

Pension Fund Investment Sub-Committee 12 June 2017

Review of Pension Fund Risk Management

Recommendation

- (1) Members are asked to consider and approve the Register of Risks in **Appendix A** and to approve the process by which this has been compiled, making any suitable additions or amendments as appropriate.

1 Introduction

- 1.1 Warwickshire County Council is responsible for the delivery of pension and other benefit promises made to members of the Warwickshire Pension Fund. It achieves this by working to identified objectives and goals.
- 1.2 The risk of failing to meet the intended goals must be identified and evaluated via a risk management process and then recorded in a risk register.
- 1.3 As the Pension Fund Investment Sub Committee (PFISC) has decision-making powers with regard to the running of the Fund, it is recommended that members should have a reasonable understanding of risk management within a pension scheme context.
- 1.4 Moreover, the PFISC members should consider their perceptions of risk within the Pension Fund and the plan should be adapted accordingly. This approach, whilst not requiring a significant input from the Committee, should engage the Committee sufficiently so that it sees the value from the process and feel sufficiently included.
- 1.5 A schedule of risks and the control mechanisms in place is shown in **Appendix A**.

2 Risk Management Process

- 2.1 The risk management process begins with the objectives of the Pension Fund. These are set out in the Fund's business plan. The risks involved in achieving those objectives then need to be identified, and quantified in terms of the likelihood of them occurring and the impact if they did occur.
- 2.2 Once the risks have been quantified, the Fund will need to identify which are the priorities. Priorities will be scheme specific and will reflect the Fund's perception of the risks identified.
- 2.3 Controls then need to be put in place to manage the identified risks. In many cases controls will already be in place but they should be reviewed for their appropriateness and revised as necessary. New controls may also be implemented.
- 2.4 The process is summarised as follows:
 1. Identify the objectives of the Fund as set out in the Business Plan
 2. Identify the risks
 3. Quantify the risks
 4. Decide on priorities
 5. Set control mechanisms in place
 6. Monitor

3 Register of Key Risks and Control Mechanisms

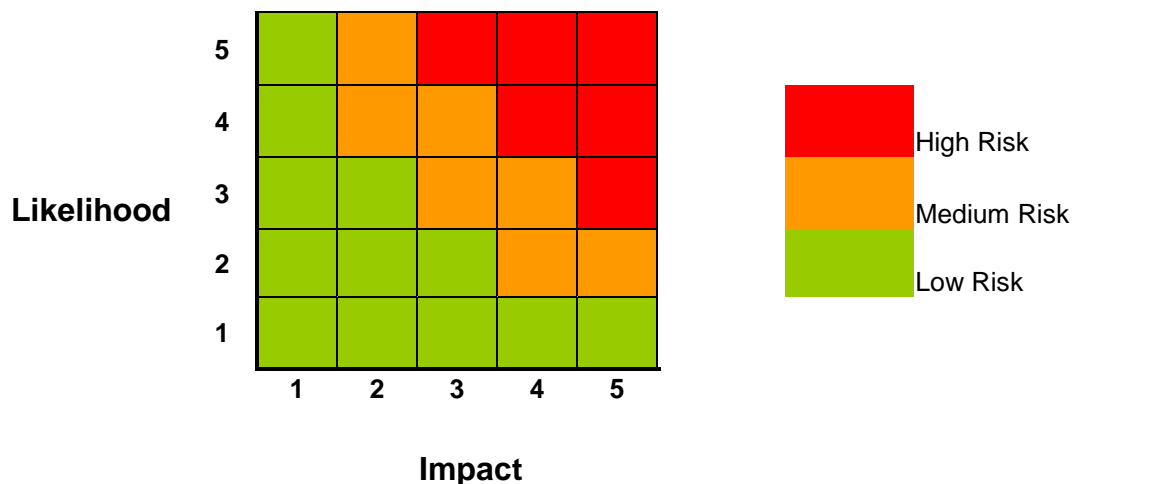
- 3.1 A risk register is a useful way of recording risks and resultant controls and is a convenient format for ongoing monitoring and review, which is essential in a changing environment.
- 3.2 Continual monitoring will identify changes in risk exposure, relative to any agreed tolerances, and the emergence of new risks.
- 3.3 As well as identifying the risks, officers have scored each risk according to its possible impact and likelihood of happening.
- 3.4 A table showing the various scores attributable to impact and likelihood is shown in Table 1 overleaf.

Table 1: Scoring attached to levels of impact and likelihood

	Score 1 (maybe one or more of the following)	2	3	4	High 5
Impact	No financial impact	Minimal financial impact	Financial impact on the scheme	High financial impact on the scheme	Very high financial impact on the scheme
	Affect benefits at individual member level	Affects several individual members	Specific category of members affected (e.g. active, deferred, pensioner)	Affects more than one category of membership	Affects entire membership
	No impact on Trustee reputation	May have some impact but limited to individual or small groups of members	Trustee may be under the spotlight at local media level	Major reputation issue for the trustee (e.g. national press)	Trustees pursued in the Courts
Likelihood	Very unlikely that risk will occur	Unlikely that risk will occur	Risk may occur	Likely that risk may occur	Very likely that risk will occur

3.5 According to the level of impact and likelihood, a category (high, medium or low) can be attributed to each risk according to the following table:

Table 2: Ascertainment of Risk Level according to levels of impact and likelihood



3.6 The risk register, including the control mechanism, risk action and the assessed risk level is shown in **Appendix A**.

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