

PENSION FUND COMMITTEE – 1 DECEMBER 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. The comments from the Pension Board are included in their report to this meeting and the Committee are invited to consider the current risk ratings in respect of the risks queried by the Board.
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, and this report should therefore be considered in conjunction with the report which reviews progress against the business plan elsewhere on this agenda.

Comments from the Pension Board

4. The Pension Board were pleased to note that the Committee had recognised the potential risks around the new General Data Protection Regulations and the fact that the Committee were due to receive a report on the subject at today's meeting. The Committee may wish to re-visit risk 14 in the attached register in light of their discussion on this agenda item. The Board have asked to review this item at their next meeting.
5. The Board wished to ensure all action plans where the completion date was amended were highlighted to both the Committee and the Board. For this meeting, completion dates have been left unaltered so that the Committee and Board can identify those actions which have fallen behind planned timescales.
6. The Board had a discussion on risk 17 in respect of the changes to the cash flow of the Fund and the knock on investment implications, of any major structural change. The Board accepted that we would be in a better position to review these concerns once the outstanding work on cash modelling was

completed, following the signing of the new Actuarial contract. The Board will wish to review this risk at that time. They also noted that a key element of this risk was Government Policy which could lead to the decision to transfer out academy schools to a single Fund. Other risks associated with Government policy were then discussed, including the risk that the Government could choose to close the scheme as a defined benefit scheme. The Board asked the Committee to consider whether an additional risk associated with Government Policy should be added to the Register.

Latest Position on Risks

7. Of the 17 risks identified within the risk register, 8 are showing at target in the Register. These include risk 14, the risk of a breach of data security. At the last meeting of the Committee, Members asked about the likelihood of a risk from a cyber-attack, and whether such an event would be covered by the Council's insurance arrangements.
8. The Insurance Team have stated that the Council's insurance arrangements do not cover specific cover in respect of cyber-crime, but such an event would be covered under the general liability policy.
9. The likelihood of the Pension Fund's software being vulnerable to cyber-attacks was covered by the most recent ICT audit of the Fund's systems. This included seeking assurance from the software supplier, who in turn provided information about the results of their recent exercise undertaken by an independent penetration test supplier.
10. The tests undertaken by the independent tester identified 9 separate issues of which none were deemed critical, and just one as high, defined as possible financial or legal impact or loss of data. 3 of the remaining issues were categorised as medium – limited or quantifiable impact and the other 5 as low – little or no adverse impact. The software supplier has subsequently taken action to address the issues identified. We have therefore recorded an unlikely score within the risk register.

Risks Covered by the Annual Business Plan

11. Of the remaining 9 risks not at target, the mitigation plan for 6 is covered by the work in delivering the 2017/18 business plan.
12. Risks 1, 2 and 17 are all impacted by the cash flow model. This work has slipped against the initial deadlines set out in the risk register, initially as a requirement to prioritise the work associated with developing the Brunel Pension Partnership, and latterly as a consequence of the need to re-tender the Actuarial contract. These are all long term risks, and there is some mitigation in place in the short term. The results of the 2016 Valuation alongside the on-going cash flow monitoring have indicated that recent investment returns have 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 £0.75m more by way of

contributions than is paid out in benefits, reducing the risk of emergency sales of assets.

13. Risks 3, 8 and 9 relate to the work associated with data quality and are all in progress. Whilst improved monitoring arrangements have been introduced to ensure we are getting timely and accurate data from employers, the impact on resources as a consequence of the work on annual benefit statements and the backlog of queries mean there is a lack of resource to complete all the escalation work necessary to follow up with employers. We also need to develop improved management reports to highlight any issues with the data held by the Fund before we can reduce the likelihood of these risks.

Other Risks

14. Risk 7 is the risk of employer default. This risk is subject to a report elsewhere on this agenda. The Committee are invited in that report to consider if they wish to make changes to the Funding Strategy Statement or if they are happy with the current level of risk. The decision on that report will need to be reflected in the risk register.
15. The other two risks currently not reported at target are risk 10 – staff resources and risk 11 – skills and knowledge of the Pension Fund committee itself. In respect of staff resources, the team is currently operating with three vacancies, and is working with the HR team to seek to bring in specialist agency staff. External resource is now in place to deliver the work on reconciling our Guaranteed Minimum Pension (GMP) data with that held by HMRC, and the backlog of work in respect of leavers and re-employments.
16. On risk 11, officers are currently putting together a full day's training programme for members of both the Committee and Board to increase the levels of skills and knowledge held across the two bodies. This is now likely to be in the Spring of 2018.

RECOMMENDATION

17. **The Committee is RECOMMENDED to:**
 - (a) **note the current risk register;**
 - (b) **consider the comments from the Pension Board; and**
 - (c) **determine any changes to the current risk register.**

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