

PENSION FUND RISK REGISTER UPDATED IN APRIL 2019 FOR CONSIDERATION BY THE PENSION COMMITTEE IN MAY 2019

Ref	Risk or Opportunity Description	Benefits of taking opportunity or Consequences if risk occurs and related objectives	Owner	Inherent Risk or Opportunity			Controls	Residual Risk or Opportunity			Direction of Travel	Category of Risk or Opportunity	Period Comments / Additional Actions	All risks are monitored on an on-going basis. Date of last review.
				L/V	I/B	R		L/V	I/B	R				
F1	Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	4	4	16	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	2	4	8	▼	Financial	Due to increased uncertainty regarding BREXIT and other political risks and possible negative long term implications, this risk is continually monitored to determine whether the likelihood of this risk materialising needs to be increased. In the context of the significant reduction in the value of the Funds assets during quarter 4 in 2018, the residual risk likelihood was increased from a 2 to a 3 in January 2019. In the context of the returns for the full Q1 2019 the likelihood score has been returned to a 2.	11/04/2019
F2	Inappropriate long-term investment strategy.	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	4	4	16	Regular monitoring of Fund's cash flow with actuarial estimates of future cash flow position. Overall investment strategy options including diversification considered as an integral part of the funding strategy. Use of asset liability modelling. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	2	4	8	►	Financial	Phased movement to new allocation is being undertaken in the context of reducing exposure to equities whilst maintaining adequate returns and minimising new transition costs before the transition into the Brunel Pension Partnership. A slightly amended asset allocation to the various investment portfolio's available under the BPP was agreed by the Pension Committee at it's February 18 meeting. The Investment Strategy Statement and Strategic Asset allocation will be amended following a review to be undertaken later in 2019/20 once the results of the 2019 valuation are available.	11/04/2019
F3	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	4	3	12	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	3	3	9	►	Financial	Falling Govt Bond yields is reducing the discount rate (the level of expected investment returns) which increases the value placed on past service liabilities, which was why the Residual Risk likelihood score was increased to a 3 in November 2018.	11/04/2019
F4	Increasing Pension Fund deficit	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	4	3	12	Actuarial review via Triennial Valuation and regular update reports. Regular consideration by Pension Committee on manager performance relative to funding assumptions, funding position and funding strategy. Actuarial Review on a like for like basis has confirmed a strong deficit recovery plan.	3	3	9	►	Financial	Funding deficit reduced at 2016 Fund Valuation and performance over the last 3 year period exceed the anticipated returns used as part of the 2016 valuation.	11/04/2019

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F5	Active investment manager under-performance relative to benchmark.	Maximising investment returns to help the Fund achieve its funding target	Head of Pension Fund	4	3	12	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark. Diversification of investments across asset classes and across different fund managers	2	3	6	▼	Financial	Performance in the current portfolio's and in the new BPP portfolio's will be monitored against agreed performance targets and will be reported back to the Committee on a quarterly basis. However in the context of the performance in quarter 4 of 2018 the likelihood of this risk has been increased from a 2 to a 3. In the context of the returns for the full Q1 2019 the likelihood score has been returned to a 2.	11/04/2019
F6	Pay and price inflation significantly more than anticipated.	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	4	2	8	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.	3	2	6	►	Financial		11/04/2019
F7	Unexpected increase in employer's contribution rate	To stabilise changes in employer contribution rates over the long term	Head of Pension Fund	4	3	12	An explicit stabilisation mechanism has been agreed for eligible employers as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions. Obtain information on financial strength of individual employers. Discuss with employers their ability to absorb rises in their level of contribution. Where appropriate mitigate impact through deficit spreading and phasing in of contribution rises, with appropriate security from employers and further analysis by the Fund's actuary.	2	3	6	►	Financial		11/04/2019
F8	Employers without a guarantor fail financially leaving a deficit with the Fund.	To ensure individual employers in the Fund are responsible for their own costs	Head of Pension Fund	4	3	12	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. At risk employers are identified and are engaged in discussions over remedial actions in advance of retirement of all active members. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers	2	3	6	►	Financial	Two high risk employers without guarantors left the fund between March 2018 and January 2019. Both have now repaid their cessation deficits of around £6m and £6.2m respectively.	11/04/2019
F9	Financial loss experienced during the transitioning of Assets to the new Brunel Portfolio's	Maximising investment returns to help the Fund achieve its funding target	Head of Pension Fund	3	5	15	Detailed reconciliation of assets transferred undertaken by the Finance and Investments Manager. Detailed report from transition experts commissioned by the Brunel PP will be produced following each transition to provide assurance to clients.	2	4	8	New	Financial	£510m has been transitioned to the BPP passive portfolio's and £345m to the BPP UK Equities active portfolio and a reconciliation has confirmed that all assets transitioned as expected.	11/04/2019

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F/D1	Pensioners living longer, thus increasing cost to Fund.	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	5	2	10	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation. The Fund also sets life expectancy assumptions using ClubVita, which is a specialised longevity company and provides life expectancy assumptions based on the profile of the Fund's own membership. Administering Authority encourage any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs.	3	2	6	▶	Financial		11/04/2019
F/D2	Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees leading to the possibility of there not being sufficient liquid funds available to pay liabilities as they fall due.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	Continue to monitor at each valuation, seeking monetary amounts rather than % of pay. Between valuations regularly monitor level of active members on both a total Fund basis and by individual employer. Regularly monitor how cash flow positive the Fund is. Regularly review investment strategy.	2	3	6	▶	Financial	The Fund commissioned Hymans Robertson to undertake cash flow modelling based on the following three scenarios: Scenario 1 – cash flows projections based on 2016 valuation membership data, Scenario 2 – cash flows projections based on 2016 valuation membership data, with a 20% reduction in actives, Scenario 3 - with a 40% reduction in active members. This modelling indicated that the fund will remain cashflow positive until 2033 under scenario1, to 2026 under scenario 2 and would immediately become casflow negative under scenario 3. Given that active membership in the Gloucestershire scheme is still increasing slightly it is felt that scenario 1 is the most likely outcome for the fund.	11/04/2019

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F/D3	A company admitted to the Fund as an admission body may become financially unviable	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	A transferee admission body will always have a funding guarantee from the transferring scheme employer. A community admission body will only be admitted to the Fund if they have a funding guarantee from a scheme employer with tax raising powers. A surety bond to cover the cost of paying pensions early if the company goes into liquidation is also generally required by the scheme employer to cover the potential risk of the admitted body becoming insolvent and the value of this surety or bond is reviewed regularly to ensure it provides adequate cover for the financial risks involved	3	3	9	▶	Financial		11/04/2019
F/D4	Deteriorating patterns of early retirements	To ensure individual employers in the Fund are responsible for their own costs	Head of Pension Fund	4	3	12	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.	2	3	6	▶	Financial		11/04/2019
F/D5	Reductions in payroll causing insufficient deficit recovery payments	To ensure individual employers in the Fund are responsible for their own costs	Head of Pension Fund	4	3	12	Require employers to pay sums due for deficit recovery contributions as a fixed monetary amount rather than being expressed as a % of pay.	2	3	6	▶	Financial		11/04/2019
F/D6	Ill-health retirements significantly more than anticipated	To ensure individual employers in the Fund are responsible for their own costs	Head of Pension Fund	4	3	12	Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumption built in. Ill health insurance is available to be purchased by individual employers	2	3	6	▶	Financial	The possibility / feasibility of introducing a new ill health liability insurance procedure under which all employers within the fund are included within an overall policy arranged by the fund, and are recharged premiums within contribution rates, unless they formally opt out of the blanket cover policy. This will reduce the risks to the Fund of an employer not being able to pay the pension strain costs resulting from an ill health retirement.	11/04/2019
F/D7	Adverse effect on the Fund's investment strategy and employer contributions if large numbers of active members are outsourced on a "closed" (to new entrants) basis	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	3	3	9	Take advice from the Fund actuary on the likely impact this will have on Fund investment out performance assumptions and employer contributions. Monitor levels of outsourcings on a "closed" basis and advise employers of implications so these are taken into account when they consider the business case for an outsourcing. Regularly review investment strategy and strategic asset allocation.	2	3	6	▶	Financial	No significant impact to date, but the risk will continue to be monitored on a regular basis.	11/04/2019

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F/D8	Transfers out of the Fund into DC schemes due to introduction of "Freedom & Choice" resulting in a change in funding level	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	3	3	9	Taken advice from the Fund actuary on the proportion of the Fund's active and deferred members aged 55 or over and the maximum exposure of the Fund to these transfers, split between active and deferred members. Considered impact on funding level given different possible levels of take up from active and deferred members.	2	2	4	▶	Financial		11/04/2019
A/R1.1	Significant additional costs resulting from changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform, and/or more complex regulations requiring increased administration resources.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	3	3	9	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Considered different % take up scenarios for active and deferred members The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.	2	3	6	▶	Legislative & Regulatory	In order to effectively deal with the increased workload emanating from the new 2016 CARE scheme, additional pensions officers were recruited to in the Pension Administration Team during 2016 as stage 1 of a review of the Pension Administration Team. A further four staff members have now been recruited in 2018 under stage 2 of the review. Stage 3 of the review is now being proposed which is to increase the number of senior pension officers by three, from four to seven.	11/04/2019
A/R 1.2	Under resourcing of Pension Administration staff resulting in a deterioration of performance against key performance indicators and/or intervention from the Pensions Regulator.	Experience indicates that intervention by the Pensions Regulator has major implications in terms of increased workload and/or adverse financial implications.	Head of Pension Fund	4	4	16	This risk is regularly monitored and, as detailed in risk A/R 1.1 actions have already been taken to increase the level of Pensions Officers in order to improve performance against key performance indicators.	3	3	9	▶	Legislative & Regulatory	Although adequate actions have been taken to address the performance issues in the context of the increased administration burdens of the career average pension scheme, significant risks still exist in relation to fully meeting the standards required by the Pension Regulator and to deal with the increased complexities of things such as annual and lifetime allowances. To address these risks it is intended to implement stage 3 of the Pension Administration Team review during 2019/20. This is likely to involve an increase in the number of SENior Pension Officers. The financial implications of these likely changes will be built into the budget proposal for 2019/20 which will be included within the Business Plan submitted to the May 2019 meeting of the Pension Committee.	11/04/2019
A/R2	Failure to collect and account for contributions from employers and employees on time	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	Regular monthly monitoring and reconciliation of Fund contributions received, including a detailed analysis of individual employer contributions and employee contributions by pay banding. Robust debt management processes are in place to recover any late payments	2	3	6	▶	Legislative & Regulatory		11/04/2019

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A/R3	Loss of funds through fraud or misappropriation	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	Procedures and processes are in place and applied in relation to eg: checking for "ghost" scheme members; multiple levels of authorisation for claims and fund payments plus secondary checking of lump sum payments. Procedures are documented and staff are trained and managed in carrying these out. The Fund's internal auditors carry out regular reviews.	2	3	6	▶	Fraud	The funds internal auditors regularly review the adequacy of controls within the Pensions Section. These reviews make use of experienced Counter Fraud staff who are available to the internal auditors.	11/04/2019
A/R4	Does the fund have sufficient resources to provide sufficient input to the development of the Brunel Pension Partnership in the context of the importance of ensuring that the partnership operates in an efficient and effective manner.	To ensure the fund is proactive in the development of the proposals and the robust control environment required for the collective management of assets, to avoid a detrimental impact on the fund.	Head of Pension Fund	4	4	16	Additional staffing resources may be required to facilitate dedicated staffing resources to take forward the pooling proposal. This may require additional contributions from participating funds.	2	3	6	▶	Legislative & Regu	Now that the partnership has developed to the establishment of the new company, with senior appointments being made, limited senior officer resources can now be more directed at the important client side roles, including looking at the adequacy of control systems.	11/04/2019
A/R5	Failure to undertake a full reconciliation of Guaranteed Minimum Pensions records held on the Gloucestershire LGPS Altair system with those held by HMRC could result in additional financial costs to the Gloucestershire Fund.	Additional financial costs to the Fund	Head of Pension Fund	5	3	15	A detailed reconciliation procedure has commenced and a large number of discrepancies have been identified where the Gloucestershire Pension Fund is not liable for GMP payments held on HMRC records.	2	3	6	▶	Governance	Detailed reconciliation process completed and results returned to HMRC which has resulted in a significant reduction in potential liabilities.	11/04/2019
G1	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants	The achievement of fully funded pension liabilities over the long term	Head of Pension Fund	4	3	12	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations.	2	3	6	▶	Governance		11/04/2019
G2	Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review	2	3	6	▶	Governance		11/04/2019
G3	Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	The Administering Authority requires employers with Best Value contractors (Transferee Admission Bodies) to inform it of forthcoming changes. The administering authority also monitors contract periods of Transferee Admission Bodies and regularly monitors levels of active employees across all employers but particularly for Community Admission Bodies. Where their active membership materially decreases further steps are taken.	2	3	6	▶	Governance		11/04/2019

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G4	Failure to comply with the Myners' Investment Principles	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	Compliance as detailed in the Statement of Investment Principles is kept under regular review.	2	3	6	▶	Governance		11/04/2019
G5	Lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	3	12	Training needs assessments for the Administering Authority are carried out and an annual training plan produced. The Fund subscribes to the CIPFA Knowledge and Skills Framework for the LGPS and makes this information available to all members of the Pension Committee and relevant officers. Appropriately qualified external advisers and consultants are used as appropriate.	3	3	9	▶	Governance	This risk has slightly increased with the departure of the previous S151 Officer who had accumulated significant expertise in this area, having had limited knowledge prior to her appointment. The acting S151 officer now takes up this role and is already increasing his knowledge in this area after discussions with the Head of Pensions, Actuary, and Independent Advisor to the Fund.	11/04/2019
G6	Failure to internally hold personal data securely and keep pension records up-to-date and accurate	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	4	4	16	Personal data and scanned documents relating to scheme members are maintained in an online system with logical access controls via individual password access for those that need to maintain and access this information. Procedures for maintaining pension records are documented and the process is monitored and managed within the Pensions Administration team. Procedures are regularly reviewed by the Fund's internal auditors. Physical access controls are also in operation within the Pension Fund office.	1	4	4	▶	Governance		11/04/2019
G7	Loss of experience on the Pension Fund Committee or Pension Board, and/or the lack of adequate training, resulting in a negative impact on governance arrangements within the Gloucestershire LGPS.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	3	4	12	Training is provided on an on-going basis to Committee and Board Members both at formal meetings of the Committee/Board and at internal and external training sessions.	1	4	4	▶	Governance		11/04/2019
G8	Transition from the current custodian to State Street Bank under the Brunel Pension Partnership resulting in failings during the transition and/or inadequate performance reports post transition and/or negative impacts on the final accounts of the Pension Fund due to failings in the accounting reports received from State Street Bank	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	3	4	12	Detailed control procedures implemented during the transition with support from a transition manager working for the Brunel Pension Partnership	1	3	3	▼	Governance	No major problems were encountered during the transitions undertaken to date and assets transferred were reconciled back to the detailed records held by each manager.	11/04/2019
G9	Failure to comply with the General Data Protection Regulation resulting in breaches which have to be reported to the Pension Regulator and the Information Commissioners Office resulting in compliants from scheme members and/or significant financial fines.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	5	4	20	Detailed guidance and support was obtained from the GCC Information Management Team which resulted in additional guidance being provided on the Pension Fund website to meet the requirements of GDPR.	3	4	12	▶	Governance	Detailed guidance and support was obtained from the GCC Information Management Team which resulted in additional guidance being provided on the Pension Fund website to meet the requirements of GDPR.	11/04/2019

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G10	Failure to protect the Pension Fund's key information and data as a result of exploited technological vulnerabilities facilitated through malicious attack, primarily from external sources.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	Head of Pension Fund	5	4	20	Anti-malware and internet security software. Patch management policies and procedures. Compliance with PSN. Internal and External ICT security testing. Manging user privileges.	3	3	9	▶	Governance		11/04/2019