

# CAMBRIDGESHIRE PENSION FUND



## Pension Committee

**Date:** 20 October 2016

**Report by:** Head of Pensions

<b>Subject:</b>	Cambridgeshire Pension Fund - Risk Register
<b>Purpose of the Report</b>	To present the Risk Register to the Pension Committee
<b>Recommendations</b>	The Committee are asked to approve the Risk Register.
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### 1. Background

- 1.1 Good governance requires that the Fund has an appropriate Risk Register which details the Fund's risks and mitigations. The purpose of a risk register is to record the details of all risks that have been identified along with their analysis and plans for how those risks will be treated.
- 1.2 The risk register database can be viewed by the Pensions Committee and the Local Pension Board members as well as officers of the Fund as a management tool for monitoring the risk management processes of the Fund. The risk register is used to identify, assess, and manage risks to acceptable levels through a review and updating process.

### 2. The Pensions Regulator's Requirements

- 2.1 The Public Service Pensions Act 2013 added an additional provision to the Pensions Act 2004 relating to the requirements to have internal controls in public service pension schemes. The Pensions Regulator's code of practice guidance on internal controls requires schemes managers (administering authorities) to carry out a risk assessment and produce a risk register which should be reviewed regularly.

### 3. The Risk Strategy

- 3.1 In March 2016 the Risk Strategy was approved by the Pensions Committee and from this a risk register needed to be established. The strategy and risk register should be read in conjunction with each other as the strategy sets out the principles of risk management and how the risks are profiled and how these are incorporated into the risk heat pad model. This profiling is undertaken by using the impact and likelihood

tables to determine the gross and residual likelihood and impact on the Fund once mitigations are in place.

#### **4. The Cambridgeshire Pension Fund Risk Register**

- 4.1 The proposed risk register can be found in **appendix 1** of this report and consists of relevant risks in the areas of Governance, Funding and Investments and Administration and Communication. The register contains the whole range of risks to be considered by the Committee for comment on whether the risks seem appropriate and that the gross and residual risks are set at a correct level.
- 4.2 The risk scoring has been determined using the corporate risk impact descriptors and the risk analysis table in line with the Risk Strategy. The risk scoring matrix is in **appendix 2** and the impact descriptors are in **appendix 3** of this report. A pragmatic approach has been taken over the investment scoring due to the amount of money invested on behalf of the Fund.

#### **5. Recommendations of the Local Pension Board**

- 5.1 The Local Pension Board were asked to review the risks and the associated ratings and to make recommendations to the Pension Committee accordingly.
- 5.2 The first recommendation was to increase the overall rating of risk 24 (pension fund investments may not be accurately valued) due to the fact that illiquid liabilities are harder to value and therefore the risk should reflect this. The residual risk has therefore been increased from 1 to 4.
- 5.3 It was felt that risks 19 (contributions to the fund are not received on the correct date and for the correct amount) and 39 (lack of understanding of employer responsibilities which could result in a statutory deadline being missed) were overstated as although they had a statutory date attached the risk would not fall into major/catastrophic realms. The residual risks have therefore been reduced to 8 and 6 respectively.
- 5.4 Risk 54 (pension fund systems and data may not be secure and appropriately maintained) was felt to also be overstated due to the high level of password security combined with stringent audit controls in this area. The residual risk has therefore been decreased from 10 to 5 by reducing the likelihood to 1 (rare).
- 5.5 There was one general comment surrounding the gross likelihood scoring and whether under normal circumstances some of these should have been lower. The register was reviewed in light of this and the following risks have had their gross likelihood ratings reduced 1, 3, 5, 7, 9, 10, 13, 14, 15, 17, 18, 21, 22, 24, 26, 27, 33, 36, 40, 43, 44, 45, 46, 48, 52 and 54.

#### **6. Next Steps**

- 6.1 Once the risks and associated scores have been agreed only risks that score above 5 will be entered onto the risk register to ensure we are concentrating efforts of the Board and Committee on the risks that are most significant to the Fund. This consists

of 18 amber risks which are likely to cause the Fund some difficulties and 2 red risks that are in excess of the Funds risk appetite and is not easily controlled.

- 6.2 The information will be populated through a heat pad analysis model and this will be presented to the Pension Committee and Local Pension Board when populated and subsequently on a yearly basis or as required if there is a significant change. This includes the risks with a scoring of less than 5 that move to amber or red category at a later date.

## 7. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

## 8. Finance & Resources Implications

- 8.1 There are no financial and resource implications associated with this draft risk register.

## 9. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
None	A risk register highlights areas of concern and allows for appropriate mitigations to be put in place.	Green

- b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not monitor and report risks the Fund will not demonstrate that it has appropriate control over the management of the risks that the Fund faces.	Red

## 10. Communication Implications

<b>Direct Communications</b>	The Fund will keep the Pensions Committee and the Local Pensions Board updated with changes to the risks.
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## **11. Legal Implications**

11.1 Not applicable

## **12. Consultation with Key Advisers**

12.1 Consultation with the Fund's advisers was not required for this report.

## **13. Alternative Options Considered**

13.1 Not applicable

## **14. Background Papers**

14.1 Not applicable

## **15. Appendices**

15.1 Appendix 1 – Risk Register

15.2 Appendix 2 – Risk Scoring Matrix

15.3 Appendix 3 – Impact Descriptors

15.4 Appendix 4 – Pension Fund Objections

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 12/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

Appendix 1 – Draft Risk Register (Governance section 1 – risk numbers 1 to 18, Investment and Funding section 2 – risk numbers 19 to 35 , Administration and Communications section 3 – risk numbers 36 to 54

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Internal Controls	Residual Impact	Residual Likelihood	Residual Total
1	Failure to administer the scheme in line with regulations and policies	1, 2 & 3	5	2	10	Administration and Communication Policy, up to date knowledge through various sources such as SAB and DCLG. Up to date training and attendance at conferences. Receipt of professional bulletins and publications. Attendance at working groups such as EMPOG/SECSOG. Work with external governance advisors where appropriate.	4	1	4
2	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	2 & 3	4	3	12	Knowledge Management Policy is in place which requires the Pensions Committee/Sub Committee and Board members to receive continuing training. New members receive induction training. The Fund subscribes to relevant professional bodies such as LAPFF & PALSA and sends representatives to major conferences.	4	2	8
3	Production of incorrect accounts, notices and publications	1 & 2	3	2	6	Robust sign off process in place dependent upon the document (AR/SOA/Communications)	3	1	3
4	Policies and Strategies not being in place and up to date	1 & 2	3	3	9	Policies and strategies in place and on the LGSS Pension website, new policies developed when appropriate and all policies and strategies are reviewed on at least a yearly basis.	2	2	4
5	Failure to recognise/manage conflicts of interest	2 & 10	4	2	8	Declaration of interests at the beginning of each meeting for non-County Councillor members. County Councillor declaration register held by Democratic Services. Conflicts of interest Policy & training to ensure Committee and Board members are aware of potential conflicts and how to deal with them (Pension Regulator Tool Kit covers this)	2	2	4
6	Risk of manual changes when producing management reports leading to lack of audit trail	2 & 10	3	3	12	Automated extraction of data where viable and agreed procedures for reporting	2	2	4
7	Potential fraudulent activity by staff	2 & 10	5	2	10	Robust checking system in place, log in security, Altair multiple log in requirements, locked records for pension staff, pension staff not authorised to access family/friends records	5	1	5

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
8	Potential fraudulent activity by scheme members	2 &10	3	3	6	National Fraud Initiative participation, investigation of returned payroll slips, sight of certificates before payments made, few cheque payments made.	3	2	6
9	Lack of knowledge amongst Committee and Board members due to high turnover	3	4	2	8	Knowledge Management Policy in operation which includes compliance with the CIPFA Knowledge and Skills Framework, attendance at internal/external training events and engagement with peer group.	3	2	6
10	Failure of succession planning for key roles on the Committee and Board leading to the inability to pick up work if a member is sick/leaves	3	4	2	8	Knowledge Management Policy in operation which includes compliance with the CIPFA Knowledge and Skills Framework, attendance at internal/external training events and engagement with peer group.	2	2	4
11	Failure of officers to maintain a sufficient level of competence to discharge their duties	3	4	2	8	Internal training upon appointment, ongoing internal and external training courses/seminars, professional qualifications.	2	2	4
12	Changes to the Local Government Pension Scheme and lack of expertise in the revised/new area	3	3	3	9	Knowledge Management Policy in operation, the use of advisors where deemed applicable to provide relevant information and recommendations on particular areas.	2	2	4
13	Failure to have formal monitoring of Key Performance Indicators in place leading to officers being unable to produce accurate performance management reports.	5	3	2	6	Automated extraction through Altair which is reported at monthly management meetings and at quarterly Committee meetings. Also reported to teams at 1:1 meetings to address any performance issues.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
14	Pension Fund objectives are not defined and agreed	4	4	2	8	Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee. Relevant objectives are referenced on every committee report to demonstrate the relevance of the report against the Fund objectives. The objectives also run through all our Policy documents to ensure they remain focused to the Funds goals	2	2	4
15	Failure to understand and monitor risk and compliance	5	5	2	10	Business Continuity plan in place and regularly tested. Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales.	3	2	6
16	Failure by the Fund or Employers to meet requirements (including statutory) to ensure members are not disadvantaged.	8	4	3	12	Key Performance Indicators for both the Fund and Employers which are reported to management on a monthly basis and Committee on a quarterly basis. Service Level Agreements in place with some employers to ensure expectations are documented. LGSS website holds a wealth of information regarding responsibilities as do other websites such as the DCLG.	4	2	8
17	Failure to act professional when dealing with stakeholders leading to lack of confidence in the Fund	10	3	2	6	Knowledge Management Policy in force to ensure officers have a good level of knowledge and officers are encouraged to undertake a professional qualifications. The section is working towards Customer Excellence accreditation to ensure the core focus is the customer across the service.	3	1	3
18	Failure to provide adequate information to the Pension Committee/Pension Board	15	3	2	6	Committee Papers provided on a quarterly basis providing key information relating to the Fund. Yearly effectiveness reviews for Committee members are carried out to identify if any changes need to be made by officers when communicating information to the Committee.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
19	Contributions to the Fund are not received on the correct date and for the correct amount.	1, 8 ,9 & 16	5	3	15	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 pay monthly contributions .Cash Management Strategy is in place. A procedure is in place to identify non-payment and late payment of contributions as defined in the Late Payment Policy. Internal Audit reviews take place on a regular basis and external audit review the accounts annually.	4	2	8
20	Custody arrangements may not be sufficient to safeguard Pension Fund assets	1, 2 & 3	5	2	10	Complete and authorised agreements are in place with external custodian. External custodian's compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian.	5	1	5
21	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1, 2, 3 & 19	5	2	10	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings.	4	2	8
22	Failure to invest surplus contributions	16, 17 & 19	3	2	6	Cash flow monitoring and rebalancing is undertaken with tolerances set on material variances on allocation, circa 5% with an annual perspective preferred to avoid short term volatility and unnecessary cost. Review of the policy is pending the approval of the Funds Investment Strategy Statement, now planned for March 2017, following government slippage in issuing the revised investment regulations. Cash Management Policy in place.	2	2	4



Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
23	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	2, 16, 17 & 19	5	3	15	Investments are regularly valued by Investment Managers and provided to the Fund. Quarterly updates are provided to the Investment Sub Committee. The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Funding Strategy Statement reviewed every 3 years to ensure it remains relevant.	5	2	10
24	Pension Fund Investments may not be accurately valued	2, 10, 17 & 18	3	2	6	Investment strategy in accordance with LGPS investment regulations. The strategy is documented, reviewed and approved by the Pensions Committee. An external advisor provides specialist guidance to Officers on the investment strategy. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian, Where variances between custodian and manager valuations arise officers engage with both parties to investigate and agree variances. This is particularly important in the year end process where external audit review processes and values, reporting material variances where necessary.	2	2	4
25	Failure to react to major change in market/economic conditions	15 & 16	5	3	15	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee. Quarterly monitoring, setting appropriate mandates for managers, appointment of investment consultants and independent advisors	5	3	15

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
26	Pension Fund accounts are not accurately maintained	2 & 10	3	2	6	The Fund has a service wide engagement on ensuring the individual employer accounts are accurately reflected. 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. In addition the Systems and Employers team conduct membership year end reconciliation in the late summer / autumn and investigate variations from the accounting valuations. In terms of pensioner payroll the service is implementing a new process to stream line and provide additional assurance over pensioner payments made. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Reconciliations are carried out on a regular basis. There is an internal and external review of the accounts annually.	1	1	1
27	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable	17	4	2	8	Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	2	2	4
28	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due.	16, 17 & 18	3	3	9	Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
29	Mismatch in asset returns and liability movements result in increased employer contributions.	18	3	5	15	The Fund undertakes a comprehensive asset allocation review following the completion of a valuation process to ensure matching of assets and liabilities is reviewed.	2	4	8
30	Frequency of early retirement's increases to levels in excess of the actuarial assumptions adopted, resulting in increases required in employers' contributions.	18	3	3	9	Regular monitoring of early retirement experience being exhibited by the actuary based on evidential analysis with regular communications with employers, including awareness of potential strain costs associated with early retirement decisions. In addition a survey with employers to seek future staff resource feedback to inform a review of funding implications and actions that could be considered to mitigate. Money received upfront for employers and Ill Health Insurance in place.	1	1	1
31	Mortality rates continue to increase, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions.	18	3	3	9	Monitoring of mortality experience factors being exhibited by the fund members by fund actuary and consequent variation of the actuarial assumptions based on evidential analysis. Club Vita looks at local level mortality rates to gain a more accurate picture.	2	2	4
32	Unanticipated onset of cash flow negative position, potentially requiring as hoc repositioning of assets	19	3	2	6	See responses above, in particular employer survey and cash flow monitoring processes, including annual business plan and medium term strategy report. Regular monitoring and the ability to change Fund Investment Strategy when appropriate.	2	1	2
33	Failure to act upon expert advice or risk of poor advice	17, 18, 19 & 20	4	2	8	Investment consultants and independent advisors appointed. Committee decisions and oversight by the Local Pension Board.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
34	Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates	18	4	4	16	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee.	4	4	16
35	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employer's contributions.	9 & 17	3	3	9	Analyse assumptions and actual experience through triennial valuations, ensure assumptions are appropriate. Early engagement with employers.	2	2	4
36	Failure to protect the Fund if an Employer is unable to meet liabilities	6 & 7	5	2	10	Bond and guarantor arrangements in place for new admitted bodies. Admitted bodies, Scheme employer and bulk transfer policy detailing specific requirements of each type of employer in the Fund. Funding Strategy Statement.	2	2	4
37	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning the contribution level becomes inappropriate requiring review and increase.	6	3	2	6	Employers are made aware of their responsibilities upon admission via the LGSS website and through direct employer communications. Risk assessments are carried out and open dialogue with the dedicated employer's team to ensure information is shared.	2	1	2

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Control	Residual Impact	Residual Likelihood	Residual Total
38	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. Without the required cover the Fund will pick up the shortfall leading to increased contribution rates for other employers.	7	2	4	8	Assess the strength of individual employer covenant in conjunction with the actuary and look at what bond/guarantor arrangements are in place in regards to deficit recovery. Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and transfer policy and FFS. Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to recover as much deficit as possible over the period.	2	3	6
39	Lack of understanding of employer responsibilities which could result in a statutory deadline being missed.	8	4	4	16	Employers are made aware of their responsibilities upon admission via the LGSS website and through direct employer communication. The importance of a statutory deadline is stressed to the employer through these communications and via events such as the employer forums. Support is also available through the dedicated employers help line and templates issued where applicable (i.e. Year-end template with supporting notes)	2	3	6
40	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.	9	3	2	6	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. Communication with employers at the earliest opportunity to address any pending issues. Funding Strategy Statement for which employers are consulted on. Administration Policy and Transfer, Scheme Employers and Bulk Transfer Policy in operation.	2	1	2
41	Failure to manage the resources associated with increasing volumes of employing bodies entering the Fund, leading to unachieved targets.	8	4	3	12	Continually monitor staffing position against new employers entering the Fund, multi skilled staff to help manage peak demands.	4	2	8
42	Employers unable to pay increased contribution rates, which could lead to employers defaulting on their contributions.	9	4	3	12	Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible.	4	3	12

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
43	Failure to gain efficiencies through joint working arrangements leading to higher administration costs, leading to lack of value for money.	10	3	2	6	Working within LGSS where possible to achieve efficiencies. Working with the Communication group consisting of 6 other funds to gain efficiencies with items such as newsletters and statements. Comparisons are made with other Funds via CIPFA bench marking. Administration costs are monitored closely and reported to the pensions committee via business plan updates.	2	2	4
44	Unable to deliver pension services due to unavailability of staff leading to unachieved targets.	8	3	2	6	Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service. Multi skilling across the service for flexibility.	2	2	4
45	Effective performance management is not in place for the administration of the Fund	1,2,3,8	3	2	6	Performance management reports are produced and shared with the management team on a monthly basis. Teams/individuals with performance issues are addressed via team leaders in 1:1s and PADP processes. A performance framework is in place and quarterly updates of performance are provided to the Pensions Committee and Local Pension Board for comment. Employer performance is also monitored and poor performance is addressed.	2	2	4
46	Inconsistencies in delivery due to failure to properly document processes and procedures	13	3	2	6	Task management ensures that processes are adhered to and officers are guided to ensure correct information is sent and messages are consistent. All calculations and corresponding letters are checked before they leave the office.	1	1	1
47	Failure to include all required information in documents issued to members under disclosure regulations	14	5	3	15	Legislation officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via relevant websites, seminars and working groups. Letters are generated through task management for consistency and are checked before being sent out.	5	2	10

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
48	Contributions are not processed and recorded appropriately in a timely manner.	2,10, 11 & 16	3	2	6	Sufficient resources in place and structured appropriately to carry out the necessary transaction processing. Internal Audit reviews take place on a regular basis and external audit reviewing processes annually	2	2	4
49	Failure to recognise the needs/requirements of our customers	15	2	2	4	Feedback requested from customers post training events, member customer satisfaction questionnaires and employer customer satisfaction questionnaires sent annually. Employer forum workshops. Effectiveness review of the Committee on a yearly basis.	2	1	2
50	Failure to attract and retain members in the LGPS	12	3	3	9	Engagement with stakeholders via the website, factsheets, forums, bulletins and road shows.	3	2	6
51	Failure to communicate adequately with scheme members and scheme employers	1,2,3,10,12,13,14 & 15	3	3	9	A communication Strategy is in place and reviewed at least annually. Website regularly updated. Newsletters are published annually. Regular employer forums. Annual Benefit Statements produced and distributed.	3	2	6
52	Events relating to Scheme members e.g. Joining the scheme, transfers in and out and retirements are not processed and recorded adequately.	10, 11 & 14	4	2	8	Procedure notes detailing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post. An overview of pension administration is provided to the Pensions Committee.	3	2	6
53	Records are not accurate or do not reflect changes in circumstances.	10 & 11	4	3	12	Records are supported by appropriate documentation, input and output checks are undertaken. Regular reviews of data quality in line with the Public Service Pensions (Record keeping and misc. amendments) Regulations 2014.	3	2	6
54	Pension Fund systems and data may not be secure and appropriately maintained.	10 & 11	5	2	10	System user controls are in place including regular password changes. Access rights are controlled. Data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is regularly updated to ensure LGPS requirements are met.	5	1	5

## RISK SCORING MATRIX

<b>Potential impact if risk occurred</b>	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
<b>Likelihood of risk occurring</b>						

Red (risk scores 15 to 25): Excess of risk appetite

Yellow (risk scores 6 to 14): Likely to cause some difficulties

Green (risk scores 1 to 5) Monitor as necessary



## Appendix 3 –

### **IMPACT DESCRIPTORS**

The following descriptors are designed to assist the scoring of the impact of a risk:

	<b>Negligible (1)</b>	<b>Low (2)</b>	<b>Medium (3)</b>	<b>High (4)</b>	<b>Very High (5)</b>
<b>Legal and Regulatory</b>	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
<b>Financial</b>	<£0.5m	<£1m	<£5m	<£10m	>£10m
<b>Service provision</b>	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
<b>Reputation</b>	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to policies and/or sustained negative media reporting in national media

## **Appendix 4 – Pension Fund Objectives**

1. Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
2. Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
3. Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
4. Continually monitor and measure clearly articulated objectives through business planning.
5. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
6. Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
7. Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
8. Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
9. Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
10. Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
11. Maintain accurate records and ensure data is protected and used for authorised purposes only.
12. Promote the Scheme as a valuable benefit.
13. Deliver consistent plain English communications to Stakeholders.
14. Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits.
15. Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
16. Ensure cash flows in to and out of the Fund are timely and of the correct amount.

17. Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

18. Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

19. Maximise investment returns over the long term within agreed risk tolerances.

20. Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.