

# Pensions Audit Sub-Committee

10am, Monday, 17 June 2013

## Risk Management

Item number	5.2
Report number	
Wards	All

### Links

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Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

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# Executive summary

## Risk Management

### Summary

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Following the recent Committee training on Governance & Risk, we have looked to develop our approach to risk management in order to

- (i) refine our current risk register to include more operational detail and a greater alignment between the various risks, our action to mitigate these risks and measuring the current status of the risk (the “**Operational Risk Register**”), and
- (ii) produce a summary report of the risk register for the Committee and the Audit Sub-Committee which more clearly highlights the significant risks themselves and the progress being made over time (the “**Committee Risk Summary**”).

The Operational Risk Register will allow us to capture a greater number of risks across the pension funds, more quickly identify areas for improvement/corrective action and enable us to provide a meaningful overview to the Committee and Audit Sub-Committee on a regular basis to ensure that they remain fully informed of the key risks/trends facing the pension funds.

The Operational Risk Register will be circulated to the conveners of the Committee and the Audit-Sub-Committee at the end of each quarter.

The proposed form of Committee Risk Summary, to be tabled at each Committee and Audit Sub-Committee meeting, is set out in the appendix to this report.

### Recommendations

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We recommend noting that the officers in the Investment & Pensions division will continue to refine and implement the Operational Risk Register and provide the Committee and Audit Sub-Committee with the Committee Risk Summary along the lines of the template set out in the appendix.

### Measures of success

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Improved visibility/analysis of the risks facing the fund and our progress in mitigating these risks. Regular, focused and relevant risk updates to the Committee and Audit Sub-Committee should increase general awareness and also allow productive analysis/feedback by the Committee/Audit Sub-Committee members on these fundamental issues.

Ultimately, risk management should lead to less third party exposure, improved financial position/productivity and have a positive impact on the reputation of the pension funds.

### Financial impact

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There are no direct financial implications as a result of this report.

### Equalities impact

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None.

### Sustainability impact

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None.

### Consultation and engagement

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The Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, is integral to the governance of the Funds.

### Background reading / external references

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None.

### Links

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<b>Coalition pledges</b>	
<b>Council outcomes</b>	CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 - Draft form of Committee Risk Summary

DRAFT

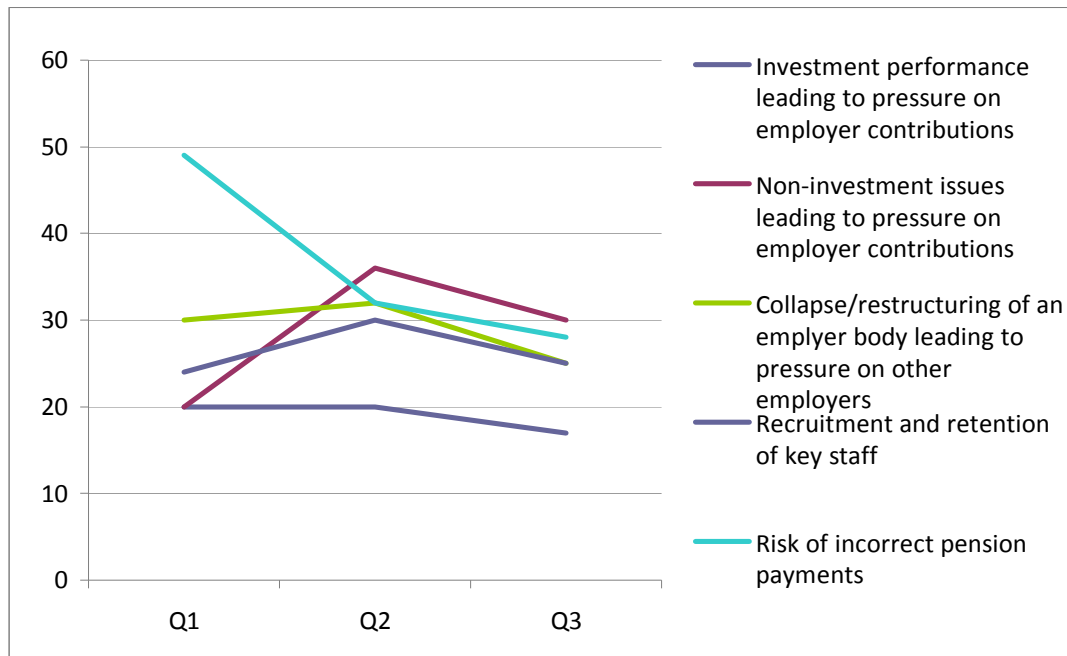
QUARTERLY RISK OVERVIEW

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UPDATE ON TOP 5 RISKS

Risk	Update
<p><b>Investment performance leading to pressure on employer contribution</b></p>	<p>Investment returns added as an explicit risk, having previously been included in a broader 'Employer Contribution' risk.</p> <p>Implementation of the new investment strategy has started and is ongoing.</p>
<p><b>Non-investment issues leading to pressure on employer contributions</b></p>	<p>The Public Service Pensions Bill has now been enacted. Negotiations at the Scottish Local Government Pensions Advisory Group (SLOGPAG) continue to review the implications for the scheme in Scotland. Timescale for implementation by April 2015 is very tight.</p> <p>Initial meeting held with the Funds' Actuary to schedule analysis on employer contributions and funding assumptions ahead of the 2014 actuarial valuation.</p>
<p><b>Collapse/restructuring of an employer body leading to pressure on other employers</b></p>	<p>Engagement with employers and guarantors scheduled for late 2013. Reporting to Committee on the conclusions is scheduled for December 2013.</p>
<p><b>Recruitment and retention of key staff</b></p>	<p>Posts created in pension administration to provide development opportunities and defend against further staff losses. Staff survey scheduled for June 2013.</p>
<p><b>Risk of incorrect pension payments</b></p>	<p>The project to integrate the pensions payroll into the pensions administration IT system is on target to complete by the end of 2013. The project was recently subjected to an internal audit.</p>

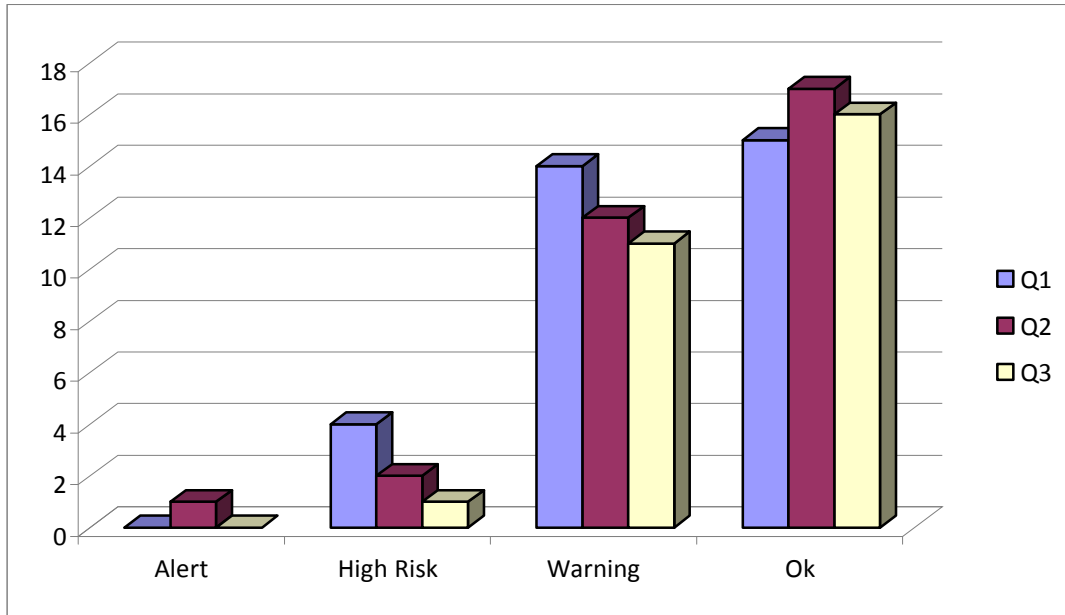
**TOP 5 RISKS: PROGRESSION OF CURRENT RISK/ACCOUNTING FOR CONTROLS**



**OTHER KEY POINTS**

	<b>Comments</b>
<b>New Top 5 Risks</b>	Investment returns added as an explicit risk, previously included in 'Employer Contribution' risk
<b>New Risks</b>	Pension Liberation Fraud; Breach of contract/regulations; Document management/retention
<b>New Controls</b>	Updated Transfer Out Procedure to mitigate risk of Liberation Fraud
<b>Eliminated Risks</b>	-
<b>Notable initiatives / actions</b>	Engaging with existing alternative fund managers and the Information Commissioner in relation to our approach to regular requests to disclose 'fund level' information to industry journalists/consultants.
<b>Material Litigation</b>	None

**All Risks: Status Overview**



**All Risks: Impact and Likelihood Overview**

