

meeting **PENSIONS ADMINISTRATION SUB COMMITTEE**

date **7 OCTOBER 2010** agenda item number

REPORT OF THE SERVICE DIRECTOR (FINANCE)

PENSION FUND - RISK MANAGEMENT

Purpose of the Report

1. To inform Members of the updated Pension Fund Risk Management Strategy and Risk Register.

Information and Advice

2. In December 2008, the Pensions Committee approved the Pension Fund's Risk Management Strategy and Risk Register. Both the Strategy and Register have been reviewed and re-assessed to update them to reflect the issues facing the Fund, including the following:
 - a) current and forecast financial and economic conditions
 - b) changes in legislative requirements
 - c) the revised Myners Principles
 - d) the recent impact of the banking crisis
 - e) other relevant factors that have an impact on the Fund
3. As a result, the number of risks identified has increased from the 17 originally identified in the 2008 Risk Register to 23. The six new risk areas reflect changes over the last two years and are as follows:
 - a) Value of Pension Fund Assets may decrease significantly making the Fund unsustainable (Risk Ranking 6)
 - b) The liabilities of the Fund are not clearly identified and provided for (Risk Ranking 7)
 - c) New legislative changes may not be implemented on time (Risk Ranking 15)

- d) Pension Fund Cash may not be invested securely (Risk Ranking 16)
 - e) Risk is not sufficiently assessed in devising the investment strategy (Risk Ranking 20)
 - f) The Fund's obligations in relation to Responsible Ownership may not be sufficiently identified (Risk Ranking 23)
4. The proposed Pension Fund Risk Management Strategy 2010 and the Risk Register 2010 are attached and identify the key risks in the following three categories:-
- Pension Fund – governance and strategy
 - Pensions Administration – processes and systems
 - Investments – internally and externally managed.

Because these risks involve areas covered by the Pensions Investment Sub Committee and the Pensions Administration Sub Committee, it is proposed to seek the comments of both these Sub Committees before reporting the Strategy and Risk Register, for approval, to the Pensions Committee on 1 November 2010.

Statutory and Policy Implications

- 5.. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using the relevant service. Where such implications are material, these have been described in the text of the report.

Recommendation

5. That Members comment upon the proposed Risk Management Strategy and Risk Register as appropriate.

ALAN SUMBY
SERVICE DIRECTOR (FINANCE)

Background Papers Available for Inspection

Nil