

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 31 MAY 2013

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER

SUBJECT: PENSION FUND RISK REGISTER



SUMMARY OF ISSUE:

Surrey County Council, as administering authority for the Surrey Pension Fund, is responsible for the delivery of benefit promises made to members of the Surrey Pension Fund. It achieves this by setting objectives and goals with varying timeframes. Risks lie in failing to meet the intended goals.

Risks that are established as an issue must be identified and evaluated via a risk register. The risks must be prioritised with existing controls or new controls implemented to mitigate the risks. This should be recorded in a risk register, which needs regular monitoring.

RECOMMENDATIONS:

It is recommended that:

- 1 Members approve the process by which the Risk Register in Annex 1 has been compiled, making any suitable additions or amendments as appropriate.
2. Members approve the Risk Register in Annex 1.

REASON FOR RECOMMENDATIONS:

A solid framework of risk management is required in order to manage the considerable risk environment surrounding the governance and investment of the pension fund.

DETAILS:

Background

- 1 A review of the current risk register for the Pension Fund will give the Pension Fund Board the opportunity to influence and drive the Pension Fund risk management process for 2013-2014.
- 2 The format of the Fund's detailed risk register is the same as those used by Surrey County Council services and it links to the county council's own risk register.

- 3 The Pension Fund's current Funding Strategy Statement (FSS), agreed during the 2010 actuarial valuation process, also articulates some of the funding risks identified in the attached draft register.

Risk Management Process

- 4 The risk management policy of the Surrey Pension Fund is to adopt best practice in the identification, evaluation and control of risks in order to ensure that the risks are recognised, and then either eliminated or reduced to an manageable level. If neither of these options is possible, then means to mitigate the implications of the risks should be established.
- 5 The Pension Fund & Treasury Manager has identified a number of risks associated with the Pension Fund. The risks are grouped as follows:
- Investment
 - Financial
 - Funding
 - Operational
 - Governance
- 6 Each of the risk areas has been assessed in terms of its impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Board and Surrey County Council as the administering authority. Assessment has also been given as to the likelihood of the risk.
- 7 Each of the three areas of impact identified above is assessed on a scale of one to four, with four implying the highest level of impact. The likelihood of the risk description is then applied to the combined impact score, which produces an overall risk score. Depending on the score, the risks are then identified as Red, Amber or Green.

Example

- 8 Looking at Risk Reference 1 (Investment markets fail to perform in line with expectations), the impact of this event is deemed to be high in relation to the Fund, employers and reputation, subject to suitable risk mitigation being in place. Therefore, the impact score of 12 is applied. The likelihood of such an event is scored as a three. This gives a total risk score of $12 \times 3 = 36$, making it the joint highest risk faced by the fund.
- 9 In mitigation, the investment performance of the fund is monitored on a quarterly basis and the annual IAS19 statement provides an early warning of deviations from the performance assumptions in the triennial actuarial review. It is also indicative that, over the long term, the expected investment returns are attainable.

Review

- 10 The risk register will be reviewed on an annual basis.

CONSULTATION:

- 11 The Chairman elect of the Pension Fund Board has been consulted on the proposed change and has offered full support for the proposals.

RISK MANAGEMENT AND IMPLICATIONS:

- 12 The risk related issues are contained within the report's Annex 1.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 13 There are no expected additional costs from compiling, maintaining and monitoring a risk register.

CHIEF FINANCE OFFICER COMMENTARY

- 14 The Chief Finance Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed and that the risk register will provide officers with a suitable platform for the monitoring and control of pension fund risks.

LEGAL IMPLICATIONS – MONITORING OFFICER

- 15 There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

- 16 The creation of a risk register will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

- 17 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

- 18 The following next steps are planned:
- Adoption of the risk register by the Pension Fund Board.
 - Monitoring by officers during the financial year.
 - Reporting to Pension Fund Board next year for review.
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Contact Officer:

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:

Pension Fund Board members. .

Annexes:

List the annexes attached to this report.

Annex 1: Pension Fund Risk Register

Sources/background papers:

None
