

**Agenda Item No 4(a)**

**DERBYSHIRE COUNTY COUNCIL  
PENSIONS AND INVESTMENTS COMMITTEE**

**3 August 2016**

**Report of the Director of Finance**

**DERBYSHIRE PENSION FUND RISK REGISTER**

**1 Purpose of the Report**

To consider the Derbyshire Pension Fund Risk Register.

**2 Information and Analysis**

The Pension Fund's Risk Register was last presented to the Pensions and Investment Committee in January 2016. A copy of the Risk Register is attached to this report and identifies:

Risk  
Cause and Effect  
Impact and Probability  
Risk Mitigation Controls and Procedures  
Risk Owner  
Target Score  
Directional movement since last update

The Risk Register is kept under constant review by the risk owners, with quarterly review by the Director of Finance. The Risk Register will be presented to the Committee on a quarterly basis.

**Risk Score**

The risk score reflects a combination of the risk occurring (probability) and the likely severity (financial impact). A low risk classification is based on a score of 4 or less; a medium risk score ranges between 5 and 11; and a high risk score is anything with a score of 12 and above.

The Risk Register also includes:

- the Previous Score from January 2016;
- the Target Score: shows the impact of the risk occurring once the planned risk mitigation procedures and controls have been completed; and the Direction of travel: shows whether the Current Score is in line with the

Target Score (green box), has improved since the last assessment but remains above the Target Score (blue box), remains above the Target Score and unchanged from the last assessment (orange box) or has worsened (red box).

### **Removed Risk Items**

Two risk items have been removed from the Risk Register since January 2016: the potential risk of failing to constitute a Pensions Board; and failing to appoint a new external advisor. The Pensions Board held its first meeting in March 2016 and the fund appointed a new external advisor in April 2016.

### **New Risk Items**

Three new risk items have been added to the Risk Register since January 2016: the potential risk of delay in issuing of annual pension statements (Risk No 31); the potential risk of the fund being left with insufficient investment skills & experience post LGPS Investment Pooling (Risk No 52); and the potential impact of Brexit (Risk No 53).

### **High Risk Items**

The Risk Register has identified two high risk items: funding (Risk No 39); and fluctuations in assets and liabilities (Risk No 41). It is an inevitable risk for any pension fund that assets may be insufficient to meet liabilities and fluctuate from one valuation to the next, principally reflecting external risks around both market returns and the discount rate used to value the Fund's liabilities. The Fund is currently only 82% funded and the long term target is to eliminate the deficit by 2032. The Fund constantly monitors its Assets Allocation and has a significant proportion of its assets in growth assets, whilst proactively managing investment risk.

## **3 Other Considerations**

In preparing this report the relevance of the following factors have been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property, social value and prevention of crime and disorder.

## **4 Background Papers**

None.

## **5 Officer's Recommendation**

That Members note the current Risk Register.

PETER HANDFORD

Director of Finance