

## **PENSION FUND COMMITTEE – 8 JUNE 2018**

### **RISK REGISTER**

#### **Report by the Director of Finance**

##### **Introduction**

1. At their meeting on 11 March 2016, 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 20 April 2018. They asked for some presentational changes including having the column headings repeated on each page and this has been done in this latest version. Review dates have also been updated in line with the comments from the Board.

##### **Latest Position on Risks**

5. There have been no changes to any of the risk scores since the March meeting of this Committee. As set out in the review of the Annual Business Plan, work has continued on reviewing the future cash flows of the Fund and on the implications for the asset allocation, as well as developing the training plan for Members of this Committee. At this stage though it is not felt that the work is sufficiently developed to mitigate the risks down to their target scores.
6. Risks 8 and 9 related to inaccurate and out of date pension liability data, with the risks split to show the impact on Fund Valuations and on the calculation of individual pension benefits. As covered elsewhere on this agenda, work has

continued to on the various aspects of the data improvement plans, and we are on target to issue the 2017/18 Annual Benefit statements by the Statutory deadline of 31 August 2018. At the present time though the risk scores have not been amended until the work to resolve the current backlog of work and the actions to address the issues identified in the data quality report has been completed.

7. At the request of the Committee, further work has been undertaken to review risk 15, and in particular, the risks associated with a cyber attack. The Pension Regulator has recently issued guidance on cyber security and re-affirmed the role of the scheme manager to ensure that cyber risks of loss, disruption or damage to the service or its members as a result of information technology system or processes failures are properly managed. This includes ensuring an appropriate system of internal controls, as well as appropriate procedures for recovering service and data in the event of a cyber incident.
8. Cyber risks include hacking, malware, ransomware, phishing attempts and attempts to deny service. A proper system of internal controls includes ensure appropriate systems for authentication and access, with access restricted to that data or parts of the system appropriate for each role and proper processes for the encryption of data to be transmitted.
9. The majority of pensions system data is hosted external on the Altair database hosted by Aquila Heywood, or the Fund Actuaries database hosted by Hymans Robertson. The data includes key personal and financial data about scheme members and their dependents, and as such is susceptible to cyber attack. We have worked with our system providers to ensure they have robust security arrangements in place and these are regularly tested, including penetration tests, and that disaster recovery exercises are also undertaken.
10. The Council's Insurance Team have confirmed that following presentations by Insurers to themselves and the Council's IT Section, it was determined that no specific cyber cover would be put in place. This decision is subject to regular review. There are some cyber risks covered under the Council's existing computer insurance cover, including risks associated with hacking and data breaches, but this cover does not provide for the financial loss associated with ransomware. It is also understood that you cannot purchase a policy to cover against the costs of fines under the General Data Protection Regulations.

## **RECOMMENDATION**

11. **The Committee is RECOMMENDED to note the current risk register, and determine any changes they wish to see made.**

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