



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 12

3<sup>rd</sup> March 2021

## Risk Register

### 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

### PLEASE NOTE THE FOLLOWING:

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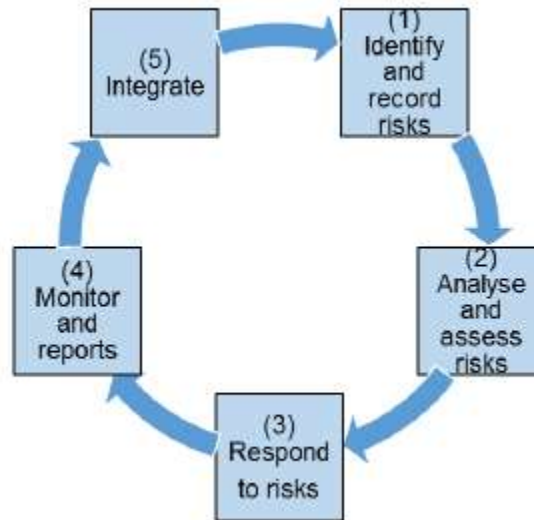
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## 1 Background

In March 2019, 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. The Fund's policy documents are available on its website at: [www.spfo.org.uk](http://www.spfo.org.uk)

## 2 Risk Management Process

The risk management process is illustrated as follows.



## 3 Risk Register

As a key part of the Fund's 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 31 January 2021 is summarised as follows.

<b>Total Risks</b> <b>33</b>	<b>Very High Risks</b> <b>1</b>	<b>High Risks</b> <b>2</b>
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#### Changes since last review (31 July 2020)

<b>New</b> <b>0</b>	<b>Closed</b> <b>0</b>	<b>Increased</b> <b>0</b>	<b>Decreased</b> <b>2</b>	<b>Static</b> <b>31</b>
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#### 4.2 Changes

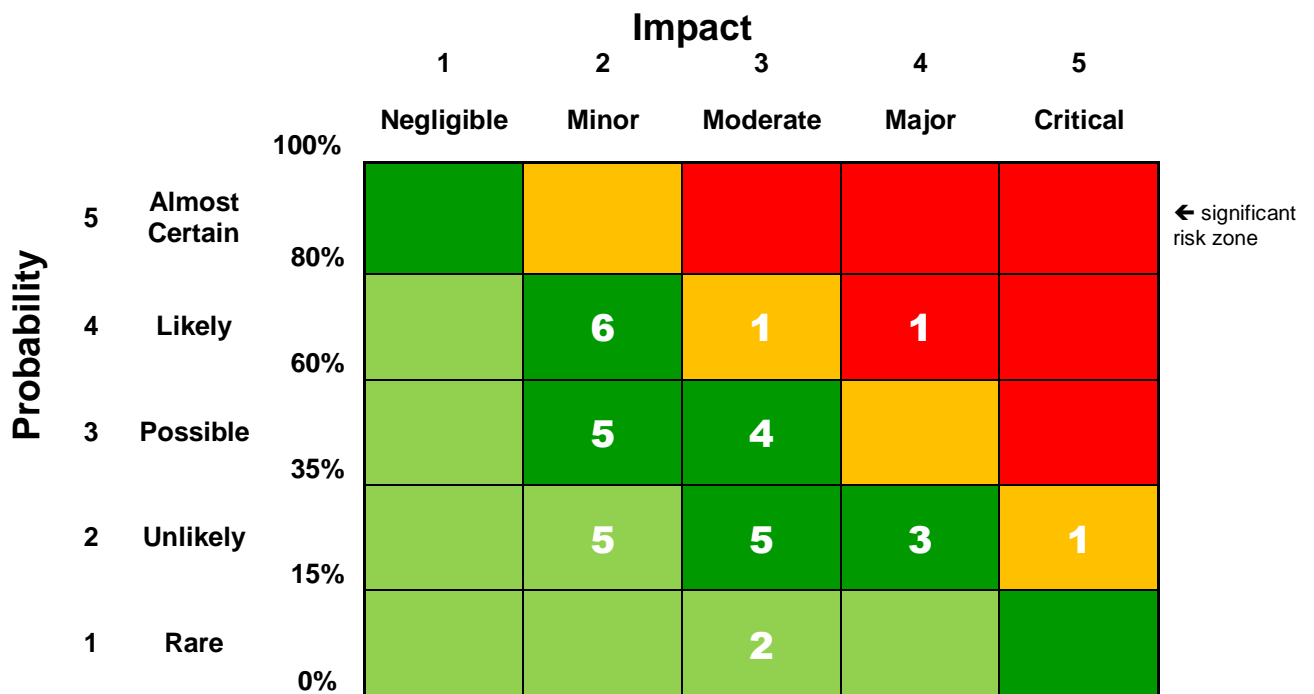
There have been 2 minor changes since the last review:

- **Risk SPFO20** (Loss in Securities Lending Programme) has decreased from 4 (probability 2 x impact 2) to 3 (1 x 3); and
- **Risk SPFO58** (MiFID Compliance) has decreased from 4 (2x2) to 3 (1 x 3).

#### 4.3 Principal Risks

The principal risks are summarised in Appendix A.  
There have been no changes.

#### 4.4 Distribution



### 5 Policy and Resource Implications

#### Resource Implications:

*Financial:* None  
*Legal:* None  
*Personnel:* None  
*Procurement:* None

**Council Strategic Plan:** Strathclyde Pension Fund aligns with the theme of a well governed city.

#### Equality and Socio-Economic Impacts :

*Does the proposal support the Council's Equality Outcomes 2017-22*

Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications

Policy which has been the subject of an Equalities Impact Assessment.

*What are the potential equality impacts as a result of this report?*

No specific equalities impacts.

*Please highlight if the policy/proposal will help address socio economic disadvantage.*

**Sustainability Impacts:**

*Environmental:* ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

*Social, including opportunities under Article 20 of the European Public Procurement Directive* ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

*Economic:* ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

**Privacy and Data Protection impacts:** None.

**6 Recommendations**

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

Principal Risks as at 31<sup>st</sup> July 2020

RISK		RESIDUAL ASSESSMENT			
Risk Ref No	Risk Title/Risk Description	Residual Probability	Residual Impact	Residual Risk	Movement
SPFO9	<b>RISK:</b> Changes to scheme regulations and other pensions legislation. <b>CAUSE:</b> Political or legislative <b>EFFECT:</b> Increasing administrative complexity, communications challenges. Potential issues with the Pensions Regulator. Increase in liabilities.	4	4	16	Static
SPFO5	<b>RISK:</b> Pay and price inflation significantly more or less than anticipated. <b>CAUSE:</b> Macro economic. <b>EFFECT:</b> Increase in liabilities; increase in asset price volatility; potential underfunding; potential increase in employer contribution rates.	3	4	12	Static
SPFO1	<b>RISK:</b> Fund's investments fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. <b>CAUSE:</b> Macro economic. <b>EFFECT:</b> Long-term underfunding; significant increase in employer contribution rates.	2	5	10	Static
SPFO23	<b>RISK:</b> Issues with pensions administration system and other related systems. <b>CAUSE:</b> Outages, hardware and software failure, cyber attack. <b>EFFECT:</b> Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.	3	3	9	Static
SPFO31	<b>RISK:</b> Employer failure to carry out statutory functions including submission of member data and contributions to SPFO. <b>CAUSE:</b> Under-resourcing/Scheme Complexity. <b>EFFECT:</b> Missing, incomplete and 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.	3	3	9	Static
SPFO30	<b>RISK:</b> Failure to recruit, retain and develop appropriate staff. <b>CAUSE:</b> Employment Market changes. <b>EFFECT:</b> Loss or failure of service delivery.	3	3	9	Static