

Somerset Council Pension Fund Risk Register

Item 10 Appendix A

March 2025

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Gov 1	Failure of Pension Fund Committee to manage the fund effectively, particularly as a result of insufficient knowledge and skills	A lack of skills and knowledge of Committee members to sufficiently challenge advice and draw correct conclusions.	The Pension Fund is not well managed.	3	4	2	4	Pension Fund Committee
				12		8		
				Amber		Green		
Mitigation: Existing Controls in Place								
Policies and procedures adopted by Pension Fund Committee, specifically the committee training policy.								
Undertake regular reviews of Committee Knowledge and Skills. Follow up on Findings with revised training plan. The 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.								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Gov 2	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Change in the regulations governing the LGPS	Failure to implement new regulations correctly or knock on consequences of the new regulations placing strain on resourcing or unintended outcomes.	4	3	4	3	Pension Fund Committee
				12		12		
				Amber		Amber		
Mitigation: Existing Controls in Place								
Continuous engagement with MHCLG and other interested stakeholders								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Gov 3	Failure to produce accurate and timely accounts leading to qualification of the accounts by external audit.	Failure of internal accounting staff to produce timely or accurate accounts.	Qualification of accounts by external audit.	2	4	2	4	Anton Sweet
				8		8		
				Green		Green		
Mitigation: Existing Controls in Place								
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.								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Inv 1	The pension fund has insufficient available cash to meet its immediate (next 6 months) liabilities.	Lack of liquid cash.	Failure to make payments for pensions or invoices.	2	4	2	4	Anton Sweet
				8		8		
				Green		Green		
Mitigation: Existing Controls in Place								
Cash flow forecasting of TM function								
Monthly review of asset allocation and cash levels								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Inv 2	The pension fund has insufficient available assets to meet its long term liabilities.	Inappropriate or inaccurate assumptions used by the Actuary over a prolonged period.	Failure to make payments for pensions or invoices.	2	5	2	5	Pension Fund Committee
				10		10		
				Amber		Amber		
Mitigation: Existing Controls in Place								
Funding Strategy Statement								
Investment Strategy Statement								
Regular reporting of current position to Committee								
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.								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Inv 3	Under performance of pension investments due to ESG factors, including climate change.	Failure to manage ESG risks within the investments.	Underperformance of investments leading to higher employer contributions.	2	4	2	4	Pension Fund Committee
				8		8		
				Green		Green		

Mitigation: Existing Controls in Place

ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.

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.

New Mitigating Actions	Progress	Assigned To	Due Date	Latest Note

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Inv 4	Failure of Brunel to deliver either Fee savings or investment performance.	Failure of Brunel to deliver.	Underperformance of investments leading to higher employer contributions.	2	4	2	4	Pension Fund Committee
				8		8		
				Green		Green		

Mitigation: Existing Controls in Place

Regular review of Brunel performance and budgets through Client Group and Brunel Oversight Board participation.

New Mitigating Actions	Progress	Assigned To	Due Date	Latest Note

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Inv 5	Insolvency of the fund's Global Custodian.	Insolvency of the fund's Global Custodian.	Unable to access investment assets and liquidate them to meet pension obligations.	2	4	2	4	Anton Sweet
				8		8		
				Green		Green		
Mitigation: Existing Controls in Place								
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								
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.								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 1	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Failure of procedures. Error by staff.	Incorrect or untimely benefits payment	2	3	2	3	Anton Sweet
				6		6		
				Green		Green		
Mitigation: Existing Controls in Place								
Regular reporting to Committee								
Internal processes and procedures								
Regular review by Internal and External audit								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 2	Legal challenge to fund, particularly in respect of the payment of pension benefits	Failure of procedures. Error by staff.	Incorrect or untimely benefits payment	3	4	2	4	Anton Sweet
				12		8		
				Amber		Green		
Mitigation: Existing Controls in Place								
Internal processes and procedures								
Regular review by Internal and External audit								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		
Completion of implementation of McCloud remedy			75%	Peninsula Pensions	31 August 2025			

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 3	Fraud, corruption, or error either within investment assets or benefits administration	Failure of procedures. Error by staff.	Incorrect or untimely benefits payment. Loss of value of investments.	2	4	2	4	Anton Sweet
				8		8		
				Green		Green		
Mitigation: Existing Controls in Place								
Internal controls and processes								
Regular review of controls, processes and outputs by internal and external audit								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 4	The insolvency of an employer or other significant change in circumstances places additional liabilities on the fund and ultimately the remaining employers.	An employer becomes insolvent.	The liabilities of the insolvent employer falling on the remaining employers within the fund Loss of value of investments.	2	3	2	3	Anton Sweet
				6		6		
				Green		Green		
Mitigation: Existing Controls in Place								
Admission agreements								
Guarantee bonds or other similar security								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 5	Vulnerability to long-term staff sickness and/or retention and recruitment issues, especially for higher graded posts, within Somerset Council and Peninsula Pensions.	Staff not being available	Work not being completed as required with knock on impacts on other risks on the risk register	4	3	2	3	Somerset Council Section 151 officer
				12		6		
				Amber		Green		
Mitigation: Existing Controls in Place								
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								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		
The staffing levels provided by SC is being reviewed as part of the overall SC structure review with the outcomes likely to be known in early 2025.				Service Director Fiance & Performance	31 March 2025	No changes in staffing due to new structure.		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 6	Resilience of IT including a breach of cyber security	IT failure due to inadequate resources or cyber attack.	IT resources not available with knock impacts for other risks. Data breach	3	4	3	4	Somerset Council Section 151 officer
				12		12		
				Amber		Amber		
Mitigation: Existing Controls in Place								
SC 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								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 7	Breach of Data security or related data protection / GDPR issue	Staff error or cyber attack	Data breach	3	4	3	4	Somerset Council Section 151 officer
				12		12		
				Amber		Amber		
Mitigation: Existing Controls in Place								
DCC internal IT security measures								
Additional cyber security and resilience provided by hosting of benefits administration database and investment accounting database by outside parties								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		

Ref	Risk Description	Cause	Consequence	Current score		Target score		Risk Owner
				L	I	L	I	
PF - Admin 8	Civil Contingency Event	Civil Contingency Event	Inability of staff to work with knock on consequences to other risks.	3	2	3	2	Somerset Council Section 151 officer
				6		6		
				Green		Green		
Mitigation: Existing Controls in Place								
SC and Peninsula would follow their established business continuity plans								
New Mitigating Actions			Progress	Assigned To	Due Date	Latest Note		