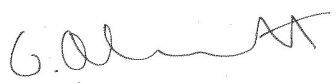




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|-------------------------------------|---|--------------|------------------|
| Report to: | Pension Committee | Date: | 12 December 2016 |
| Report title: | Risk Register | | |
| Report from: | Gerald Almeroth, Strategic Director – Resources | | |
| Ward/Areas affected: | Borough Wide | | |
| Chair of Committee: | Councillor Sunita Gordon | | |
| Author(s)/Contact Number(s): | Lyndsey Gamble, Head of Financial Strategy and Planning, 0208 770 5358 | | |
| Corporate Plan Priorities: | <ul style="list-style-type: none"> • A Smart Council | | |
| Open/Exempt: | Open | | |
| Signed: |  | Date: | 01 December 2016 |

1. Summary

- 1.1 This report presents the Sutton pension fund risk register as included in Appendix A.

2. Recommendations

The Pension Committee is recommended to:

- 2.1 Review the updated Sutton pension fund risk register, make any suggestions for amendment and approve the updated document.

3. Background

- 3.1 Section 249B of the Public Services Pensions Act 2013 requires the administering authority to manage risks that are likely to have a significant impact on the fund by establishing and complying with adequate control arrangements. The Pensions Regulator has issued supporting guidance for this, Code of Practice No. 14. There is also guidance from CIPFA, *Managing Risk in the Local Government Pension Scheme*.
- 3.2 In alignment with the guidance, significant emerging and persisting risks are recorded in the risk register that needs to be reviewed regularly by the Pension Committee. This is because the management of risk is a key responsibility of those charged with governance.
- 3.3 The risk register is also reported regularly to the Pension Board in its role assisting with securing compliance with control arrangements. The risk register was last considered by the Pension Board on 11 October 2016. Officers review and update the risk register prior to it

being reviewed by the Pension Committee and the Pension Board.

4. Issues

- 4.1 Risks are identified from relevant sources of information, such as management reports and from reviews undertaken by independent advisors. The actual sources are recorded in the risk register along with the gross and net risk scores (Likelihood x Impact) that determine the RAG ratings. The net score indicates the exposure arising from a risk after the risk control (mitigation) action is implemented and making the assumption that the action is effective. The Council's external auditors Grant Thornton also carry out a review of the Pension Fund accounts and system controls on an annual basis and report this to the Council's Audit Committee.
- 4.2 The risk register shows that there are five risks with gross scores rated red (high risk). These are under the categories of administration, funding and investment risks. For all of these risks the risk control (mitigation) actions align with best practice and are implemented, and so the net scores are rated either amber (medium risk) or green (low risk). Regarding the Investment risks (entries 5.1, 5.2 and 5.3), the investment strategy reflects the pension fund's liability profile and the need to manage investment risk. The strategic asset allocation benchmark provides effective risk control and a prudent balance between risk and return. Further risk control is obtained by employing specialist investment managers and splitting the portfolio between different managers. Regular monitoring of performance contributes to the effective management of investment risk. In the case of the funding risks (entries 3.1 and 3.4), actuarial valuations take account of life expectancies with some allowance for future increases and admitted employers are vetted for financial strength.
- 4.3 Recent reviews by management and an independent advisor have resulted in a number of new entries within the existing categories of risk management and three new risk categories being included within the register. The new categories are employer risk, resource and skill risk and reputational risk. Within the new categories all net scores are rated green (low risk). For several of the new entries within the existing categories officers are currently assessing the risk control (mitigation) action needed and this will be updated once identified and agreed.

5. Options Considered

- 5.1 Not applicable.

6. Impacts and Implications

Financial

- 6.1 There are no direct financial implications arising from this report. The resources required to undertake this work are included within existing budgets.

Legal

- 6.2 This report has been designed to meet the risk management requirements of Section 249B of the Public Services Pensions Act 2013.



7. Appendices and Background Documents

| Appendix Letter | Title |
|-----------------|---|
| A | Sutton Pension Fund Risk Register December 2016 [Supplemental Agenda] |

| Background Documents |
|----------------------|
| N/A |

| Audit Trail | | |
|--------------------------------------|-----------------|------------------------|
| Version | Final | Date: 27 November 2016 |
| Consultation with other officers | | |
| Officer | Comments Sought | Comments checked by |
| Finance | Yes | Lyndsey Gamble |
| Legal | N/A | N/A |
| Equality Impact Assessment required? | No | N/A |

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