Division(s):N/A

PENSION FUND COMMITTEE – 23 JUNE 2017

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. 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.

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. The Actuary has now 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. A key area of concern remains around the risks associated with incomplete and/or inaccurate scheme member data. In line with the Improvement Plan submitted to the Pension Regulator as discussed at the March meeting of the Pension Committee, work undertaken by the new Employer Team is beginning to show results. Improved management reports have been put in place alongside more robust escalation processes which includes the use of the range of charges included in the Administration Strategy. Further details of this work are included in the Administration strategy report elsewhere on this agenda, and in light of the improvements identified the likelihood of risk 8 has been reduced to possible from likely and both risk 8 and 9 are showing as improving.

6. No new risks have been added to the register this quarter, but one risk from the old register has been deleted as the risk has now become a live issue with the loss of all County Council members from this Committee following the recent election. The impact of the loss of knowledge and experience will need to be assessed, as will the impact on risk 11 regarding insufficient skills and knowledge on the new Committee.

7. Other key actions completed since the last review of the risk register include the asset allocation review and the removal of some investment risk by the switch in allocation between equities and fixed income (risk 5), a data audit and the resolution of all issues identified (risk 14) and a review of the disaster recovery arrangements (risk 13). Work is also on-going with Oxford City Council on potential implications of changes to their service delivery model to ensure no unforeseen risks to either the City Council or the Pension Fund.

RECOMMENDATION

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

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June 2017