

Local Members Interest	
Nil	

PENSIONS COMMITTEE – 28 JUNE 2019

Report of the Director of Corporate Services

STAFFORDSHIRE PENSION FUND RISK REGISTER

Recommendations of the Chairman

1. That the Pensions Committee notes the high-level summary and emerging risks from the current Staffordshire 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 Staffordshire 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.

Background

3. 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 also forms a key part of the Pension Fund's Risk Policy
4. At their meeting in June 2018, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and asked the Local Pension Board to continue to undertake a regular detailed review of the identified risks and the process for maintaining the Risk Register and report back on any areas of concern. 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 Fund's Risk Register.

Risk Register

5. 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.
6. The Risk Register brings together all 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. And, more recently the impact of LGPS Asset Pooling and the nature of the risks that brings to the Fund have been incorporated across the various areas of activity.

7. 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.
8. Controls that are currently in place to mitigate risks and additional sources of assurance are then considered to provide 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.
9. 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

10. 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

11. As part of the 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. Several 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.

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Director of Corporate Services

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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 Local Pensions Board to the Pensions Committee

Staffordshire Pension Fund Risk Register

Observations of the Local Pensions 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 continues to recommend that the Register 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 continuing to attending meetings of the Officer Working Group. The Board invites the Pensions Committee to consider if they wish the Board to continue to carry out this, light-touch, scrutiny role.

Background

The Pensions Committee at its meeting of 7 July 2017 decided to ask the Local Pensions 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 Pensions Board has carried out that task and reports as follows.

‘The Pensions 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.

At their meeting in June 2018, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and the recommendations of the Pensions Board and as a result, asked them to continue to undertake a regular detailed review of the identified risks and the process for maintaining the Risk Register and report back on any areas of concern.

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 had was that in updating the Risk Register the new RAG rating overwrote the previous RAG rating. The Board considered that RAG ratings should be time-tracked in order to facilitate an audit trail of risk over time and made a recommendation accordingly. As a result of this recommendation previous versions of the Risk Register are now saved for audit purposes.

The Board continues to believe 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 Board also considers that there is value in continuing to observe at the Officer Working Group in order to regularly monitor the Register and raise concerns as and when necessary.’