



Notice of Meeting of

## **PENSION FUND COMMITTEE**

**Friday, 15 December 2023 at 10.00 am**

**John Meikle Room, The Deane House, Belvedere  
Road, Taunton TA1 1HE**

To: The members of the Pension Fund Committee

Chair: Councillor Simon Coles

Vice-chair:

Councillor John Cook-Woodman

Councillor Habib Farbahi

Councillor Mike Hewitson

Paul Butler

Vacancy

Councillor Michael Dunk

Councillor David Fothergill

Councillor Peter Seib

Sarah Williams

---

For further information about the meeting, including how to join the meeting virtually, please contact Democratic Services [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk).

All members of the public are welcome to attend our meetings and ask questions or make a statement **by giving advance notice** in writing or by e-mail to the Monitoring Officer at email: [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) by **5pm on Monday, 11 December 2023**.

This meeting will be open to the public and press, subject to the passing of any resolution under the Local Government Act 1972, Schedule 12A: Access to Information.

The meeting will be webcast and an audio recording made.

Issued by (the Proper Officer) on Thursday, 7 December 2023

## **AGENDA**

**Pension Fund Committee - 10.00 am Friday, 15 December 2023**

**10 Review of Pension Fund Risk Register (Pages 5 - 10)**

To consider this report from the Funds & Investments Manager.

This page is intentionally left blank

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
			L	I			L	I					
1. PF - Gov 1 2. Pension Fund Committee	Failure of Pension Fund Committee to manage the fund effectively, particularly as a result of insufficient knowledge and skills	Policies and procedures adopted by Pension Fund Committee, specifically the committee training policy	3	4	12 Amber	Undertake a review of Committee Knowledge and Skills. Follow up on Findings with revised training plan	2	4	8 Green		on-going with quarterly review		Current score is influenced by the collective experience and consistency of the Pension Fund Committee, which has had a number of changes over the last 4 years.
1. PF - Gov 2 2. Pension Fund Committee	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with DLUHC and other interested stakeholders	4	3	12 Amber		4	3	12 Amber		on-going with quarterly review		The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme.  The frequency of new regulation and the relatively new role of the Pensions Regulator are also factors.
1. PF - Gov 3 2. Anton Sweet	Failure to produce accurate and timely accounts leading to qualification of the accounts by external audit.	Regular reconciliations between the accounting records and other sources of information such as custody records.  Training and professional standards of staff involved in production of the accounts.  Engagement with CIPFA standards and requirements of the code.	2	4	8 Green		2	4	8 Green		Annual on receipt of the external auditors findings.		
1. PF - Inv1 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 Green		2	4	8 Green		on-going with quarterly review		

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
			L	I			L	I					
1. PF - Inv2 2. Pension Fund Committee	The pension fund has insufficient available assets to meet its long term liabilities.	Funding Strategy Statement  Investment Strategy Statement  Regular reporting of current position to Committee	2	5	10  Amber	The triennial 2022 valuation includes provision for restoring the fund to full funding over 16 years.  The current risk score partly reflects that the fund was 95% 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  Amber		Review again at next Valuation - 2025	Likelihood score reduced to reflect the better funding level reported as part of the 2022 valuation.	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. PF - Inv3 2. Pension Fund Committee	Under performance of pension investments due to ESG factors, including climate change.	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	2	4	8  Green		2	4	8  Green		on-going with quarterly review		Moving all assets to the management of Brunel, which has a greater focus on ESG and climate change than the majority of our legacy investment managers, has considerably improved our management of these risks.
1. PF - Inv4 2. Pension Fund Committee	Failure of Brunel to deliver either Fee savings or investment performance	Representation on the Brunel Client Group and Oversight Board	2	4	8  Green		2	4	8  Green		on-going with quarterly review		

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
			L	I			L	I					
1. PF - Inv5 2. Anton Sweet	Insolvency of the fund's Global Custodian	Fund's assets held in client accounts not as assets of the custodian  Additional oversight of custodian provided by Brunel for the assets they manage  Review of credit worthiness and inherent business risk of custodian at tender phase	2	4	8		2	4	8		on-going with quarterly review		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. 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.
					Green				Green				
1. PF - Admin1 2. Stephen Morton	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Regular reporting to Committee  Internal processes and procedures  Regular review by Internal and External audit	2	3	6		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 sceme benefits.
					Green				Green				
1. PF - Admin2 2. Stephen Morton	Legal challenge to fund, particularly in respect of the payment of pension benefits	Internal processes and procedures  Regular review by Internal and External audit	3	3	9	Receipt of revised regulations in respect of the exit cap, McCloud and Goodwin	2	3	6		on-going with quarterly review		
					Amber				Green				
1. PF - Admin3 2. Stephen Morton	Fraud, corruption, or error either within investment assets or benefits administration	Internal controls and processes  Regular review of controls, processes and outputs by internal and external audit	2	4	8		2	4	8		on-going with quarterly review		Brunel provides an extra layer of scrutiny and control with respect to the activities of external fund managers and related third parties
					Green				Green				
1. PF - Admin4 2. Stephen Morton	The insolvency of an employer or other significant change in circumstances places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements  Guarantee bonds or other similar security	2	3	6		2	3	6		on-going with quarterly review		To ensure the on-going suitability of the guarantees in place a review should be undertaken after each formal valuation.
					Green				Green				

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
			L	I			L	I					
1. PF - Admin5 2. SC Section 151 Officer	Vulnerability to long-term staff sickness and/or retention and recruitment issues, especially for higher graded posts, within Somerset Council and Peninsula Pensions.	None, other than experience of other staff within the sections	3	3	9 Amber		2	3	6 Green		on-going with quarterly review	Risk clarified and likelihood score increased following discussion at April Pension Fund Board meeting.	Size and depth of staff resources at Peninsula Pensions helps to mitigate the risk  Brunel provides some extra mitigation with respect to investment asset management  Additional use of consultants and advisors could be used to manage loss of internal staff
1. PF - Admin6 2. SC Section 151 Officer	Resilience of IT including a breach of cyber security	SCC and DCC internal IT security measures  Additional cyber security and resilience provided by hosting of benefits administration database and investment accounting database by outside parties	3	4	12 Amber		2	4	8 Green		on-going with quarterly review		



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
			L	I			L	I					
1. PF - Admin7 2. SC Section 151 Officer	Breach of Data security or related data protection / GDPR issue	DCC internal IT security measures  Additional cyber security and resilience provided by hosting of benefits administration database and investment accounting database by outside parties	3	4	12 Amber		2	4	8 Green		on-going with quarterly review		
1. PF - Admin8 2. SC Section 151 Officer	Civil Contingency Event	SCC and Peninsula would follow their established business continuity plans	3	2	6 Green		3	2	6 Green		on-going with quarterly review		Amended from COVID risk December 2022 at Board's request.

This page is intentionally left blank