

## Pension Fund Risk Register

### Key Priorities 2017-18

No	Category	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Matrix	Risk Score	Status/Work to be undertaken	Change since last review
1	Corporate	Lack of effective Risk Management	Failure to identify and respond to risks with the potential to impact on our ability to achieve our objectives	Pension Fund risk register reviewed and updated quarterly	<div>Consequences</div> <div>Likelihood</div>	8	Ongoing	↔
2	Corporate	Poor Governance	Failure to ensure the Fund has in place a sound organisational framework, identifies responsibilities, manages its systems and processes and support the Council's culture and values	Fund has in place an annual review of its governance statement and supporting documents ensuring they comply with both regulation and Council objectives. New governance framework established from April 2015.	<div>Consequences</div> <div>Likelihood</div>	4	Ongoing - annual review of policy documents	↔
3	Corporate	Lack of Performance Measures	Failure to measure how successful we are at delivering the Pension Fund Business Plan priorities and achieving improved outcomes for our scheme members	Fund has in place both statutory and local PI's	<div>Consequences</div> <div>Likelihood</div>	8	Annual CIPFA Benchmarking exercise. Also Investment performance and PAS reporting	↔
4	Funding	Actuarial Valuation - impact of market volatility	Increase in employer contributions to meet unfunded position	Interim actuarial valuation to be undertaken	<div>Consequences</div> <div>Likelihood</div>	4	Interim valuation completed & data quality scored highly by Actuary. 2017 valuation underway.	↔

5	Regulatory and Compliance	Requirement to complete GMP Equalisation	Failure to ensure that future member benefits are calculated correctly. Audit criticism and financial loss to the Fund	Staff appointed to carry out calculations	<div>Consequences</div> <div>Likelihood</div>	6	Ongoing	↔
6	Governance	Annual Review of workings of Pension Board and Pension Committee	Failure to ensure effective joint working of the Pension Board and Pension Committee, not compliant with Scheme Regs and Pension Regulators requirements	Review of Pension Committee and Board	<div>Consequences</div> <div>Likelihood</div>	6	Report to Committee in March 2017. Governance Review by SPPA underway.	↔
7	Investment	New Global Custody Services	Failure to manage transition between old and new custodial arrangements. Financial loss through delay in service or errors in data	Project Plan and risk register drafted. Regular reporting to Pension Committee	<div>Consequences</div> <div>Likelihood</div>	8	Ongoing	↔

## Pension Fund ongoing risk assessment in accordance with Pension Regulator Requirements

No	Category	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Matrix	Risk Score	Status/Work to be undertaken	Change since last review
1	Operational	Pension Administration system failure	Staff downtime, loss of service delivery	System is hosted externally with back-up in separate location	<div>Consequences</div> <div>Likelihood</div>	6	Technical Manager to provide report on hosted system errors and resolutions to Pensions Manager Quarterly	↔
2	Operational	Unable to access workplace	Staff downtime, loss of service delivery	Disaster recovery policy in place which is incorporated within CG overall policy	<div>Consequences</div> <div>Likelihood</div>	8	Review to be carried out. New Pension Fund Management team to be made fully aware of disaster recovery plan	↔
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	<div>Consequences</div> <div>Likelihood</div>	4	Ongoing	↔
4	Operational	Failure to maintain member records and comply with regulations	Incorrect pension payments, incorrect assessment of actuarial liabilities	All employers required to submit monthly data, which is checked	<div>Consequences</div> <div>Likelihood</div>	4	PAS reporting quarterly to the Pensions Manager	↔
5	Operational	Failure to carry out effective member tracing	Incorrect pension payments, incorrect assessment of actuarial liabilities	Tracing service in place (ATMOS)	<div>Consequences</div> <div>Likelihood</div>	6	Review of tracing service to be undertaken	↔
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	<div>Consequences</div> <div>Likelihood</div>	6	Ongoing	↔

						Likelihood			
7	Operational	Failure to recruit and develop staff	Reduction in service delivery, poor operation of risk management controls	New structure put in place in 2016 & training plans for all staff completed by March 2017. On-going review of staffing requirements and training.	Consequences		8	Ongoing	↔
						Likelihood			
8	Funding	Fund's investments fail to deliver returns in line with 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.	Consequences		12	Ongoing	↔
						Likelihood			
9	Funding	Fall in bond yields, leading to risk in value placed on liabilities	Increase in employer contributions	Quarterly funding updates prepared by FSM reported to Pensions Committee	Consequences		12	Ongoing	↔
						Likelihood			
10	Funding-	Pay and price inflation valuation assumptions either higher or lower	Increase in employer contributions	Quarterly funding updates reported to Pensions Committee	Consequences		6	Information to be provided by FSM	↔
						Likelihood			
11	Funding	Longevity issues	Increase in employer contributions	Actuarial assessment every three years undertake scheme specific analysis	Consequences		6	Strategy review to consider matching liabilities	↔
						Likelihood			
12	Funding	Employers leaving scheme/closing to new members due to cost	Residual liabilities could fall to other scheme employers	Monitor scheme employer – seek guarantors for smaller employers	Consequences		12	Ongoing	↔
						Likelihood			

13	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 employer payment issues to Employer Relationship Team. Breaches recorded & monitored by Governance Team with reporting to TPR if 'material'	<div>Consequences</div> <div>Likelihood</div>	8	Ongoing	↔
14	Financial	Failure of world stock markets	Increase in employer contribution rates	Diversification of scheme assets, investment strategy review following outcome of triennial valuation	<div>Consequences</div> <div>Likelihood</div>	8	Strategy Review following 2017 Valuation results	↔
15	Financial	Early retirement strategies by scheme employers	Pressure on cash flow	On-going discussions with scheme employers of Funding issues. Documentation in place	<div>Consequences</div> <div>Likelihood</div>	9	Ongoing	↔
16	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	<div>Consequences</div> <div>Likelihood</div>	2	Ongoing	↔

17	Financial	Failure of Global Custodian	Loss of investments or control of investment	Regular meetings with global custodian, receipt of SAS 70 reports and monitoring	<div>Consequences</div> <div>Likelihood</div>	4	Ongoing	↔
18	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.	<div>Consequences</div> <div>Likelihood</div>	12	Ongoing	↔
19	Regulatory and Compliance	Failure to comply with LGPS Regulations, Pensions Act, HMRC and other overriding regulations	Audit criticism, legal challenge, reputational risk, financial loss/financial penalties	Six monthly review of compliance with regulations and annual report to Pensions Committee	<div>Consequences</div> <div>Likelihood</div>	9	Ongoing - six monthly review (June 2017). Annual report to March Committee meeting.	↔
20	Regulatory and Compliance	Investment options restricted by introduction of European Directive MiFIDII	Legal challenge, financial loss, increase in costs	FCA engagement through national bodies e.g. PLSA, LGA, CIPFA & others, ongoing engagement with investment managers, training for staff	<div>Consequences</div> <div>Likelihood</div>	9	Ongoing	N/A

21	<b>Governance</b>	Potential risks and conflicts of interest between ACC and NESPF	Audit criticism, legal challenge, reputational risk	Regular discussions between Head of Finance and Pensions Managers, areas of risk and conflict reported to Pensions Committee. Register in place to record & monitor conflicts.	Consequences  Likelihood	8	Ongoing	↔
22	<b>Governance</b>	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.	Consequences  Likelihood	4	Ongoing	↔
23	<b>Governance</b>	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	Consequences  Likelihood	4	Ongoing- Governance Team oversee FOI	↔
24	<b>Governance</b>	Failure to meet annual audit deadlines	Audit criticism, legal challenge, reputational risk	Pensions Manager responsible for all internal and external audit requirements	Consequences  Likelihood	4	Draft Accounts 2016/17 to June Pension Committee.	↔
25	<b>Governance</b>	Failure to monitor AVC arrangements	Audit criticism, legal challenge, reputational risk	Annual review of AVC arrangement carried out Investment & Governance Managers.	Consequences  Likelihood	4	Review completed and changes to be implemented from 1 October 2017	↔
26	<b>Governance</b>	Failure to monitor employer covenants	Residual liabilities could fall to other scheme employers	On-going discussions with scheme employer of funding issues	Consequences  Likelihood	12	Ongoing	↔