

CAMBRIDGESHIRE PENSION FUND



Pensions Committee

Date: 23 March 2017

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Risk Register Heat Pad
Purpose of the Report	To present the Cambridgeshire Pension Fund Risk Register heat pad to members of the Pension Committee.
Recommendations	The Pension Committee are asked to note the attached Cambridgeshire Pension Fund Risk Register heat pad located in the appendix to this report
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance ensures that the Fund has an appropriate Risk Register in place supported by an appropriate Risk Strategy outlining the Fund's approach to managing risk. It is also a requirement of the Pensions Regulator's code of practice on the governance and administration of public service pension schemes to have in place a Risk Register which is regularly reviewed.
- 1.2 In March 2016 the Pension Committee approved the Fund's Risk Strategy that outlined the risk philosophy, how risk management is implemented and the responsibilities, procedures and internal controls to ensure risks are identified, analysed, controlled and monitored effectively. The Pension Committee approved the Risk Register in October 2016.

2. Purpose of the heat pad

- 2.1 The heat pad is designed to be a visual tool in assessing and monitoring the Fund's risks. The first version is demonstrated in **appendix 1** of this report and is populated with the risks agreed at the October 2016 Pension Committee meeting. The risks have been reviewed in January 2017 by Officers of the Fund to ensure they remain effective and the heat pad in its current form shows the starting position of the risks facing the Fund.
- 2.2 The heat pad is used to track risk movements and identify new risks. As the risk register is updated it will clearly identify changes to the severity of each risk from its former risk rating.

3. Heat Pad Analysis findings

3.1 Governance risk findings

3.1.1 There are 18 key risks associated with the governance of the Fund. Of these 18 risks and in line with the likelihood and impact scoring in the Risk Strategy, there are two appearing as an amber risk status as follows –

- Those charged with the governance of the Fund and Scheme are unable to fulfil their responsibilities effectively; and
- Failure by the Fund or employers to meet requirements (including statutory requirements) to ensure members are not disadvantaged.

3.1.2 These risks, even with relevant controls in place remain as a major impact as the consequences could be significant to the Fund.

3.2 Funding and Investment risk findings

3.2.1 There are 17 key risks associated with Funding and Investment. Of these 17 risks, the heat pad demonstrates that there are five appearing as an amber risk status as follows –

- Contributions to the Fund are not received on the correct date and for the correct amount;
- Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided;
- Fund assets are not sufficient to meet obligations and liabilities as they become payable;
- Failure to respond to changes in economic conditions; and
- Mismatch in asset returns and liability movements result in increased employer contributions.

3.2.2 There is one risk appearing at a red risk status as follows –

- Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates.

3.2.3 These risks should be closely monitored as they are not able to be mitigated to a desired level as they are dependent on employers and market conditions which are external factors.

3.3 Administration and Communication risk findings

3.3.1 There are 19 key risks under the category of Administration and Communication. Of these 19 risks, the heat pad demonstrates that there are three appearing in the amber risk status as follows –

- Failure to manage the resources associated with increasing volumes of employing bodies entering the Fund, leading to unachieved targets;

- Employers unable to pay increased contribution rates, which could lead to employers defaulting on their contributions; and
- Failure to include all required information in documents issued to members under disclosure regulations.

3.3.2 The first two risks need to be monitored due to their reliance on external factors and the third risk remains high impact due to the significance to the Fund if disclosure regulations were not met.

4. Conclusion

4.1 There are 54 key risks facing the Fund and of these 11 are either an amber or red risk status meaning that the Committee are required to monitor these more closely. These risks are largely the ones where the Fund is reliant on a third party or market conditions which are more difficult to control.

5. Next Steps

5.1 The Pension Committee will be presented with the analysis model on a yearly basis or prior if a risk has had a significant change or a substantial risk has been added. Upon these reviews the heat pad will demonstrate the movements in risks during the review period and will highlight to the Pension Committee the areas of concern.

6. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. Objective 1
Continually monitor and measure clearly articulated objectives through business planning Objective 4
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. Objective 5
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. Objective 10

7. Finance & Resources Implications

7.1 There are no financial and resource implications associated with this risk register..

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
None	A risk register highlights areas of concern and allows for appropriate mitigations to be put in place.	Green

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

Risk	Risk Rating
If the Fund does not monitor and report risks the Fund will not demonstrate that it has appropriate control over the management of the risks that the Fund faces.	Red

8. Communication Implications

Website	The Fund will keep the Pensions Committee and the Local Pensions Board updated with changes to the risks.
----------------	---

9. Legal Implications

9.1 Not applicable

10. Consultation with Key Advisers

10.1 AON Hewitt, the Fund's Governance Adviser provided the Risk Register model.

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Not applicable

14. Appendices

14.1 Appendix 1 – Risk Register Heat Pad Model Results (Governance, Funding and Investment and Administration and Communication)

Checklist of Key Approvals	
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 - 6/3/2017
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 7/2/2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 6/3/2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 3/3/2017