

**Report to:** Pension Committee

**Date of meeting:** 19 September 2023

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

**Purpose:** To consider the Pension Fund Risk Register

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## **RECOMMENDATIONS:**

**The Pension Committee is recommended to review and note the Pension Fund Risk Register.**

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### **1. Background**

1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, Local Government Pension Scheme (LGPS) Pooling, General Data Protection Regulation (GDPR), investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

1.3 Since the last meeting of the Pension Board and Pension Committee, officers have continued to review the Risk Register to ensure all appropriate risks and mitigations have been identified.

1.4 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risk to be eliminated. In these cases, a level of risk is tolerated and kept under review.

### **2. Supporting Information**

2.1 The Risk Register is included at **Appendix 1**.

### **3 Changes to the Risk Register**

3.1 Risk E2 – Employer Data - has had its post mitigation likelihood reduced, changing the overall risk scoring down to an amber risk. This risk had previously been scored more likely due to the ongoing issues with a single employer who has been identified as a standalone high risk employer on the exempt risk register. Data is received from other scheme employers and is generally in good order.

3.2 Risk A3 – Production of Statutory Returns - has had its post mitigation likelihood reduced to an amber risk. This risk had previously been scored more likely due to the ongoing issues with a single employer which is not systemic of the wider ability of the Fund to produce statutory member returns. Necessary data has been provided by the remaining employers and work on producing annual benefit statements was able to begin as planned.

3.3 Officers recommend risk I2 – Changes to International Trade - be removed from the register. This risk has its origins in the market uncertainty following the Brexit referendum and the ongoing negotiations between the Government and the European Union. Officers believe this is no longer a priority risk and market risk is covered by risk I1 – Funding Risk.

3.4 Officers recommend a new risk be added to the risk register. Risk I9 - Money purchase AVC – which relates to the Additional Voluntary Contributions (AVC) options available to members and reflects the requirement of the Fund to provide a suitable AVC offering to scheme members. All LGPS Funds have an arrangement with an AVC provider to enable scheme members to invest money in an in-house AVC. This

enables the scheme member to build up a pot of money which is used to provide benefits on top of their LGPS benefits. As the Fund is responsible for setting up the arrangement with the provider it needs to ensure it is providing a safe place for members to invest and provide appropriate investment options to the members at a reasonable cost. There is the risk that if the Fund does not review the AVC offering to its members and ensure the risk of investment options is clear, the available investment opportunities could be high cost or highly volatile and detrimentally impact the additional pensions the members can draw when they retire.

3.5 Officers have also made some alterations to the mitigation actions listed to bring the risk register up to date.

#### **4. Conclusion**

4.1 The Pension Committee is recommended to review and note the Pension Fund Risk Register.

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