

Pension Fund Risk Register
Risk Assessment June 2015

APPENDIX II								
No.	Risk Description <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures	Are Controls Operating Effectively?	Assessment of Residual Risk (likelihood x impact)			Status
					Likelihood	Impact	Risk Score	
1	Operational - Pension Administration system failure	Staff downtime, loss of service delivery	System is hosted externally with back-up in separate location	Y	1	5	5	No change
2	Operational -Unable to access workplace	Staff downtime, loss of service delivery	Disaster recovery policy in place which is incorporated within CG overall policy	Y	1	8	8	To be revised in 2015
3	Operational - Overpayment of Pension benefits	Audit criticism, legal challenge, reputational risk	All pension payments signed off by a senior pensions officer - segregation of duties for staff processing lump sums	Y	2	3	6	No change
4	Operational - Failure to carry out annual check of member records	Incorrect pension payments, incorrect assessment of actuarial liabilities	All employers required to submit annual data, which is checked	Y	1	4	4	No change
5	Operational - Failure to carry out effective member tracing	Incorrect pension payments, incorrect assessment of actuarial liabilities	Tracing service in place - requires additional provisions	Y	1	4	4	Implemented spring 2015 appointment of TraceSmart
6	Operational - Fraud/Negligence	Overpayment, unauthorised payments, system corruption, audit criticism, reputational damage	All pension payments signed off by a senior pensions officer - segregation of duties for staff processing lump sums	Y	2	3	6	No change
7	Operational - Failure to recruit, retain and develop staff	Reduction in service delivery, poor operation of risk management controls	On-going review fo staffing requirements and training. Benefit officers required to complete specific pensions exams	Partial	3	4	12	Due to be implemented 2015
8	Operational - Poor Record Keeping	Undermines service delivery, incorrect assessment of actuarial liabilities	Annual check of all member records	Y	1	6	6	No change
9	Funding - Fund's investments fail to deliver returns in line with the anticipated returns required to meet the valuation of the long term liabilities	Increase in employer contributions	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to Pensions Committee. Triennial investment strategy review	Y	3	3	9	No change
10	Funding - Fall in bond yields, leading to risk in value placed on liabilities	Increase in employer contributions	Quarterly funding updates prepared by the Scheme actuary reported to Pensions Committee.	Y	3	4	12	No change

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11	Funding - Pay and price inflation valuation assumptions either higher or lower	Increase in employer contributions	Quarterly funding updates reported to Pensions Committee.	Y	2	2	4	No change
12	Funding - longevity issues	Increase in employer contributions	Actuarial assessment every three years undertake scheme specific analysis	Y	2	4	8	No change
13	Funding - Employers leaving scheme/closing to new members due to cost	Residual liabilities could fall to other scheme employers	Monitor scheme employers - undertake new proposals in risk report	Partial	3	4	12	To be introduced in line with 2014 Actuarial Valuation with effect from April 2015
14	Funding - Failure to recover unfunded payments from employers, cross subsidy by other employers	Residual liabilities could fall to other scheme employers	Accounting officers will escalate failed employer payments to Employer Relationship Team	Y	4	3	12	Record keeping documentation to be updated in 2015 to reflect escalation process
15	Funding - Employee contributions incorrectly deducted	Increase in employer contributions to meet underfunded position	Annual check of all active member records	Y	2	3	6	No change
16	Funding - Delay in funding investment managers	Loss of investment return and impact on employer contribution rates	Control of payment timetake of payments made to investment management as detailed in cash manual. Reported quarterly to Pensions Committee	Y	4	2	8	No change
17	Financial - Failure in world stock markets	Increase in employer contribution rates	Diversification of scheme assets, investment strategy review following outcome of triennial valuation	Y	4	3	12	No change

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18	Financial - Under performance by active managers	Increase in employer contribution rates	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to Pensions Committee. Matching of assets V liability performance to be reviewed in 2015	Y	3	3	9	To be reviewed in 2015
19	Financial - Early retirement strategies by scheme employers	Pressure on cash flow	On-going discussions with scheme employers of Funding issues. Documentation in place	Partial	3	3	9	Review and implementation of employer strategy 2015
20	Financial - Negligence, fraud, default by investment managers	Loss of value of the Fund, reputational damage	Fund management monitoring, SAS 70 reports and appropriate clauses in all scheme documentation	Y	2	3	6	No change
21	Financial - Failure of Global Custodian	Loss of investments or control of investments	Regular meetings with global custodian, receipt of SAS 70 reports and monitoring through Global Custodian magazines. To be included in annual report to Pensions Committee on service providers	Partial	2	5	10	Implemented 2015 line with Pension Scheme staff restructuring
22	Financial - Non-compliance with regulations	Audit criticism, legal challenge, reputational risk	Six monthly review of compliance with regulations and report to Pensions Committee	N	3	4	12	To be implemented 2015 following April 2015 guidance from Pensions Regulator
23	Financial - VAT Breach	Loss of Council partial exemption	Annual discussion with ACC on exemption	Y	1	3	3	No change
24	Financial - Failure to monitor investment managers and assets	Audit criticism, legal challenge, reputational risk	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to Pensions Committee. New meeting reporting requirements to be drawn up for officer manager meetings	Partial	3	3	9	Implemented 2015 post outcome of 2015 investment review

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25	Financial - Failure of internal control of fund suppliers	Audit criticism, legal challenge, reputational risk	Sign off by a senior officers for all purchases of goods, monitoring of supplier costs. Introduction of reporting to Pensions Committee	Partial	3	3	9	implemented 2015 six monthly report with break down of significant supplier costs
26	Regulatory and Compliance - Failure to comply with LGPS regulations	Audit criticism, legal challenge, reputational risk	Six monthly review of compliance with regulations and report to Pensions Committee	Partial	3	3	9	implemented 2015 following implementation of the new scheme 2015
27	Regulatory and Compliance - Failure to comply with Pensions Act disclosure requirements	Audit criticism, legal challenge, reputational risk	Six monthly reiew of compliance with regulations and report to Pensions Committee	Partial	3	3	9	implemented 2015 following implementation of the new scheme 2015
28	Regulatory and Compliance - Failure to comply with HMRC and other overriding regulations	Audit criticism, legal challenge, reputational risk	Six monthly reiew of compliance with regulations and report to Pensions Committee	Partial	3	3	9	implemented 2015 following implementation of the new scheme 2015
29	Governance - Potential risks and conflicts of interest between ACC and NESPF	Audit criticism, legal challenge, reputational risk	Regular discussion between Head of Finance and Pensions Managers, areas of risk and conflict reported to Pensions Committee	Y	3	3	9	No change
30	Governance - Breach of Data Protection - theft or loss of data	Audit criticism, legal challenge, reputational risk	Internal control and procedures for management of data. To be reviewed and reported to Pensions Committee on annual basis.	Partial	2	4	8	Implemented 2014
31	Governance - Failure to comply with FOI requests	Audit criticism, legal challenge, reputational risk	Pensions Manager responsible for all FOI requests and meeting deadline for information requests	Y	2	2	4	No change

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32	Governance - Failure to meet annual audit deadlines	Audit criticism, legal challenge, reputational risk	Pensions Manager responsible for all internal and external audit requirements	Y	2	3	6	No change
33	Governance - Failure to monitor AVC arrangements	Audit criticism, legal challenge, reputational risk	Annual review of AVC arrangements carried out by scheme actuary.	Y	2	4	8	Review to be carried out in 2015 by scheme actuary
34	Governance - Failure to monitor and assess advisors	Poor investment decisions leading to reduced investment returns	New reporting and assessment tools to be used to monitor and assess advisors	N	3	4	12	Review and implementation of employer strategy 2015
35	Governance - Failure to monitor employer covenants	Residual liabilities could fall to other scheme employers	On-going discussions with scheme employers of Funding issues	Partial	3	3	9	Review and implementation of employer strategy 2015
Key Priorities 2014 - 2015								
36	Regulatory and Compliance - PSPA 2013	Audit criticism, legal challenge, reputational risk	Implement governance arrangements required by the PSPA act 2013 including establishing a Pensions Board and ensuring Pensions Regulator compliance	Y	1	4	4	Implemented 2014
37	Regulatory and Compliance - Insufficient preparation for new LGPS	Failure to ensure that future member benefits are calculated correctly	Project team, board and project reporting to be created	Y	3	2	6	Implemented 2014
38	Regulatory and Compliance - Completion of the 2014 Actuarial Valuation and Asset Liability Study and associated investment review	Increased cost to scheme employers where data flow is incorrect	Annual programme of work for member record review	Y	3	4	12	No change

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39	Governance - Improved communication	Audit criticism, legal challenge, reputational risk	Review of all scheme communication	Partial	2	6	12	Review ongoing
40	Governance - SLA with Aberdeen City Council	Lack of control of management of service and costs to the Pension Fund	Staffing working with ACC departments/services to implement	Y	2	6	12	Work on going