

# PENSION FUND RISK REGISTER

<i>LIKELIHOOD</i>				
<b>A</b> Very High				
<b>B</b> High		18,19		
<b>C</b> Significant		10,11,12,17		
<b>D</b> Low	20,31	4,6,13,14,37	8,9,16,	
<b>E</b> Very Low	32	5,25,26,28,30, 33,35,36,38, 39,40,41	1,2,3,7,15,21, 22,23,24,27, 29,34,42,44,45	
<b>F</b> Almost Impossible			43	
<i>IMPACT</i>	<b>4</b> Negligible Impact / Benefit	<b>3</b> Marginal Impact / Minor Benefit	<b>2</b> Critical Impact / Major Benefit	<b>1</b> Catastrophic Impact / Exceptional Benefit

## DEFINITIONS OF TERMS - THREATS

### LIKELIHOOD

A Very High	Greater than 80% (almost certainly will occur)
B High	51-80% (more likely to occur than not)
C Significant	25-50% (fairly likely to occur)
D Low	10-24% (low but could occur)
E Very Low	3-9% (extremely unlikely)
F Almost Impossible	0-2%

### IMPACT

1 Catastrophic	Services could not be sustained or major project fails to deliver
2 Critical	Serious disruption to services
3 Marginal	Small effect on services
4 Negligible	Trivial effect on services

Risk No.	Objective No.		Controls(In Place and Effective)	Risk Rating This Quarter(after controls)	Risk Rating Last Quarter	Controls (Underway or Planned)  (Incl. Implementation Date)	Control Owner	Target Risk Rating	Target Date	Risk Owner
		<b>GOVERNANCE</b>								
1		Those charged with governance of the Fund are unable to fulfil their responsibilities effectively	The Pension Fund Committee including a co-opted member and as advised by an Investment Adviser, two independent advisers and officers is a properly constituted Committee of the Council and is able to exercise governance of the Fund in a robust manner	E2			Ian Talbot			Dawn Calvert
2		Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions.	E2			Ian Talbot			Dawn Calvert
3		Inadequate investment and actuarial advice is available to the Pension Fund Committee	Properly considered appointment of actuary and investment adviser with relevant experience and professional standards in place. Appointment of additional independent advisers	E2			Ian Talbot			Dawn Calvert

4	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers. Use of external advisers where appropriate.	D3			Ian Talbot			Dawn Calvert
5	Failure to adhere to relevant statutory regulations including updates from LGPS	Investment and Administration sections review DCLG website, other literature and have networking arrangements to ensure they remain up-to date. Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme. Membership of relevant professional groups ensures any potential changes in statutory requirements are properly implemented	E3			Ian Talbot			Dawn Calvert
6	Non-compliance with LGPS investment regulations on permitted investments	Statement of Investment Principles and investment management mandates are structured to ensure compliance. Robust monitoring arrangements for investment managers are in place.	D3			Ian Talbot			Dawn Calvert
	<b>FUNDING - ASSETS AND LIABILITIES</b>								
7	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2			Ian Talbot			Dawn Calvert

8	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Fund's investment strategy, as described in the Statement of Investment Principles, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities.	D2			Ian Talbot			Dawn Calvert
9	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy Statement is regularly reviewed in line with the triennial valuation with the main objective of ensuring the long term solvency of the Fund.	D2			Ian Talbot			Dawn Calvert
10	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations	C3			Ian Talbot			Dawn Calvert
11	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience.	C3			Ian Talbot			Dawn Calvert
12	Other demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed.	C3			Ian Talbot			Dawn Calvert



		<b>FUNDING - INVESTMENT STRATEGY</b>							
16		Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance to the Pension Fund Committee. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its allocation strategy.	D2			Ian Talbot		Dawn Calvert
		<b>INVESTMENT</b>							
17		Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required	C3			Ian Talbot		Dawn Calvert
18		General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance	B3			Ian Talbot		Dawn Calvert

19		<p>Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates</p>	<p>Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of “due diligence.” Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser’s report; poor performance is highlighted and addressed by the Committee and officers. Regular dialogue is maintained with the investment advisers and managers; the Committee meets the managers once a year and officers meet them on at least one further occasion. Procurement frameworks and adviser’s advice are used to fast track the appointment of new managers if changes are required</p>	B3			Ian Talbot			Dawn Calvert
20		<p>Fees and charges of investment managers, actuary and investment adviser are excessive.</p>	<p>Both at tender stage and throughout the contracts charges which are value for money are sought and challenged when appropriate. Fees and charges are identified in the Annual Financial Statement and specifically highlighted for the Pension Fund Committee to consider.</p>	D4			Ian Talbot			Dawn Calvert



		<b>SECURITY</b>							
21		Investment manager may not have appropriate control framework in place to protect Pension Fund assets	Client agreements which include the control framework are in place. Assets are held by external custodians separate from the investment managers; custodians are expected to comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Each investment manager's annual audit of internal controls is reviewed by officers and the Pension Fund Committee. Investment managers maintain an appropriate risk management framework to minimise the level of risk to pension fund assets.	E2			Ian Talbot		Dawn Calvert
22		Negligence, fraud or default by individual investment manager.	Legal requirements on fund managers set out in investment management agreements, FSA and other regulatory requirements; separation of investment management and custody arrangements; annual review of operational controls	E2			Ian Talbot		Dawn Calvert
23		Custody arrangements may not be sufficient to safeguard fund assets	Client agreements which include the control framework are in place. External custodians comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Regular reconciliations carried out to check external custodian records	E2			Ian Talbot		Dawn Calvert

24	Failure of custodian	Use custodians under banking and FSA regulation	E2			Ian Talbot			Dawn Calvert
25	Counterparty default in stock lending programme.	Programme managed by experienced investment manager, State Street Global Advisors with risk controls over custody arrangements, counterparty credit worthiness, exposure limits and collateral agreements in place	E3			Ian Talbot			Dawn Calvert
26	Investments may not be accurately valued	Investments are valued using best current practice as agreed with the investment managers. Valuations reported to Pension Fund Committee	E3			Ian Talbot			Dawn Calvert
	<b>OPERATIONAL</b>								
27	Major emergency or system failure	Business Continuity Plan in place	E2			Linda D'Souza			Jon Turner
28	Failure of pensions administration IT systems	Adequate IT systems and support in place supported by a robust Business Continuity Plan	E3			Linda D'Souza			Jon Turner
29	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met	E2			Linda D'Souza			Jon Turner

30	Failure to comply with LGPS pensions benefits regulations (eg as a result of incorrect benefit calculations and the holding of incorrect data)	Proper administration procedures in place supported by independent internal and external audit review of internal control arrangements	E3			Linda D'Souza			Jon Turner
31	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4			Linda D'Souza			Jon Turner
32	Life events relating to scheme members eg joining the scheme, transfers in and out and retirements are not processed and recorded properly in accordance with scheme rules	Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post	E4			Linda D'Souza			Jon Turner
33	Standing data and permanent records are not accurate or do not reflect changes in circumstances	Business processes are in place to identify changes to standing data. Records are supported by appropriate documentation; input and output checks are undertaken; reconciliations are carried to between input and source records. Documentation is maintained in line with agreed policy. Data matching exercises (National fraud Initiative) identifies some discrepancies	E3			Linda D'Souza			Jon Turner
34	Breach of data protection legislation.	Data security protocol	E2			Linda D'Souza			Jon Turner

35	Employers' failure to carry out their responsibilities for scheme administration.	Regular communication and guidance to employers on scheme matters	E3			Linda D'Souza			Jon Turner
36	Failure by AVC providers to provide proper services to the Pension Fund.	Regular reviews undertaken.	E3			Linda D'Souza			Jon Turner
37	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3			Linda D'Souza			Jon Turner
38	Increase in workload for employers	Maintain close relationships with employers to make them aware of likely changes. Encourage employers to take account of pensions issues when considering restructuring or contracting out. Keep abreast of new developments. Work closely with software suppliers and ICT services to manage developments and planned maintenance to minimise impact	E3			Linda D'Souza			Jon Turner
39	Failure to communicate or engage with Pension Fund stakeholders	Maintain a communication and governance strategy and Governance Compliance Statement subject to regular review. Utilise a range of formal and informal communication routes with stakeholders	E3			Linda D'Souza			Jon Turner
40	Increasing use of new methods of service provision eg academies, free schools without full understanding of pensions implications	Ensure all employers are aware of pensions implications and of associated legislation and guidance	E3			Linda D'Souza			Jon Turner



		<b>ACCOUNTING</b>							
45		Failure to comply with Pension Fund accounting requirements.	<p>Sufficient properly qualified and trained staff are employed to carry out processes; knowledge is maintained via written guidance, networks, professional press and training.</p> <p>Accounting, management and administration processes are maintained in accordance with legislation and external regulations and the Council's Financial Regulations.</p> <p>Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers.</p> <p>Internal audit reviews.</p> <p>External Audit annual review</p>	E2			Ian Talbot		Dawn Calvert