

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 31 August 2012

Subject: **PENSIONS RISK REGISTER**

Classification: Unrestricted

Summary: To report the Pensions Risk Register.

FOR DECISION

INTRODUCTION

1. The Council has in place well established arrangements for monitoring and reporting on risks. The Fund has a Pensions Risk Register which is periodically updated.

UPDATE

2. The senior officers associated with the Fund updated all risks and undertook a ranking exercise.
3. The risks identified as High are:

Risk	Additional Controls
Changes to the LGPS	<ul style="list-style-type: none">• Recent announcements on LGPS 2014 have reduced the risk in this area.• Regular reporting to Committee and employers.• Planning for the approach to scheme member communication needs to start.
Impact of the 2013 Valuation	<ul style="list-style-type: none">• Actuary has already been to Committee and Kent Finance Officers.• Impact of LGPS 2014 helpful.
Investment manager under performance, complexity of the manager structure	<ul style="list-style-type: none">• Already a major focus for the Committee.• Needs to be revisited when the new Committee comes together in June 2013.

Loss of key personnel	<ul style="list-style-type: none"> • Officer structures are evolving and being strengthened. • Member position to be revisited June 2013.
Council downsizing	<ul style="list-style-type: none"> • More detailed work on cashflows to be undertaken.
Employees opting out of the scheme	<ul style="list-style-type: none"> • Monitoring arrangements being implemented. • Probably reduced by the LGPS 2014 proposals.
Auto Enrolment	<ul style="list-style-type: none"> • KCC start date under review.

RECOMMENDATION

4. Members are asked to agree the Risk Register.

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UPDATED PENSIONS RISK REGISTER (MARCH 2012)

Ref:	Risk	Controls	Rating
1.	Failure of governance arrangements	<ul style="list-style-type: none"> - Committee meetings - Liaison with Chairman, Vice Chairman - Advice of Legal & Democratic services 	Low
2.	Financial default by an employer	<ul style="list-style-type: none"> - Upgraded bonding arrangements - Review undertaken of Admitted Bodies. 	Low
3.	Changes to the LGPS <ul style="list-style-type: none"> - admin issues - investment implications - 2013 actuarial valuation 	<ul style="list-style-type: none"> - Understand the changes - Ongoing communication - Liaison with actuary. 	High
4.	Impact of 2013 actuarial valuation.	<ul style="list-style-type: none"> - Good communication - Test assumptions - Project manage all aspects. 	High
5.	Pension Fund Cash Management	<ul style="list-style-type: none"> - Bespoke treasury strategy - Regular reporting 	Low
6.	Investment Advice	<ul style="list-style-type: none"> - Explore collaborative procurement options. 	Low
7	Investment manager underperformance, complexity of manager structure.	<ul style="list-style-type: none"> - Extra committee meetings - More scrutiny by officers - Updates of investment strategy. 	High

8.	Loss of key personnel	<ul style="list-style-type: none"> - Planning succession issues (members & officers) - Ongoing training & development of members & officers. 	High
9.	Member control training	<ul style="list-style-type: none"> - Training plan - Ongoing monitoring & reporting. 	Low
10.	Employer data quality	<ul style="list-style-type: none"> - Work with employers in-particular KCC. - 	Medium
11.	Differential investment strategies.	<ul style="list-style-type: none"> - Understand maturity issues across employers. - 	Low
12.	Environmental, Social & Governance issues eg. tobacco	<ul style="list-style-type: none"> - More fully develop the ESG policy. - Use membership of Institutional Investors Group on Climate Change 	Low
13.	Size of some equity mandates.	<ul style="list-style-type: none"> - Closely monitor the manager. - Advice from consultant. 	Medium
14.	Council downsizing – Employers become more mature.	<ul style="list-style-type: none"> - Monitoring with actuary. 	High
15.	Class CPX procurement.	<ul style="list-style-type: none"> - Pensions Manager national lead role. - Procurement exercise. 	Medium
16.	Fraud – admin or investments	<ul style="list-style-type: none"> - Internal controls - Internal & External audit. 	Low
17.	Employees opting out of the scheme.	<ul style="list-style-type: none"> - Monitoring arrangement needs to be developed via CPX. 	High

18.	Auto enrolment	<ul style="list-style-type: none"> - Clear employer responsibility. 	High
19.	Tax	<ul style="list-style-type: none"> - Advice and improve understanding of effect on investments. - Publicise changes in the annual allowance methodology. 	Low
20.	Fund administration costs	<ul style="list-style-type: none"> - Improved monitoring & reporting. 	Low
21.	Increase in admissions from private companies.	<ul style="list-style-type: none"> - Management of the admission process. - Liaison with Legal Services & the actuary. 	Low
22.	Data Regulations December 2012.	<ul style="list-style-type: none"> - Monitor and publicise requirements. 	Low

Pensions Risk Register

	15	8,7,4,14	18,3
↑	5,1	13,10	17
I	11,9,6,19, 16,12,20	22,21,2	

LIKELIHOOD **→**