

## **Committee: Pension Fund Advisory Committee**

**Date: 28 September 2016**

Agenda item: 10

Wards: All

### **Subject: PENSION FUND RISK REGISTER**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

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### **Recommendations:**

- a) To note the content of this report and the Pensions risk register (June – September 2016) attached to this report and to further note the managed and unmanaged risks, control measures and responsibilities.
  - b) To consider the attached quarterly 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 committee as part of its governance and risk management responsibilities. The Committee is required to review and 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 experiencing fundamental reforms in its membership, benefits, investments and governance arrangements. Central to the government reform agenda is the wave of regulatory changes and the 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 Government has announced 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). The new Regulations discussed in a separate report titled “Replacement of Statement of Investment Principles (SIP) with Investment Strategy Statement (ISS) impose tough new requirements on administering authorities and is due to come into force in 2016.

## **2. PENSIONS RISK REGISTER (JUNE – SEPTEMBER 2016)**

- 2.1 L.B Merton as administering authority, like other authorities, faces regulatory, financial, economic, operational, investment and governance risks. The risk register identifies key risks involved in administering the Scheme and managing the Pension Fund and enables the Committee to consider the risks, assess the significance of the risks, 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 area of concern amongst administering authorities is the 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.
- 2.3 Another important new risk facing administering authorities is the recent vote for the UK to leave the European Union. 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 anticipated performance or cost benefits.

## **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 will be contained in the report.

## **6. COMPLIANCE WITH COUNCIL POLICIES EXTRANEIOUS 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 (June – September 2016)

**10. BACKGROUND PAPERS**

1. Pensions risk register (June – September 2016)

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