

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 24 March 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Cambridgeshire Pension Fund Risk Strategy 2016</b>
<b>Purpose of the Report</b>	<b>To present the Risk Strategy to the Pension Committee.</b>
<b>Recommendations</b>	<b>The Committee are asked to approve the attached Risk Strategy.</b>
<b>Enquiries to:</b>	<b>Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager</b> <b>Tel – 01604 367030</b> <b>E-mail – <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a></b>

**1. Background**

- 1.1 Good governance ensures that the Fund has an appropriate Risk Strategy which details the Fund's approach to managing risk. It outlines the risk philosophy, how risk management is implemented, responsibilities, procedures and internal controls to ensure risk is identified, analysed, controlled and monitored effectively.

**2. CIPFA and the Pensions Regulator's Requirements**

- 2.1 CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.
- 2.2 The Public Service Pensions Act 2013 added an additional provision to the Pensions Act 2004 relating to the requirements to have internal controls in public service pension schemes. The Pensions Regulator's code of practice guidance on internal controls requires schemes managers (administering authorities) to carry out a risk assessment and produce a risk register which should be reviewed regularly.

**3 The Cambridgeshire Pension Fund Risk Management Process**

- 3.1 Cambridgeshire Pension Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities.

- 3.2 The process involves identifying risk and looking at being proactive and reactive; looking for potential risks and by learning from past experiences. Risks can be identified through a number of means such as monitoring against the Fund's business plan. Once the potential risks have been identified, the next stage is to analyse and profile each risk. Risks are assessed by considering the likelihood of the risk occurring and the effect if it does occur, the risk rating and controls in place will be summarised on the risk register using a heat pad method.
- 3.3 Controlling the risks requires continual review to determine whether any further action is required such as the likelihood of a risk decreasing. The Pensions Committee will need to consider matters such as whether desirable outcomes have been achieved and whether any lessons are to be learned during the monitoring process.
- 3.4 Officers are responsible for ensuring the Cambridgeshire Pension Fund Risk Management process is carried out, subject to the oversight of the Pensions Committee and Pension Fund Board. It is the role of the Pensions Committee to control and monitor the risk and ascertain whether any further action is required from updates and recommendations made by Officers.

#### **4. Next steps**

- 4.1 Following approval of the strategy which can be found in **Appendix 1**, Officers of the Fund will update the risk register and present to Pensions Committee for approval. The risk register will be presented in its entirety via the heat pad model to show the Committee all current risks to the Fund and the threat they pose.
- 4.2 The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee. The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

#### **5. Relevant Pension Fund Objectives**

<b>Perspective</b>	<b>Outcome</b>
<b>Communications</b>	<ul style="list-style-type: none"> <li>• Promote the Scheme as a valuable benefit.</li> <li>• Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding.</li> <li>• Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.</li> <li>• Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.</li> <li>• Look for efficiencies in delivering communications including through greater use of technology and partnership working.</li> </ul>

<b>Perspective</b>	<b>Outcome</b>
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Provide a high quality, friendly and informative administration service to the Funds' stakeholders.</li> <li>• Administer the Funds in a cost effective and efficient manner utilising technology.</li> <li>• Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds.</li> <li>• Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.</li> <li>• Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</li> <li>• Maintain accurate records and ensure data is protected and has authorised use only.</li> <li>• Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li> <li>• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li> </ul>
<b>Funding and Investment</b>	<ul style="list-style-type: none"> <li>• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.</li> <li>• To ensure that sufficient resources are available to meet all liabilities as they fall due.</li> <li>• To maximise the returns from its investments within reasonable risk parameters.</li> </ul>

## **6. Finance & Resources Implications**

6.1 The financial and resource implications are set out in the Business Plan.

## **7. Risk Implications**

a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Strategy are	Updates to the Committee/Board. Officers aware of the importance of risk management.	Amber

not delivered.		
Changes in Pension Committee and/or Pension Fund Board membership and/or senior Officers mean key risks are not identified due to lack of knowledge.	Succession planning, Knowledge Management Policy in place to ensure a vast amount of knowledge across the Committee/Board.	
Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks.	Resource planning i.e. holidays, system downtime where applicable.	
Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls.	Knowledge Management Policy in force to ensure appropriate knowledge for each member.	
Lack of engagement or awareness of external factors means key risks are not identified.	Professional qualifications, internal/external training, working groups.	
Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately.	Conflicts of interest are managed appropriately.	

b) Risk(s) associated with not undertaking the proposal

<b>Risk</b>	<b>Risk Rating</b>
If the Fund does not have a Risk Strategy the Fund will have significant lack of understanding and control on the potential risks affecting the Fund.	Red

## 8. Communication Implications

<b>Direct Communications</b>	The Risk Strategy will be presented to Committee for approval.
<b>Website</b>	The Risk Strategy will be published on the LGSS Pensions Website

## 9. Legal Implications

### 9.1 Not applicable

## **10 Consultation with Key Advisers**

10.1 Officers consulted with Aon Hewitt for advice on the draft strategy.

## **11. Alternative Options Considered**

11.1 There are no other options to consider.

## **12. Background Papers**

12.1 Not applicable

## **13. Appendices**

13.1 Appendix 1 – Risk Strategy 2016

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 08/02/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016