

Pension Fund Committee
Meeting to be held on 27 March 2015

Electoral Division affected: None

Lancashire County Pension Fund Risk Register
(Appendix 'A' refers)

Contact for further information:
Andrew Fox, (01772 535916), County Treasurer's Directorate
Andrew.fox@lancashire.gov.uk

Executive Summary

Lancashire County Council as administering authority of the 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).

The Lancashire County Pension Fund Risk Register was last reviewed by the Committee on 5 September 2014. It has previously been indicated that updates to the risk register would be provided to the Committee at six monthly intervals.

Accordingly, the risk register has been reviewed by risk owners in order for any new risks to be identified, and for details of existing risks to be confirmed or amended in order to ensure that, where possible, appropriate controls are in place.

Details of the areas currently designated as 'high' risk are separately identified. As are those risks which are deemed to have changed since the last review.

Recommendation

The Committee is asked to review the updated Risk Register shown at Appendix 'A', make any suggestions for amendments and approve the updated 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 Risk Register identifies the following category of risk:

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

Each of the risks, in the areas above, have been reviewed again by the allocated owners in terms of its impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Fund Committee and Lancashire County Council as administering authority. Assessment has also been given to the likelihood of the risk.

The impact and likelihood has then been scored on a scale of one to four (one being low risk, four being high risk) in order to assess whether the overall risk level is low, medium or high. The risk owners then assessed whether there are any mitigating factors in place which could reduce the level of risk, the risk score was then adjusted accordingly.

Accordingly, the risk register was updated and can be found at Appendix A. The review identified two new risks, these are shown in the register with the indicator 'New', and relate to:

- A003 – Inadequate financial controls / loss of funds through fraud – 'Low';
- A004 – Failure to keep abreast of regulatory changes or comply with Pensions Regulator Code 14 – 'Medium/ Low'.

During the review it was concluded that the level of risk relating to the liabilities of the Fund had increased due to the limited progress made introducing a liability strategy, further work is currently being undertaken in this area. In contrast the risks around the introduction of the Pension Board and transition to the new Investment Strategy were felt to have reduced given the work that has been undertaken in these areas since the last review.

The following risks are currently designated as 'high':

- I001 – Asset / liability mismatch;
- I004 – Falling share prices and therefore asset value;
- I006 – Liability Risk: Discount Rate;
- I007 – Liability Risk: Inflation Rate;
- I009 – Liability Risk: Longevity;
- I011 – Liability Risk: Diversification;
- I012 – Liability Risk: LGPS Regulations;
- I019 – Changes to LGPS Investment Regulations;
- S001 – Key Person Risk.

The risk register will continue to be reviewed on a regular basis.

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

Paper	Date	Contact/Directorate/Tel
N/A		
Reason for inclusion in Part II, if appropriate		
N/A		