service Pension Scheme as well as the Local Government Pension Scheme.

Progress since Last Committee

3. The March risk register 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. Many of the action plans were focused on long term improvements, and no significant movement has been completed in the last quarter.

4. The only risk where the risk score moved for the June report was risk 10 in respect of insufficient resources to deliver our responsibilities under the Regulations. The likelihood of the risk was amended from unlikely to possible in light of the potential impact of the vacation of Unipart House, and the consequential move for the Pension Services Team. At the June meeting, the Committee agreed to search for appropriate alternative premises for Pension Services, and a suitable site has since been identified, although any move is subject to detailed negotiations. In the meantime, it is believed that the likelihood of the risk has reduced again to unlikely.

5. In June, a new risk was also added to the risk register as risk 17. This risk covered a significant change in the liability profile or cash flow as a consequence of structural change. The risk was added initially in light of the Unitary Authority debate. Whilst that risk has reduced as the debate has moved forward, risks remain where structural changes lead to transfers out of significant staff numbers, whether to an LGPS Fund outside of Oxfordshire, or a non-LGPS fund, including Health. The key mitigation actions involve greater involvement with the employers in respect of any structural discussions.

6. A new element to this risk this quarter is in respect of the Further Education Colleges. The Department for Business, Innovation and Skills issued a consultation document on an insolvency regime for FE and 6th Form colleges in early July (N.B. Responsibility for the provision switched to the Department for Education under the Government changes announced by the new Prime Minister).

7. This consultation (along with the early area review of college provision aimed at improving the financial stability of the sector) has re-focused attention on the colleges' membership of the LGPS.

8. Both the area review and the new insolvency regime aim to protect the education provision, but both potentially involve the merger of colleges which could mean a college leaving their local LGPS, and creating an exit payment. The Government have confirmed within the exercise that there is no Government guarantee to under-write future pension deficit costs.

9. Whilst the area review of the Thames Valley colleges has not proposed any short term changes to the Oxfordshire colleges, the exercise has indicated the risk of future structural or financial change which may expose the Fund to a risk on future deficit payments. The risk of a national change to remove colleges from the LGPS is more likely to be accompanied by a nature proposal on the funding of future deficits.

10. The main mitigation to this risk involves discussions with the Actuary over the basis of the calculation of the contribution rate for the colleges, which could involve higher contributions to reduce the level of future deficits. This needs to be considered alongside the risk that any increase in contribution rates directly causes the insolvency risk to materialise.

11. Other changes to the risk register this quarter are at risks 11 and 13. In respect of risk 11, the development of a needs led training plan for Members has been delayed from an initial target of June to December 2016. This reflects the pressure of work associated with the Brunel Project.

12. On risk 13, the impact score and the likelihood have both been increased as a result of system concerns regarding the pension payroll. These concerns relate to the risk that the pension payroll file will not be compatible with the software used to transfer money to the accounts of the individual pensioners. We are currently trying to reconcile the error messages being received from the BACS systems, with the statements from our service support company which inform us that all necessary upgrades have been completed in advance of the 19 September deadline. The risk is now seen as possible with a major impact.

RECOMMENDATION

13. **The Committee is RECOMMENDED to note the current risk register.**

Lorna Baxter
Chief Finance Officer

Background Papers: None

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