

PENSION FUND COMMITTEE – 10 MARCH 2017

RISK REGISTER

Report by Chief Financial Officer

Introduction

1. At its 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. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any new risks which have arisen since the register was last reviewed.

Progress since Last Committee

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. Many of the action plans were focused on long term improvements, and were dependent on the information to be produced following the 2016 Valuation Exercise.
3. As covered elsewhere on this agenda, the Actuary has now largely completed his work on the 2016 Valuation, and work is now underway to address those long term risks which were currently not at their target score. This work, which forms a major part of the 2017/18 Business Plan includes
 - the requirement to complete a new cash flow model with the Actuary;
 - discussions with the major employers to understand their future strategic direction and the impact on LGPS membership;
 - a review of employer covenants
 - a more robust process to ensure the timely and accurate receipt of scheme member data from employers.
4. In the short term, the provisional results of the 2016 Valuation alongside the on-going cash flow monitoring have indicated that the likelihood of any key risks has not increased over the past year. The investment returns over the last valuation period exceeded those assumed in the valuation, thereby leading to a reduction in the funding shortfall. Cash flow continues to be positive, with a monthly average of just under £1m more by way of contributions than is paid out in benefits, reducing the risk of emergency sales of assets.

5. As covered in the December report, the delays in sending out the Annual Benefit Statements by the statutory deadlines has highlighted the resourcing issues associated with the backlog of work. Work is progressing to appoint staff to the new structure agreed by the December Committee, as well as bring in external resources to address the current backlog of work. However, until the backlog has been cleared to a manageable level, there remains the risk of delays in meeting our statutory responsibilities and the intervention of the Pension Regulator.
6. No new risks have been added to the register this quarter.

RECOMMENDATION

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

Lorna Baxter
Chief Finance Officer

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

February 2017