

Appendix B – Cambridgeshire Pension Fund Risk Register

<b>Risk</b>	<b>Risk</b>	<b>Relevant objectives</b>	<b>Responsible Lead(s)*</b>	<b>Risk Rating</b>
1	Employers unable to pay increased contribution rates.	9	<b>E</b>	12
2	Failure to respond to changes in economic conditions.	15,16	<b>A</b>	12
3	Contributions to the Fund are not received on the correct date and/or for the correct amount	1,8,9,16	<b>A</b>	8
4	Fund assets are not sufficient to meet obligations and liabilities.	2,16,17,19	<b>A</b>	8
5	Information may not be provided to stakeholders as required.	14	<b>ALL</b>	6
6	Inappropriate investment strategy is adopted.	16, 17,18	<b>A</b>	6
7	Those charged with governance are unable to fulfil their responsibilities effectively.	2,3	<b>G</b>	6
8	Risk of fraud and error.	2,10	<b>ALL</b>	6
9	Failure to understand and monitor risk compliance.	5	<b>G</b>	6
10	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	8	<b>E</b>	6
11	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	1,2,3	<b>A</b>	4
12	Pension Fund systems and data may not be secure and appropriately maintained.	10,11	<b>E</b>	4
13	Failure to administer the scheme in line with regulations and guidance.	1,2,3,16	<b>ALL</b>	4
14	Failure to recognise and manage conflicts of interest.	2,10	<b>G</b>	4
15	Pension Fund objectives are not defined and agreed.	4	<b>G</b>	4
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	15	<b>G</b>	4
17	Pension Fund investments may not be accurately valued.	2,10,17,18	<b>A</b>	4
18	Actual experience materially differs from actuarial assumptions used at each valuation	9, 17,18	<b>E</b>	4
19	Failure to act appropriately upon expert advice and/or risk of poor advice.	17,18,19,20	<b>ALL</b>	4
20	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	9,17,18	<b>E</b>	4
21	Unable to deliver pension services due to an inadequate business continuity plan.	8	<b>ALL</b>	4
22	Unable to deliver pension services due to inadequate recruitment and retention processes.	8	<b>ALL</b>	4
23	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1,2,3,19	<b>A</b>	3
24	Adequate controls are not in place for the production of accounts, notices, publications and management reports.	1,2,10	<b>ALL</b>	3
25	A Data Improvement Policy and Plan are not in place and not adhered to.	2,8,10,11	<b>G</b>	3

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\*Key

<b>E</b>	Employer Services and Systems Manager
<b>A</b>	Accounting and Investments Manager
<b>G</b>	Governance and Regulations Manager
<b>O</b>	Operations Manager
<b>ALL</b>	All Manager Responsibility

Overall responsibility rests with the Head of Pensions

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1	Employers unable to pay increased contribution rates.	4	4	16	R	<ul style="list-style-type: none"> <li>Provisional contribution rates are consulted on with each scheme employer as part of the valuation process</li> <li>Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements.</li> <li>Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible.</li> </ul>	4	3	12	A
2	Failure to respond to changes in economic conditions	4	4	16	R	<ul style="list-style-type: none"> <li>The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters.</li> <li>The Fund receives quarterly performance reports which consider operational and strategic investment issues.</li> <li>A formal review of the strategic asset allocation is undertaken on a triennial basis.</li> <li>The Fund publishes an Investment Strategy Statement which is regularly reviewed.</li> </ul>	4	3	12	A
3.	Contributions to the Fund are not received on the correct date and/or for the correct amount.	4	3	12	A	<ul style="list-style-type: none"> <li>Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to meet monthly contributions.</li> <li>A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy.</li> <li>The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator</li> <li>Internal Audit reviews take place on an annual basis and external audit review the accounts annually.</li> </ul>	4	2	8	A
4	Fund assets are not sufficient to meet obligations and liabilities	4	3	12	A	<ul style="list-style-type: none"> <li>The Funding Strategy Statement is reviewed every 3 years.</li> <li>The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates.</li> <li>The yearend financial statements record the Funds asset position and is subject to robustly reviewed by external audit, which supports the Funds asset valuation applied to assess fund adequacy.</li> </ul>	4	2	8	A

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Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
5	Information may not be provided to stakeholders as required	3	3	9	A	<ul style="list-style-type: none"> <li>Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly using resources such as relevant websites, seminars, professional bodies and working groups.</li> <li>Letters are generated through task management for consistency and are checked before being sent out.</li> </ul>	3	2	6	G
6	Inappropriate investment Strategy is adopted	3	3	9	A	<ul style="list-style-type: none"> <li>Investment Strategy in place which is in accordance with LGPS investment regulations.</li> <li>A formal review of the strategic asset allocation is undertaken on a triennial basis.</li> <li>The Fund appoints professional investment advisers to support the Pension Committees investment decisions</li> <li>At each triennial actuarial valuation the Funding Strategy Statement considers alignment of the investment strategy to employer covenant and affordability.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained.</li> </ul>	3	2	6	G
7.	Those charged with governance are unable to fulfil their responsibilities effectively	3	3	9	A	<ul style="list-style-type: none"> <li>Training Strategy in place to facilitate the continual development of both Committee and Board members.</li> <li>New members are provided with relevant documentation to assist them in their roles.</li> <li>The Fund subscribes to relevant professional bodies such as LAPFF and PALSA.</li> </ul>	3	2	6	G
8.	Risk of fraud and error	3	3	12	A	<ul style="list-style-type: none"> <li>Anti- Fraud and Corruption policy in place.</li> <li>Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks.</li> <li>Robust processes in place including segregation of duties and authorisation protocols.</li> </ul>	3	2	6	G

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9	Failure to understand and monitor risk compliance	3	2	6	G	<ul style="list-style-type: none"> <li>Business Continuity plan in place and is updated at least annually.</li> <li>Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales.</li> <li>The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making.</li> </ul>	3	2	6	G
10	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	3	4	12	A	<ul style="list-style-type: none"> <li>Employers are made aware of their responsibilities upon admission via the LGSS website and direct employer communication.</li> <li>Training is provided to employers on a minimum quarterly basis and more often, if required.</li> <li>The importance of a statutory deadlines is stressed to the employer through all communications and via events such as the employer forums.</li> <li>Support is also available through the website, dedicated employers help line and templates issued where applicable.</li> </ul>	2	3	6	G
11	Custody arrangements may not be sufficient to safeguard Pension Fund assets	4	2	8	A	<ul style="list-style-type: none"> <li>The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework.</li> <li>Complete and authorised agreements are in place with external custodian.</li> <li>External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation. Officers of the Fund engage in quarterly monitoring of custodian performance with a report presented at the annual meeting of the Pensions Committee.</li> </ul>	4	1	4	G

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12	Pension Fund systems and data may not be secure and appropriately maintained	4	2	8	A	<ul style="list-style-type: none"> <li>System user controls are in place including regular password changes.</li> <li>Access rights are controlled.</li> <li>Data is backed up.</li> <li>Audit trails are in place.</li> <li>Pension system is protected against viruses and other system threats.</li> <li>The pensions administration system is updated to ensure LGPS requirements are met.</li> <li>Hosted pensions server and backup server are at separate Bedfordshire sites.</li> <li>Disaster recovery plans are in place for both Heywood and LGSS.</li> <li>Training to Officers on cyber resilience</li> </ul>	4	1	4	G
13	Failure to administer the scheme in line with regulations and guidance	5	2	10	A	<ul style="list-style-type: none"> <li>Policies and strategies are in place and are accessible on the Fund website.</li> <li>Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary.</li> <li>A Training Strategy is in place for those charged with governance.</li> <li>Officers attend working groups (such as EMPOG/SEC SOG) and consult with professional advisors where appropriate.</li> <li>Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when.</li> <li>The Fund subscribes to relevant professional bodies such as LAPFF and PALSA.</li> </ul>	4	1	4	G

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14	Failure to recognise and manage conflicts of interest	4	2	8	A	<ul style="list-style-type: none"> <li>Declaration of interests are made at the beginning of all statutory meetings where not held on the County Councillor declaration register.</li> <li>Conflicts of Interest Policy in place for the Local Pension Board.</li> <li>Committee and Board members are encouraged to undertake the Pension Regulators Toolkit which includes a conflicts of interest module.</li> </ul>	2	2	4	G
15	Pension Fund objectives are not defined and agreed	4	2	8	A	<ul style="list-style-type: none"> <li>Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee.</li> <li>Relevant objectives are referenced on every committee report.</li> <li>Objectives are referenced in all policy documents and the risk register to ensure appropriate focus.</li> </ul>	2	2	4	G
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	<ul style="list-style-type: none"> <li>Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making.</li> <li>Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer</li> <li>Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered.</li> </ul>	2	2	4	G

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17	Pension Fund Investments may not be accurately valued	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements.</li> <li>The year-end financial statements record the Funds asset position and is subject to robust review by external audit.</li> <li>Officers work closely with the Funds Custodian to ensure accuracy of asset valuations.</li> </ul>	2	2	4	G
18	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	<ul style="list-style-type: none"> <li>Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate.</li> <li>Early engagement with employers.</li> <li>The Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals which considers both strategic and operational aspects of investment.</li> <li>Officers are in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee.</li> </ul>	2	2	4	G
19	Failure to act appropriately upon expert advice and/or risk of poor advice	4	2	8	A	<ul style="list-style-type: none"> <li>Pension Committee decisions and oversight by the Local Pension Board.</li> <li>Investment consultants and independent advisors appointed via a robust appointment process.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained.</li> </ul>	2	2	4	G



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20	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	3	3	9	A	<ul style="list-style-type: none"> <li>Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place</li> <li>Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy.</li> <li>Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis.</li> </ul>	2	2	4	G
21	Unable to deliver pension services due to an inadequate business continuity plan	3	2	6	G	<ul style="list-style-type: none"> <li>Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service.</li> <li>Multi skilling across the service for flexibility.</li> <li>Updated at least annually to ensure remains relevant and up to date.</li> <li>Part of the LGSS business continuity plan.</li> </ul>	2	2	4	G
22	Unable to deliver pension services due to inadequate recruitment and retention processes.	3	2	6	G	<ul style="list-style-type: none"> <li>Establishment reporting undertaken monthly to identify any recruitment/retention issues</li> <li>Recruitment undertaken utilising all available avenues including agency staff</li> <li>Staff leaving interviewed to understand reason for cessation</li> <li>Regular performance reporting across all business processes serves as early warning system</li> <li>Consultancy contracts in place as a backstop</li> </ul>	2	2	4	G

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23	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund is compliant with Investment regulations and best practice guidance.</li> <li>The Fund appoints professional investment advisers to support the Pension Committees investment decisions</li> <li>The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation.</li> <li>Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues.</li> <li>The Fund has an appropriate Investment Strategy Statement in place which also addresses Environmental, Social and Governance (ESG) issues.</li> </ul>	3	1	3	G
24	Adequate controls are not in place for the production of accounts, notices, publications and management reports.	3	2	6	G	<ul style="list-style-type: none"> <li>Automated extraction of data where viable and agreed procedures for reporting.</li> <li>Robust authorisation protocols in place.</li> <li>Internal and External audit reviews.</li> <li>Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process.</li> <li>Membership year end reconciliation and investigate variations from the accounting valuations.</li> <li>Management and administration are maintained in accordance with the SORP and the Financial Regulations.</li> <li>Data Improvement Policy and Plan are in place.</li> <li>Anti-Fraud and Corruption Policy in place.</li> </ul>	3	1	3	G

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25	A Data Improvement Policy and Plan are not in place and not adhered to.	3	3	9	A	<ul style="list-style-type: none"> <li>The Data Improvement Policy and Plan are in place.</li> <li>The Data Improvement Policy and Plan are reviewed at least annually and material amendments approved by the Pensions Committee. The Local Pension Board have oversight of policy reviews.</li> <li>The Pension Committee and Local Pension Board receive updates against the plan quarterly.</li> </ul>	3	1	3	G