

Committee: Pension Fund Advisory Panel

Date: 6th December 2017

Agenda item: 7

Wards: All

Subject: PENSION FUND RISK REGISTER

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Philip Jones

Forward Plan reference number: N/A

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Recommendations:

- a) To note the content of this report and the Pensions risk register attached to this report and to further note the managed and unmanaged risks, control measures and responsibilities.
 - b) To read this report in conjunction with the other reports titled "Update on Pension Fund Investment Strategy Implementation", "Update on London CIV", "Markets in Financial Instruments Directive (MiFID II)" and "Panel Training".
 - c) To consider the attached pensions risk register by exception.
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present the pensions risk register for consideration by this Panel as part of its governance and risk management responsibilities. The Committee is required to review, consider and decide on the risks inherent in administering the Scheme and the Pension Fund both at total Fund level and individual fund managers.
- 1.2 The LGPS is continuing to experience fundamental reforms in its membership, benefits, investments and governance arrangements. The wave of regulatory changes and pressure from frequent Government reform announcements has added to the overall risk faced by administering authorities including time pressure in securing compliance with new Regulations.
- 1.3 The introduction of Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to supersede Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) imposed tough new requirements on administering authorities.
- 1.4 The implementation of MiFID II from 3rd January 2018 raises the risk to administering authorities of becoming retail clients instead of their existing automatic professional client status.

2. PENSIONS RISK REGISTER

- 2.1 LGPS administering authorities are continuing to face significant regulatory, financial, economic, operational, investment and governance risks. The risk register identifies current key risks involved in administering the Scheme and managing the Pension Fund and enables the Panel to consider the risks, assess their significance, including the likelihood of occurring and severity of impact. Risks are evaluated on a consistent basis with the overall rating/score being the product of likelihood and impact values.
- 2.2 One new area of concern amongst administering authorities is the advent of Markets in Financial Instruments Directive (MiFID II) from 3rd January 2018. Imposition of challenging deadlines on authorities to secure compliance with tough new requirements based on Regulations that are not fully developed. This increases the risk of non-compliance and could also undermine service delivery and drive up costs. MiFID II is the subject of a separate report to this Panel. The report discusses amongst other things, steps to mitigate the risk.
- 2.3 Another important ongoing risk facing administering authorities is Brexit. As yet, the real (longer-term) impact is difficult to assess.
- 2.4 The risk register also highlights pooling as a major risk. This is the risk that London CIV, like any other fund manager, fails to deliver suitable investment products and or the anticipated performance or cost benefits. Update on London CIV is the subject of a separate report to this Panel. The report discusses measures to manage the risk.

3. CONSULTATION UNDERTAKEN OR PROPOSED

- 3.1 N/A

4. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 4.1 The investment strategy chosen will affect the return on the fund, its actuarial valuation and the cost to the Council.

5. REGULATORY AND SPECIFIC LEGAL MATTERS

- 5.1 These are contained in the report.

6. COMPLIANCE WITH COUNCIL POLICIES EXTRANEEOUS TO PENSION PROVISION

- 6.1 Please see 5 above.

7. CRIME AND DISORDER IMPLICATIONS

- 7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1 N/A

9. APPENDICES

1. Pensions risk register

10. BACKGROUND PAPERS

1. Pensions risk register
2. Other reports to this Panel

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