

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Tuesday, 24 May 2016
<b>Report Subject</b>	Risk Policy and Register
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

In March 2015, the Pension Fund Committee (PFC) agreed the initial Risk Policy in relation to the Clwyd Pension Fund (CPF). Since then, regular updates have been provided to the PFC summarising the Fund's key risks, and changes in risks as captured on the risk register.

This report presents recommended changes to the Risk Policy, which in the main relate to the scoring and criteria for evaluating risks.

In addition, the report attaches the latest risk register which has been subject to a complete review by the Pension Fund Advisory Panel (PFAP). It also now includes a target risk score with a view to highlighting risk areas that require action and which may be of particular concern to the PFC.

A number of key risks are identified, including:

- the impact of external influence on governance, funding and investments
- reduced staff numbers due to external influence and age profiles of existing key staff
- employers failing to carry out their responsibilities in relation to pension administration matters.

### RECOMMENDATIONS

1	That the Committee approve the updated Risk Policy.
2	That the Committee consider the remainder of the report and the contents of the risk register and provide any comments.

## **REPORT DETAILS**

<b>1.00</b>	<b>CPF RISK MANAGEMENT</b>
1.01	<p>In March 2015, the PFC agreed the initial Risk Policy in relation to the CPF. Since then, regular updates have been provided to the PFC summarising the Fund's key risks, and changes in risks as captured on the risk register.</p>
1.02	<p>The CPF Risk Policy has been updated to be more aligned to the Flintshire County Council (FCC) Risk Management Policy and Strategy, in particular:</p> <ul style="list-style-type: none"><li>• the measurement of likelihood now spans six areas</li><li>• the evaluation of impact includes FCC criteria.</li></ul> <p>In addition, guidance on the criteria for impact has been further developed for Fund specific events, and likelihood criteria are also provided to ensure consistency in measurement. Appendix 1 includes the proposed changes to the existing Policy which the Committee are asked to consider and approve.</p>
1.03	<p>In addition, the PFAP has undertaken a complete review of the risk register, with a particular focus on capturing the Fund's risks within a smaller number of higher level risk areas, given many of the risks identified are closely linked. The updated risk register is included in Appendix 2.</p>
1.04	<p>As well as the risks now being evaluated based on the new measures, as outlined in the proposed changes to the Policy, the register now includes a target risk score with a view to highlighting risk areas that require action and which may be of particular concern to the Committee. A green tick and red cross will assist in quickly identifying areas that may require some focus.</p>
1.05	<p>The Committee are asked to consider the contents of the risk register and identify any changes, including areas that they consider are missing or where recommended action or existing controls are not considered appropriate or sufficient.</p>
1.06	<p>The attention of the Committee is particularly drawn to the following risks which can be discussed at the Committee meeting:</p> <ul style="list-style-type: none"><li>• Governance Risk 5 – externally led influence, such as asset pooling, could have an impact on our ability to meet our objectives and legal responsibilities. We are hopeful that the next few months will assist us in understanding the impact of some of the more immediate external factors; however we expect this risk will remain high for the foreseeable future.</li><li>• Governance Risk 6 – the potential impact on staff numbers (for example due to age profiles of key staff members, local authority pay grades and the implementation of asset pooling) could impact our ability to deliver services. Consideration of this risk is included in the Business Plan for 2016/7.</li></ul>

	<ul style="list-style-type: none"> <li>• Funding and Investment Risks 1 to 3 – these risks all relate to the implementation of the Funding Strategy and the ability to set affordable and stable employer contributions. Market conditions left us, along with other LGPS funds, in a position where the funding level is significantly lower than hoped. Managing these risks will be a key part of the valuation and funding strategy discussions during 2016/7.</li> <li>• Funding and Investment Risk 6 – expected legislative changes, including asset pooling and MIFIDII could result in us having to review our investment and funding strategies to ensure they are fit for purpose. This is a matter that will require ongoing attention to ensure we react as and when appropriate, but it may continue to be outside of our control for the foreseeable future.</li> <li>• Administration and Communications 2 – employers failing to meet their responsibilities could impact on our ability to meet legal and performance expectations. The recently approved Administration Strategy and 2016/7 Business Plan include a number of initiatives to control this, in particular the implementation of I-Connect.</li> <li>• Administration and Communications 5 – not utilising our system capabilities could result in higher administration costs or errors. Once again, a number of initiatives are included in the 2016/7 Business Plan.</li> </ul>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications as a result of this report, albeit many of the risks identified could impact on resources and finances.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The attached risk register was developed in consultation with the Pension Fund Advisory Panel.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The key risks to the implementation of the Fund's Risk Policy are considered as part of the policy document.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Draft May 2016 Risk Policy Appendix 2 – Risk Register

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Report to Pension Fund Committee – Risk Policy and Register - 24 March 2015</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF or the Fund – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>PFC or Committee – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(c) <b>PFAP – Pension Fund Advisory Panel</b> – The Pension Fund Advisory Panel is a group of officers and advisers to the Clwyd Pension Fund, currently consisting of:</p> <ul style="list-style-type: none"> <li>• The Chief Executive</li> <li>• The Corporate Finance Manager (Section 151 Officer)</li> <li>• The Clwyd Pension Fund Manager</li> <li>• Investment Consultant</li> <li>• Fund Actuary</li> <li>• Independent Adviser</li> </ul> <p>(d) <b>FCC – Flintshire County Council</b> – the administering authority responsible for managing the Clwyd Pension Fund</p> <p>(e) <b>MIFIDII</b> – the revised Markets in Financial Instruments Directive which is being proposed and which includes areas such as investor protection and provision of investment services, and authorisation and organisational requirements.</p>