Item 13

23rd September 2026

Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Richard McIndoe, Ext: 77383

Risk Register Update

Purpose of Report:

To present a summary of the current Strathclyde Pension Fund Risk Register.

Recommendations:

The Committee is asked **to NOTE** the contents of this report.

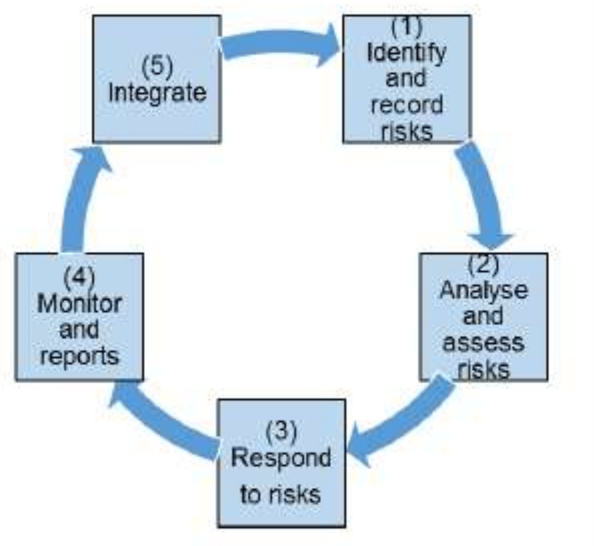
Ward No(s):	Citywide: ✓
Local member(s) advised: Yes ☐ No ☐	consulted: Yes ☐ No ☐

1 **Background**

In March 2025, the Committee approved a revised Risk Policy and Strategy Statement. Unlike the Fund's other policy documents, this is not a requirement of the regulations but is considered a matter of best practice. The Statement sets out a common basis for risk management across the Fund's other policies and strategies.

2 **Risk Management Process**

The risk management process is illustrated as follows.



3 **Risk Register**

As a key part of the risk strategy, a detailed risk register has been established and is maintained for the Strathclyde Pension Fund (SPF) and the Strathclyde Pension Fund Office (SPFO). The format is consistent with the corporate and departmental registers. The register provides a simple, systematic and consistent basis for recording, analysis, understanding, communication, management, monitoring and reporting of risks.

4 **Current Register**

4.1 **Summary**

The risk register as at 31st August 2026 is summarised as follows.

Total Risks	Very High Risks	High Risks
37	1	1

4.2 **Changes**

There have been no changes since the last review:

Changes since last review (31 March 2026)

New	Closed	Increased	Decreased	Static
0	0	0	0	37

4.3 Emerging Risks

The risk environment changes constantly, though this does not always lead to immediate changes in individual risk assessments or addition of new risks. At present there are three areas of concern that seem to have most potential to prompt a change in risk assessment.

Two of these have previously been reported:
Geopolitical risk - there continue to be heightened international tensions around: existing conflicts (Russia/Ukraine, Israel/Palestine, US/Iran), potential conflicts (escalation in Middle East), tariffs and other changes in trading patterns, energy security, and a shifting balance of global power. This has already led to market volatility and investor nervousness, and seems likely to continue to do so. But this is already largely captured in existing investment risk mitigations: diversification, modelling of multiple scenarios, current strong funding level, etc.
People risk – the next year or so will see some personnel changes as a result of current recruitment, planned recruitment, management departures and the council elections in 2027. Implementation of a revised pay and grading structure may also cause some distraction.

In addition:
AI – the rapid adoption and growth of AI capabilities has huge potential to drive efficiencies, generate growth, and deliver improvements in public services. It also carries significant risks. These include: economic and investment market disruption, workforce adjustment, misinformation and disinformation, bias and discrimination, data privacy, and environmental, social and governance impacts. These are fairly diverse impacts and span many of the risks already identified in the risk register. Mitigations, such as AI guidelines, policies, and governance frameworks are also developing rapidly. AI has not been added as a discrete risk, but AI impacts will be assessed and added to commentary where appropriate in in the review of existing risks.

4.4 Distribution

Current distribution of risks is summarised as follows.

Probability			Impact: 1 Negligible	2 Minor	3 Moderate	4 Major	5 Critical	
5	Almost Certain	100% – 80%						← significant risk zone
4	Likely	80% – 60%		2	1	1		
3	Possible	60% – 35%	1	8	12			

2	Unlikely	15%		3	4	4	
1	Rare	0%			1		

4.5 Risks and Mitigations

The most significant risks are summarised at **Appendix A**.

5 Policy and Resource Implications

Resource Implications:

Financial:	None
Legal:	None
Personnel:	None
Procurement:	None
Council Strategic Plan:	SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.*** The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2025-29? Please specify.	N/a. Monitoring report.
What are the potential equality impacts as a result of this report?	No significant impact.
Please highlight if the policy/proposal will help address socio-economic disadvantage.	N/a.

Climate Impacts:

Does the proposal	N/a.

support any Climate Plan actions? Please specify:	Monitoring report.
What are the potential climate impacts as a result of this proposal?	N/a.
Will the proposal contribute to Glasgow's net zero carbon target?	N/a.
Privacy and Data Protection Impacts:	
Are there any potential data protection impacts as a result of this report Y/N	No.
If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out	N/a.

6 Recommendations

The Committee is asked **to NOTE** the contents of this report.

<u>Attachments</u>

A Risk Register as at 31 August 2026

Appendix A

Risks as at 31st August 2026

Ref		Title	**Description**	**Mitigation / Control**	**Residual Impact (/5)**	**Residual Probability (/5)**	**Residual Score (/25)**	**Movement since last Assessment**
FIN	**0391**	**System Failure**	**RISK:** Issues with pensions administration system and other related systems. **CAUSE:** Outages, hardware and software failure, cyber attack. **EFFECT:** Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.	Access controls, firewalls and other system security measures. Robust system maintenance routines. Internal and external systems support. Back-up procedures. Disaster Recovery Plan. Business Continuity Plan.	4	4	**16**	
FIN	**0403**	**Data Breach**	**RISK:** Theft or loss or misuse of personal data. **CAUSE:** Cyber attack, human error, process failure. **EFFECT:** Breach of data protection legislation including GDPR, financial loss, audit criticism, legal challenge, reputational damage, financial penalties.	SPF compliance with GCC GDPR procedures; system security; secure data transfer; data sharing agreements (these are in place with larger employers and many but not all of the smaller ones, leaving some residual risk which is tolerated); staff awareness.	3	4	**12**	
FIN	**0388**	**Inflation Impact**	**RISK:** Pay and price inflation significantly more or less than anticipated for a protracted period. **CAUSE**: Macroeconomic. **EFFECT:** Increase in liabilities; increase in asset price volatility; potential underfunding; potential increase in employer contribution rates	Actuarial valuation; inter-valuation monitoring; asset liability modelling; some inflation protection in assets.	3	3	**9**	
FIN	**0389**	**Scheme employer Statutory Function Failure**	**RISK:** Scheme employer failure to carry out statutory functions including submission of member data and contributions to SPFO. **CAUSE:** Under-resourcing/Scheme Complexity. **EFFECT:** Missing, incomplete and	Regular communication with employers and their staff including Pensions in Partnership, Technical Bulletins, Employer Forum, Pension Board, scheme guide, liaison officers, dedicated employer	3	3	**9**	

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Risks as at 31st August 2026

Ref		Title	Description	Mitigation / Control	Residual Impact (/5)	Residual Probability (/5)	Residual Score (/25)	Movement since last Assessment
			incorrect records on pensions administration system; undermines service delivery and causes difficulties in establishing correct benefits at individual member level, and liabilities at employer and whole of Fund level. Potential issues with the Pensions Regulator.	area on SPFO website. Employers' HR and payroll controls. SPFO check individual records at points of significant transaction. Periodic bulk data checking by actuary. Member Records team within SPFO. Administration Strategy. Data improvement plan. I Connect.				
FIN	**0392**	**Pensioner Mortality**	**RISK:** Pensioners living longer than anticipated in actuarial valuation. **CAUSE:** Social economic **EFFECT:** Increase in liabilities; underfunding; potential increase in employer contribution rates.	Set mortality assumptions with some allowance for future increases in life expectancy. SPF participates in Club Vita to monitor mortality experience. Cost cap introduced in LGPS 2015 should limit impact.	3	3	**9**	
FIN	**0393**	**Scheme regulation change**	**RISK:** Failure to comply with changes to scheme regulations and other pensions legislation. **CAUSE:** Political or legislative **EFFECT:** Increasing administrative complexity. paying inaccurate benefits. Potential issues with the Pensions Regulator. and reputational damage.	The Administering Authority is alert to scheme developments. Officers participate in various scheme and industry groups (SPLG, IGG, SAB, CIPFA, Pensions UK etc.) SPFO is a test site for software upgrades to refelec regulation changes.	3	3	**9**	
FIN	**0394**	**Resource & Skills**	**RISK:** Failure to recruit, retain and develop appropriate staff. **CAUSE:** Competitive employment market and scheme complexity. **EFFECT:** Deterioration of service delivery.	Robust but flexible staffing structure; conditions and staff development in line with Council policies and practice; additional internal training and development.	3	3	**9**	
FIN	**0398**	**Discount**	**RISK:** Fall in interest rates and risk-	Performance of both assets and	3	3	**9**	

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Risks as at 31st August 2026

Ref		Title	Description	Mitigation / Control	Residual Impact (/5)	Residual Probability (/5)	Residual Score (/25)	Movement since last Assessment
		Rate	free returns on Government bonds. **CAUSE:** Macro-economic. **EFFECT:** Rise in value of liabilities; long-term underfunding; potential increase in employer contribution rates.	liabilities is monitored quarterly. Full actuarial valuation is carried out every three years. Funding Strategy includes smoothing measures to provide stability of contributions.				
FIN	**0415**	**Breach of statutory reporting guidelines**	**RISK:** Breach of statutory reporting guidelines. **CAUSE:** Failure to produce compliant accounts by deadline. Failure of audit process. **EFFECT:** Regulatory criticism, business disruption and reputational damage.	Rigorous planning and project management; support from Corporate Finance.	3	3	**9**	
FIN	**0416**	**Cash flow issues**	**RISK:** Cash flow issues. **CAUSE:** Failure of cashflow monitoring systems. **EFFECT:** Insufficient cash available to pay pensions or meet investment commitments.	Cash flow projections and regular monitoring of bank account, financial ledger, pensions administration system. Global custody arrangements.	3	3	**9**	
FIN	**1583**	**Climate-related financial loss**	**RISK:** climate-related financial loss. **CAUSE:** failure of climate change strategy; failure of global economy to address climate change issues. **EFFECT:** obsolescence imapairment or stranding of assets; changing consumer demand patterns; changing cost structure (including emissions pricing).	Climate Change Strategy, Climate Action Plan, Net Zero Investment Framework, Responsible Investment Strategy, Diversion of Investments, Direct Impact Portfolio and other positive investment opportunities.	3	3	**9**	
FIN	**1584**	**Structual Reform of LGPS**	**RISK:** Structural reform of LGPS funds. **CAUSE:** Change of government	Robust defence of current structure, promotion of SPF brand, continuing development	3	3	**9**	

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		Funds.	policy. **EFFECT:** Operational and investment disruption, transitional costs, loss of local control.	of existing policy and strategy, operational & investment performance. Democratic process.				
FIN	**2183**	**Gearing Effect**	**RISK:** Fund liabilities grow more quickly than employer payrolls. **CAUSE:** different drivers of growth affecting Fund (inflation, longevity, maturity, investment returns) and employers (public sector financing, budgetary constraints). **EFFECT:** Increased volatility; any underfunding may require increase in employer contribution rates disproportionate to payrolls.	Funding Strategy; actuarial valuations; inter-valuation monitoring; asset liability modelling: funding surplus.	3	3	**9**	
FIN	**2738**	**Breach of Scheme Regulations**	**RISK:** Material breach of LGPS regulations **CAUSE:** Failure to implement Administration Strategy, most likely through some combination of: system issues, human error, lack of resource, skills & knowledge failure. **EFFECT:** Service delivery disruption/failure, under/overpayments, resource for rectification, issues with the Pensions Regulator.	System controls, management structure, business planning, risk policy & strategy, pension administration strategy, quarterly and annual reporting, audit.	3	3	**9**	