

## Appendix 1 Cambridgeshire Pension Fund Risk Register

Risk	Risk	Relevant objectives	Responsible Lead(s)*	Risk Rating
1	Employers unable to pay increased contribution rates.	9	E	12
2	Failure to respond to changes in economic conditions.	15,16	I	12
3	As long term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments	18,19	I	9
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	1,8,9,16	F	8
5	Fund assets are not sufficient to meet obligations and liabilities.	2,16,17,19	I	8
6	Information may not be provided to stakeholders as required.	14	ALL	6
7	The Investment Strategy's Risk Reward profile does not match the requirements of the Fund.	16, 17,18	I	6
8	Those charged with governance are unable to fulfil their responsibilities effectively.	2,3	G	6
9	Risk of fraud and error.	2,10	ALL	6
10	Failure to understand and monitor risk compliance.	5	G	6
11	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	8	E	6
12	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	1,2,3	I	4
13	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk.	10,11	F	4
14	Failure to administer the scheme in line with regulations and guidance.	1,2,3,16	ALL	4
15	Failure to recognise and manage conflicts of interest.	2,10	G	4
16	Pension Fund objectives are not defined and agreed.	4	G	4
17	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	15	G	4
18	Pension Fund investments may not be accurately valued.	2,10,17,18	F	4
19	Actual experience materially differs from actuarial assumptions used at each valuation	9, 17,18	E	4
20	Failure to act appropriately upon expert advice and/or risk of poor advice.	17,18,19,20	ALL	4
21	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	9,17,18	E	4
22	Unable to deliver pension services due to an inadequate business continuity plan.	8	ALL	4
23	Unable to deliver pension services due to inadequate recruitment and retention processes.	8	ALL	4
24	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	1,2,3,19	I	3
25	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	1,2,10	ALL	3

26	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	2,8,10,11	<b>G</b>	<b>3</b>
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\*Key

<b>E</b>	Employer Services and Systems Manager
<b>F</b>	Fund Accounting Manager
<b>G</b>	Governance and Regulations Manager
<b>I</b>	Investment Manager
<b>O</b>	Operations Manager
<b>ALL</b>	All Manager Responsibility

Overall responsibility rests with the Head of Pensions

**Potential impact if risk occurred**

5 Catastrophic	5	10	15	20
4 Major	4	8	12	16
3 Moderate	3	6	9	12
2 Minor	2	4	6	8
1 Insignificant	1	2	3	4
	1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)

**Likelihood of risk occurring**

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
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> <li>The Fund has currency hedging arrangements in place.</li> <li>Investment decisions can be delegated to the Head of Pensions in consultation with the Chairman.</li> <li>Coronavirus pandemic: Increased engagement with investment managers and monitoring of asset movements.</li> </ul>	4	3	12	A
3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	4	4	16	R	<ul style="list-style-type: none"> <li>Investment managers are required to take account of both financial and non-financial factors in their investment decisions.</li> <li>Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk</li> <li>Managers are required to report regularly on their compliance with our ESG policy</li> <li>It is ensured that the ACCESS asset pool meets the Fund's ESG requirements</li> </ul>	3	3	9	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
4.	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
5.	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> <li>• The Fund has currency hedging arrangements in place.</li> </ul>	4	2	8	A
6.	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> <li>• Communications Officer now in place.</li> <li>• Membership of the Local Government Association (LGA) Communications Working Group.</li> <li>• Membership of the Regional Joint Communications Group.</li> <li>• Communication and Digital Communication Strategy in place</li> </ul>	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
7.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	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
8.	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 Local Authority Pension Fund Forum (LAPFF) and Pension and Lifetime Savings Association (PLSA).</li> </ul>	3	2	6	G
9.	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 oversees pensioner existence checks.</li> <li>Robust processes in place including segregation of duties and authorisation protocols.</li> </ul>	3	2	6	G
10.	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

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
11.	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
12.	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
13.	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk.	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 Local Government Pension Scheme 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>Compulsory online training for LGSS Officers on Cyber resilience and Data Protection.</li> </ul>	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
14.	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 – East Midlands Pension Officer Group / South Eastern Counties Superannuation Group) 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
15.	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
16.	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

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
17.	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
18.	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
19.	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
20.	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



Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
21.	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
22.	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
23.	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

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
24.	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 publishes and regularly reviews its Investment Strategy Statement, which references in particular Environmental, Social and Governance (ESG) issues.</li> </ul>	3	1	3	G
25.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	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
26.	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	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

## **Criteria for assessing impact and likelihood**

### **Impact**

<b>Description</b>	<b>Risk Appetite</b>
Catastrophic (5)	<ul style="list-style-type: none"> <li>• Unacceptable level of risk exposure which requires immediate action to be taken.</li> <li>• &gt;£10m.</li> <li>• Section 151 or government intervention or criminal charges.</li> <li>• Critical long term disruption to service delivery.</li> <li>• Significant and sustained local opposition to policies and/or sustained negative media reporting in national media.</li> </ul>
Major (4)	<ul style="list-style-type: none"> <li>• Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures put in place to reduce exposure.</li> <li>• &lt;£10m.</li> <li>• Major civil litigation setting precedent and/or national public enquiry.</li> <li>• Major disruption to service delivery.</li> <li>• Sustained negative coverage in local media or negative reporting in the national media.</li> </ul>
Moderate (3)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.</li> <li>• &gt;£5m.</li> <li>• Major civil litigation and/or public enquiry.</li> <li>• Moderate direct effect on service delivery.</li> <li>• Significant negative front page reports/editorial comment in the local media.</li> </ul>
Minor (2)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to regular passive monitoring measures, at least half yearly.</li> <li>• &gt;£1m.</li> <li>• Minor regulatory enforcement.</li> <li>• Minor disruption to service delivery.</li> <li>• Minimal negative local media reporting.</li> </ul>
Insignificant (1)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to periodic passive monitoring measures, at least annually.</li> <li>• &gt;£0.5m.</li> <li>• Minor civil litigation or regulatory criticism.</li> <li>• Insignificant disruption to service delivery.</li> <li>• No reputational impact</li> </ul>

**Likelihood**

<b>Description</b>	<b>% risk of happening</b>	<b>Or</b>	<b>Potential timescale</b>
Rare (1)	5		Once in 20 or more years
Unlikely (2)	15		Once in 10 to less than 20 years
Possible (3)	40		Once in 3 to less than 10 years
Likely (4)	65		Once in 1 to less than 3 years
Almost certain (5)	80		At least once in a year