PENSION FUND RISK REGISTER

LIKELIHOOD

LIKELIIIOOD				
A Very high				
B High		18, 19		
C Significant	34	10, 12, 17		
D Low	20, 31	4, 11, 13, 14, 39	8, 9, 16	
E Very Low	32, 33	5, 6, 25, 26, 28, 30, 35, 37, 38, 40, 41, 42, 43	1, 2, 3, 7, 15, 21, 22, 23, 24, 27, 29, 36, 44, 46, 47	
F Almost Impossible			45	10111

4 Negligible 3 Marginal 2 Critical Impact / Impact / Impact / Minor Major Benefit Exceptional IMPACT

DEFINITION OF TERMS

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

Catastrophic Services could not be sustained or major project fails to deliver

Critical Serious dfisruption to services

MarginalSmall effect on servicesNegligibleTrivial effect on services

Risk number			Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	GOVERNANCE								
1	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	E2	Whilst the governance of the Fund is considered to be of a high standard there remains an aspiration to improve	Ian Talbot	E1	2017	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	E2	Whilst the knowledge of the Committee Members is considered to be of a high standard there remains an aspiration to improve.	Ian Talbot	E1	2017	Dawn Calvert
3	actuarial advice is available to	Properly considered appointment of actuary and investment adviser with relevant experience and professional standards in place. Appointment of additional independent advisers	E2	E2	The Pension Fund Committee has made a number of requests for specific reports from the Investment Adviser who is responding well to them.	lan Talbot	E1	2016	Dawn Calvert
4	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	D3	Improvements are constantly sought and the staff currently in post exhibit the potential for improvement.	Ian Talbot	E3	2017	Dawn Calvert
5	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	E3		Ian Talbot	E3		Dawn Calvert

Risk number			Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	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	E3	Regular review of regulations should ensure improvement	lan Talbot	E3		Dawn Calvert
	FUNDING - ASSETS AND LIABILITIES								
	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	E2		lan Talbot	E2		Dawn Calvert
8	liabilities.	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	D2		lan Talbot	D2		Dawn Calvert
	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	D2		lan Talbot	D2		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	СЗ		lan Talbot	C3		Dawn Calvert
''	The Fund's pensioners are living longer than assumed in	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience.	C3	D3	Actuarial assumptions becoming more accurate	lan Talbot	D3		Dawn Calvert
12	Other demographic factors	At each triennial valuation assumptions are reviewed.	СЗ	C3		lan Talbot	С3		Dawn Calvert

			Risk						
			Rating 1	Current					
			_	risk rating					
Risk			(after	(after	Controls underway or	Control	Target	Target	
			•	`			_	_	Diek eumer
number			controls)	controls)	planned	owner	risk rating	date	Risk owner
13	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non- ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		lan Talbot	D3		Dawn Calvert
14	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		lan Talbot	D3		Dawn Calvert
15	Insufficient assets to meet short and medium term liabilities	Including investment income the Fund currently achieves an annual surplus. Medium term requirements are being reviewed. Cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments can be accessed relatively quickly.	E2	E2		lan Talbot	E2		Dawn Calvert
	FUNDING - INVESTMENT STRATEGY								
16		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	D2		lan Talbot	D2		Dawn Calvert

Risk number	INVESTMENT		Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
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	C3		lan Talbot	C3		Dawn Calvert
18	performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance	ВЗ	ВЗ		lan Talbot	ВЗ		Dawn Calvert
19	or performance target (active)returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager underperforming. 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		В3		lan Talbot	В3		Dawn Calvert
20	investment managers, actuary and investment adviser are excessive.	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.	D4	D4	In June 2016 the Fund received a report from CEM Benchmarking comparing its fees and charges for investment management with other funds. This report and the requirements for pooling arrangements will be used to seek savings.	lan Talbot	E4	2017	Dawn Calvert

Risk number	SECURITY		Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	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	E2	Whilst this risk is outside the Fund's control, most of the annual audits reveal very few exceptions to the intended control processes operating correctly. An aspiration that the likelihood is almost impossible is therefore a reasonable aspiration but timescales are dependent on the managers.	lan Talbot	F2	N/A	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	E2		lan Talbot	E2		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	E2	The heavy fine recently imposed on one of the most significant custodians suggests that the likelihood of the risk being realised cannot be reduced	lan Talbot	E2		Dawn Calvert
24	Failure of custodian	Use custodians under banking and FSA regulation	E2	E2		lan Talbot	E2		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	E3		lan Talbot	E3		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	E3		Ian Talbot	E3		Dawn Calvert

Risk number			Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	OPERATIONAL		,	,	•				
1 //		Business Continuity Plan in place	E2	E2		Linda D'Souza	E2		Jon Turner
28	Failure of pensions administration IT systems	Adequate IT systems and support in place supported by a robust Business Continuity Plan	E3	E3		Linda D'Souza	E3		Jon Turner
	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	E2		Linda D'Souza	E2		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	E3		Linda D'Souza	E3		Jon Turner
31	Contributions to the Fund are not received, processed and recorded completely and	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	D4		Linda D'Souza	D4		Jon Turner
32	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	E4		Linda D'Souza	E4		Jon Turner
	Failure to pay lump sums on time	Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post	E4	E4		Linda D'Souza	E4		Jon Turner

			Risk						
Risk number			Rating 1	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
34	Overpayments made	Most overpayments result from deaths not being notified. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative.	C4	C4		Linda D'Souza	C4		Jon Turner
35	data and permanent records are not accurate or do not	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	E3		Linda D'Souza	E3		Jon Turner
36	Breach of data protection legislation.	Data security protocol	E2	E2		Linda D'Souza	E2		Jon Turner
37		Regular communication and guidance to employers on scheme matters	E3	E3		Linda D'Souza	E3		Jon Turner
38	Failure by AVC providers to provide proper services to the Pension Fund.	Regular reviews undertaken.	E3	E3		Linda D'Souza	E3		Jon Turner
39	_	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D3		Linda D'Souza	D3		Jon Turner
40	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	E3		Linda D'Souza	E3		Jon Turner
41	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	E3		Linda D'Souza	E3		Jon Turner

Risk number			Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
42	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	E3		Linda D'Souza	E3		Jon Turner
43	scheme voluntarily	Effective communication helps members to make properly informed decisions about membership ensuring that they understand the value of membership.	E3	E3		Linda D'Souza	E3		Jon Turner
	Default by a participating employer	Ongoing liabilities managed through the triennial valuation process. Periods allowed to repay deficits are set depending on the value of the employer's covenant and linked to contract periods for transferee employer bodies. Any cessation lump sum required from an employer leaving the Fund is calculated on a minimum risk basis by the Actuary. Major employers are "scheduled" in regulations and backed by long term tax receipts and the constitutional permanence of local government	E2	E2		Linda D'Souza	E2		Jon Turner
45		System of close monitoring of employers in place	F2	F2		Linda D'Souza	F2		Jon Turner
46		Action through courts	E2	E2		Linda D'Souza	E2		Jon Turner

Risk number			Risk Rating 1 July 2015 (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
47	Failure to comply with Pension Fund accounting requirements.	Sufficient properly qualified and trained staff are employed to carry out processes; knowledge is maintained via written guidance, networks, professional press and training. Accounting, management and administration processes are maintained in accordance with legislation and external regulations and the Council's Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers. Internal audit reviews. External Audit annual review	E2	E2	Improvements are constantly sought and with the staff currently in post are being achieved.	lan Talbot	E2		Dawn Calvert