

PART ONE - PUBLIC

Decision Maker: PENSIONS INVESTMENT SUB-COMMITTEE

Date: 28th July 2020

Decision Type: Non-Urgent Non-Executive Non-Key

Title: PENSION FUND RISK REGISTER

Contact Officer: David Dobbs, Head of Corporate Finance & Accounting
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Ward: Borough Wide

1. Reason for report

- 1.1 Risk Management is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives. The Pension Fund Risk Register covers those risks which impact on its ability to deliver its priorities and objectives. This report enables Pensions Investment Sub-Committee to scrutinise those risks and the actions taken to control them in line with Audit Sub-Committee recommendations
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2. **RECOMMENDATION(S)**

2.1 **The Sub-Committee is asked to:**

- (a) **Note the current Pension Fund Risk Register and the existing controls in place to mitigate the risks.**

Corporate Policy

1. Policy Status: Existing Policy: The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £44.6m expenditure (pensions, lump sums, etc); £49.8m income (contributions, investment income, etc); £1,177m total fund market value at 30th June 2020
 5. Source of funding: Contributions to Pension Fund
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Personnel

1. Number of staff (current and additional): 0.4 FTE
 2. If from existing staff resources, number of staff hours: c14 hours per week
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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016
 2. Call-in: Not Applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Estimated number of users/beneficiaries (current and projected): 6,253 current employees; 5,592 pensioners; 5,945 deferred pensioners as at 31st March 2020
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

3. COMMENTARY

- 3.1 Risk Management is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives. The Pension Fund Risk Register feeds into the Corporate Risk Register, via the Corporate Risk Management Group, and comprises the high level risks which are underpinned by more detailed registers contained within individual business plans.
- 3.2 The Asset Allocation Strategy of the Fund was reviewed in 2019/20, and the agreed Strategy was designed to balance the risks associated with a high allocation to growth assets, in particular equities, with the need to improve the funding level and maintain employer contribution rates at a relatively stable level, whilst also meeting the Fund's cashflow requirements.
- 3.3 The main investment risks are summarised below, and the detailed Pension Fund Risk Register is attached at Appendix 1:
- Market risk – The risk of potential losses due to factors that affect the overall performance of the financial markets.
 - External Environment risk – The risk that arise from events outside of the Fund's control.
 - Currency risk – The risk that the currencies of the Fund's assets underperform relative to Sterling.
 - Credit – The risk of financial instrument or transaction counterparties fail to discharge their obligations.
 - Illiquidity/ Cashflow – The risk that the Fund has insufficient liquid assets to meet its cash flow requirements.
 - Interest rate risk – The risk that the values or future cash flows from investments fluctuate as a result of changes in market interest rates
 - Manager underperformance – The failure by the investment managers to achieve their benchmark rate of investment return.

4. POLICY IMPLICATIONS

- 4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 The total value of the Fund's investments was £1,177m as at 30th June 2020.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013; LGPS (Management and Investment of Funds) Regulations 2016