

Local Members Interest	
Nil	

## **PENSIONS COMMITTEE – 15 JUNE 2018**

### **Report of the Director of Finance & Resources**

### **RISK REGISTER & RISK MANAGEMENT POLICY**

#### **Recommendations of the Chairman**

1. That the Pensions Committee notes the high level and emerging risks from the current Pension Fund Risk Register, as presented in Appendices 3 and 4 respectively.
2. That the Pensions Committee notes the content and recommendations of the Local Pensions Board review of the Pension Fund Risk Register, attached at Appendix 2. And considers asking the Local Pensions Board to continue to play an active role in the ongoing review process.
3. That the Pensions Committee approves the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 5

#### **Background**

4. CIPFA Guidance recommends the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management is being increasingly recognised as an element of good corporate governance and it is widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund. The Risk Register forms a key part of the Pension Fund's Risk Policy, attached for approval by the Pensions Committee at Appendix 5.
5. At their meeting in July 2017, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and asked the Local Pension Board to undertake a detailed review of both the identified risks and the process for maintaining the Risk Register and report back on issues of areas of concern arising from such a review. It was also agreed that the Pensions Committee would continue to carry out an annual review of the high level and emerging risks identified from the then current Risk Register.

#### **Risk Register**

6. Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in several key documents, such as the Funding Strategy Statement and the Investment Strategy Statement.

7. The Risk Register brings together all of the Fund's risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration and Investment.
8. The detailed risk register matches high level risks, under each of the 4 areas of activity, to the Funds high level objectives. Each of the detailed risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a Red – Amber - Green (RAG) rating.
9. Controls that are currently in place to mitigate risks and additional sources of assurance are then taken into account to give a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating. All risks are given a review date, risk owner and any future actions to be taken are noted.
10. Officers review the risk register every quarter, focusing in on the detail of one of the 4 areas, along with a review of any emerging risks. As part of their review, Members of the Local Pensions Board have attended the review meetings and taken an active role in the discussions. The Board's comments on the Risk Register and the review process are attached at Appendix 2. The Committee may wish to consider asking members of the Local Pensions Board to continue with their role in the ongoing review process.

### **Summary and review of high level risks**

11. A summary of the high level risks associated with the objectives is attached at Appendix 3. This summarises the highest score of the detailed risks associated with each of the high level risks, and provides a summary of the controls and sources of assurance currently in place. This is intended to give the Committee an overview of the main risks the Pension Fund needs to consider and the controls in place to mitigate them.

### **Emerging risks**

12. As part of this annual review it was agreed that the Pensions Committee would review emerging risks to the Fund. It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. A number of transitional areas are reflected in Appendix 4; this provides more detail on the emerging risks perceived to be faced by the Pension Fund. The same scoring process and assignment of RAG ratings has been applied.

### **Risk Management Policy**

13. The Pension Regulator's Code of Practice recommends that a Pension Fund has a Risk Management Policy in place. A risk management policy covers key areas such as:
  - The Fund's attitudes to, and appetite for risk;
  - Aims;
  - Risk measurement and management; and

- Responsibility

The Risk Management Policy for the Staffordshire Pension Fund is attached for approval at Appendix 5.

**Andrew Burns**  
**Director of Finance and Resources**

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Background Documents:

CIPFA-Managing Risk in the Local Government Pension Scheme,  
The Pensions Regulator Code of Practice,  
Staffordshire Pension Fund Investment Strategy Statement [ISS](#),  
Staffordshire Pension Fund Funding Strategy Statement [FSS](#).

## Appendix 1

**Equalities implications:** There are no direct implications arising from this report.

**Legal implications:** The legal implications are considered in the body of his report.

**Resource and Value for money implications:** The main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

**Risk implications:** The main topic of this report is risk assessment.

**Climate Change implications:** There are no direct implications arising from this report.

**Health impact assessment screening:** There are no direct implications arising from this report.

### Report by the Pension Board to the Pensions Committee

#### Risk Register

##### Recommendations of the Pension Board

1. The Risk Register is a robust and comprehensive register of risks that faces the Pension Fund.
2. The procedure for reviewing the Register is carried out regularly with each risk being evaluated and updated as required.
3. The Officer Working Group that conduct these reviews have ownership of the individual risks and the whole Register and take their responsibility seriously.
4. The Pension Board recommends that the Register should include a time-tracked element such that an Audit Trail can be established of the ways in which risks change over time.
5. The Board also considers that there is value in attending to observe the Officer Working Group. The Board invites the Pension Committee to consider if they wish the Board to continue to carry out this, light-touch, scrutiny role.

#### Background

The Pension Committee at its meeting of 7 July 2017 decided to ask the Pension Board “to undertake a more detailed review of the Pension Fund Risk Register and report back to the Pensions Committee on any issues or areas of concern arising from the review.” The Pension Board has carried out that task and reports as follows.

The Pension Board decided to conduct its review through individual Board Members attending, as observers, a series of meetings of the Officer Working Group where the Risk Register was discussed in line-by-line detail. They observed each risk being evaluated on both a qualitative and quantitative basis and the RAG rating either being amended or maintained.

The Board, at its meeting of 16 March 2018, discussed its collective findings with officers and Ian Colvin from Hymans Robertson. The view of the Board is that the Risk Register is a robust and comprehensive appropriate approach to risk management, that the RAG rating is an understandable way to identify and categorise the risks.

The Board considers that the Officer Working Group manages the whole process through an appropriate procedure, has ownership of both the individual risks and the whole register and take their responsibility seriously.

The procedure for updating the Register is a regular, quarterly, officer working group. As the meeting progresses the individual risks are evaluated, updated and a new RAG rating assigned. The one concern that the Board has is that during the updating process the new RAG rating overwrites the previous RAG rating. The Board considers that these should be time-tracked in order to facilitate an audit trail of risk over time.

The Board also considers that there is value in attending to observe the Officer Working Group in order to regularly monitor the Register and raise concerns as and when necessary. This is unlikely to be an arduous task; it implies that each Board member would attend one officer meeting every 18 months. The Board invites the Pension Committee to consider if they wish the Board to continue to carry out this, light-touch, scrutiny role.