**Pension Fund Committee**

Meeting to be held on 27 March 2014

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| Electoral Division affected:  None |

**Lancashire County Pension Fund Risk Register**

(Appendix 'A' refers)

Contact for further information:

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| Executive Summary Lancashire County Council as administering authority of Lancashire County Pension Fund has responsibility for ensuring that there is effective risk management in place in relation to the operations of the Fund. This requirement is reflected in both the investment regulations and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).  Accordingly, a risk register has been produced (Appendix 'A' refers) which seeks to systematically identify, assess, and evaluate the risks faced by the Pension Fund, and consider the current and future mitigating controls that may be required to manage these risks effectively.  Risk owners will be required to manage the risks for which they are responsible and the risk register will be updated periodically as a result. Updates will be reported to the Pension Fund Committee on a regular basis, and at least annually. Recommendation The Committee is asked to approve the Lancashire County Pension Fund Risk Register. |

**Background and Advice**

Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the organisation.

It is not a process for avoiding or eliminating risk although that may be a consequence of the risk mitigation measure deployed. A certain level of risk is inevitable in achieving objectives, particularly in an operation such as the Pension Fund which is exposed to a wide range of investment related risks but it must be controlled.

The Pension Fund Committee is the body charged with exercising the County Council's responsibilities as administering authority of the Pension Fund, and accordingly takes the responsibility for ensuring that there is effective risk management over those operations.

Consequently the need for effective risk management is reflected throughout guidance and regulation in the Local Government Pension Scheme (LGPS), notably in Regulation 12(2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

In addition, the most recent guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2012 entitled 'Managing Risk in the Local Government Pension Scheme' suggests that "risk management lies at the heart of the governance process and effective risk management is a clear indicator of good governance practices."

The register included as Appendix 'A' seeks to assess specific risks relating to Lancashire County Pension Fund and introduce a measure of consistency into the risk assessment process. The risk scores relating to residual risks can then be prioritised.

The objectives of the Risk Register are therefore to:

* identify key risks to the achievement of the Fund’s objectives and day to day operations;
* consider the risks identified and assess their significance in terms of likelihood of the risk materialising and the severity of the impact/consequences if they do occur;
* assess the risk mitigation controls/ procedures currently in place in terms of their effectiveness and consider whether further measures are required.

The risk areas are categorised as:

* Investment and funding risk;
* Employer risk;
* Skill and resource risk;
* Governance and compliance risk;
* Reputational risk; and
* Administration risk.

Planned actions, timescales, review dates, and direction of travel are noted for each risk, alongside the 'risk owner' responsible for managing it.

The Risk Register will be kept under continual review by the nominated risk owners, with the intention of reporting to Pension Fund Committee on a regular basis, and at least annually. The future reporting of the Risk Register will prioritise the identified risks into risk order with the highest risks being suitably highlighted. Any new risks, and significant changes to existing risks will also be noted separately.

# Consultations

N/A

**Implications**:

This item has the following implications, as indicated:

**Risk management**

The Pension Fund Committee is the body charged with exercising the County Council's responsibilities as administering authority of the Pension Fund, and accordingly takes the responsibility for ensuring that there is effective risk management over those operations.

The register included as Appendix A seeks to assess specific risks relating to Lancashire County Pension Fund and introduce a measure of consistency into the risk assessment process.

##### Local Government (Access to Information) Act 1985

##### List of Background Papers

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| Paper | Date | Contact/Directorate/Tel |
| Statutory Instrument 2009 No.3093 – Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.  Chartered Institute of Public Finance and Accountancy (CIPFA) - 'Managing Risk in the Local Government Pension Scheme' | 1 December 2009  2012 | Andrew Fox/ County Treasurer's Directorate/ x35916  Andrew Fox/ County Treasurer's Directorate/ x35916 |
| Reason for inclusion in Part II, if appropriate  N/A | | |