



South Tyneside Council

Local Pension Board

Date: 19th December 2018

Risk Management (for information and discussion)

Report of the Head of Pensions

Purpose of Report

1. This report contains the current Fund level Risk Register.
2. The Board is asked for its views on the Risk Register.

Approach to Managing and Reporting on Risks

3. The Fund has to identify and control the risks that it faces as part of the ongoing delivery of the service.
4. The outcome of this process appears in a range of documents produced by the Fund. The requirement to include this information is often prescribed in Regulations. For example:
 - The Funding Strategy Statement includes a summary of risks to the funding strategy and the setting and collection of employer contributions
 - The Investment Strategy Statement includes a summary of risks to the delivery of the investment strategy
 - The Notes to the Report and Accounts include a summary of risks to the value of the Fund's assets.
5. The Fund's approach to the review, control and internal reporting of Risk is set out below:
 - The Risk Register is reviewed quarterly, or more frequently if required, by Officers and the updated document is posted on the Fund's website
 - The Committee receives a short, quarterly exception report and a fuller annual report on the Register in September.
 - The Local Pension Board reviews the Register in full each quarter
 - The quarterly reports to the Committee and the Local Pension Board also generally includes a focus on two particular risks.
 - The Committee and the Board include Risk Management in their training programme.
6. At the Local Pension Board training event in September 2018, Deloitte facilitated a Risk Management workshop, which encouraged the Local Board and the Committee to identify a range of risks which were then scored.
7. A copy of the draft report from Deloitte has been received and discussions are taking place around the content. Once finalised the recommendations and action will be reported to the Local Pension Board.
8. The approach to the quarterly review of the risk register by the Officers is set out in an attachment to this report entitled "Risk Assessment Methodology". It is based on the net risk, i.e. the risk that remains after all appropriate controls have been applied, which is ranked on a scale of:
 - Critical

- High
- Moderate
- Minor.

9. It should be noted that there is one change to the methodology and definitions regarding the impact score for risks associated with the Fund's assets. The changes are noted below:

Impact	Before Change	After Change
Negligible	Less than 3% of assets	Less than 1% of assets
Marginal	3% –10% of assets	1% –5% of assets
Significant	10% – 25% of assets	5% – 15% of assets
Substantial	Above 25% of assets	Above 15% of assets

10. The definitions were changed on concerns that the previous levels were too high. This change in approach was discussed at the Training event in September 2018. Whilst these changes have been made and risks rescored it should be noted that this has not resulted in any changes to the risk register. This change will however mean that asset related risk are more likely to feature as higher risks in the future.

Current Risk Register

11. The current version of the risk register was reviewed on 2nd November 2018.

12. There was one change to the ranking of the risks as part of the latest review:

Risk		From	To	Reason
Ref	Title			
L8	A transfer value is incorrectly managed, resulting in pensions liberation fraud.	Negligible/ Possible (Minor)	Negligible/ Improbable (Minor)	The Fund has a mature and robust system for reviewing transfers, involving detailed work by the legal team. This gives us greater confidence that a pensions liberation fraud should not take place.

13. Following a previous risk workshop at the training event in September 2016, again delivered by Deloitte it has been agreed that the Committee and the Local Pension Board would review at least two risks in more depth at each quarterly meeting. One relatively high risk and one lower risk.

14. For this quarter, the two risks selected are shown below;

- F8 High Risk - Employees do not join or remain in the Fund, either for financial reasons or because their employer does not promote the scheme or structures employees away from the Scheme (scheduled and admitted bodies) or prevents membership (admitted bodies only). Fewer new starters re- use of short term contracts by employers allied to the two year vesting period in the new scheme.
- L8 Minor Risk – A transfer value is incorrectly managed resulting in pensions liberation fraud

15. A discussion on these two risks will take place at the meeting.

16. A copy of the full risk register is attached to this report. The Local Board's views on the Risk Register are requested.

Recommendation

17. The Board is asked for its views on the Risk Register.

Reason for Recommendation

18. To ensure the risks are appropriately monitored and managed.

Appendix

Risk Assessment Methodology

Impact

Impact / Area	Negligible	Marginal	Significant	Substantial
Governance	Little or no impact	Minor short term	Moderate short term	Sustained
Assets	Less than 1% of assets	1- 5% of assets	5 – 15% of assets	Over 15% of assets
Liabilities / Funding	Minor or no impact on liabilities / funding level	Low impact on liabilities / funding level	Significant but recoverable impact	Significant and irrecoverable
Legal	Minor short term	Moderate short term	Serious short term	Serious long term
Service Delivery	Minor short term	Moderate short term	Serious short term	Serious long term
Reputation	Minor short term	Moderate short term	Serious short term	Serious long term

Likelihood

Event is expected to occur	Near certain
Event should occur at some time	Probable
Event could occur at some time	Possible
Event may occur only in rare circumstances	Improbable

Risk Management

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
Risk Register	N/a	Head of Pensions Office, South Shields Town Hall