

Somerset County Council Pension Fund Risk Register - December 2018

| 1. Risk Ref No: 2. Senior Risk Owner: | Description of Risk | Control measures already in place | Current Risk Score (with known controls in place) | | Combined score | Additional mitigating actions/control measures planned to achieve target score | Target Risk score | | combined score | Additional Control measure owner | Target Date | commentary following review, inc. date | Additional Information and explanation |
|---|---|---|---|---|----------------|--|-------------------|---|----------------|----------------------------------|---------------------------------------|--|--|
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| 1. PF1 2. Anton Sweet | The pension fund has insufficient available cash to meet its immediate (next 6 months) liabilities. | Cash flow forecasting of TM function. Monthly review of asset allocation and cash levels | 2 | 4 | 8 | | 2 | 4 | 8 | | on-going with quarterly review | | |
| 1. PF2 2. Pensions Committee | The pension fund has insufficient available assets to meet its long term liabilities. | Funding Strategy Statement Investment Strategy Statement | 3 | 5 | 15 | The triennial valuation includes provision for restoring the fund to full funding over 25 years The current risk score partly reflects that the fund was 77% funded at the last valuation. An improvement in the funding level will reduce the likelihood of the risk occurring at some point in the future | 2 | 5 | 10 | | Review again at next Valuation - 2019 | | This risk encapsulates the purpose of the fund in trying to always have sufficient assets to meet uncertain future liabilities with a pool of assets with uncertain future investment performance. There is also the need to balance the funding needs of the fund with the desire to keep contributions as low and constant as possible. |
| 1. PF3 2. Stephen Morton | The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers. | Admission agreements Guarantee bonds | 3 | 3 | 9 | Ensure the on-going suitability of the guarantees in place with a review after each formal valuation Review of actuarial results to consider employer specific funding ratios and employer 'Hot Spots' | 2 | 2 | 4 | Stephen Morton | on-going with quarterly review | | Hot Spots' refers to employers whose benefits in payment exceed their contributions in a given period. |
| 1. PF4 2. Peter Lewis | Vulnerability to long-term staff sickness and staff turn-over, especially for higher graded posts. | None, other than experience of other staff within the sections | 3 | 3 | 9 | | 2 | 3 | 6 | | on-going with quarterly review | Updated to include positive impact of pooling September 2016 | Shared service with Devon makes this less of an issue with respect to benefits administration staff. The move to pooling of investments should make the fund less reliant on a small number of internal officers |

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| 1. PF5 2. Peter Lewis | Reliance on bespoke IT, which is exacerbated by a lack of experience of these bespoke systems within SCC IT support | As IT systems are refreshed or replaced build in support mechanisms | 3 | 4 | 12 | | 2 | 3 | 6 | | on-going with quarterly review | | Shared service with Devon makes this less of an issue with respect to benefits administration IT. Pooling will also remove the need for some systems. |
| 1. PF6 2. Pensions Committee | Risk of Regulatory change: - Implementation of change risks - Consequences of change risks | Continuous engagement with MHCLG and other interested stakeholders | 4 | 4 | 16 | | 2 | 3 | 6 | | on-going with quarterly review | | The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme. |
| 1. PF7 2. Stephen Morton | Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment. | Internal audit coverage Annual report to committee with feedback from stakeholders Internal procedures and checks | 3 | 3 | 9 | | 2 | 3 | 6 | | on-going with quarterly review | | The greater resilience gained from the Peninsula Pensions shared service has been balanced by greater complexity coming into the scheme benefits. |
| 1. PF8 2. Pensions Committee | Failure of Pensions Committee to manage the fund effectively | Policies and procedures adopted by pensions committee, specifically the committee training policy | 3 | 4 | 12 | | 2 | 4 | 8 | | on-going with quarterly review | Updated June 2017 to reflect turnover of Committee following County Council elections | |
| 1. PF9 2. Anton Sweet | Insolvency of the fund's Global Custodian | Fund's assets held in client accounts not as assets of the custodian | 2 | 4 | 8 | | 2 | 4 | 8 | | on-going with quarterly | | The designation of the fund's assets as client assets ensures that they cannot be appropriated by creditors of the Custodian bank in the case of that entity going into administration. |

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| | | Review of credit worthiness and inherent business risk of custodian at tender phase | | | 8 | | | | | | quarterly review | | As a result we should be able to recover substantially all of the assets of the fund held in custody but there would be considerable administrative and liquidity disruption |
| 1. PF10 2. Pensions Committee | Failure of Brunel to deliver either Fee savings or investment performance | Representation on the Brunel Client Group and Oversight Board. | 2 | 4 | 8 | | | 2 | 4 | 8 | | on-going with quarterly review | Added as per Committee request at September 2017 meeting. |