

Risk Register - Gloucestershire LGPS Pension Fund

Version: 1d
Date: March 2017

Ref	Date Added	Risk Description	Objective	IR Likelihood	IR Impact	IR Risk Score	Current controls in place, including from other Assurance Providers (e.g. OFSTED)	RR Likelihood	RR Impact	RR Risk Score	Risk Appetite	Categories of Risk	Risk Owner	Date Reviewed	Period Comments	Further Actions Required	FA Due	Progress of FA	Period Comments	FA Owner
F1	01/04/2014	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	4	3	12	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	3	6	Low	Financial	Head of Pension Fund	July 2016	Due to increased uncertainty following the BREXIT vote and possible negative long term implications, this risk will be monitored to determine whether the likelihood of this risk materialising needs to be increased from 2 to 3, which would increase the overall risk rating from low to medium.	To monitor the long term movements on the fund and the investment returns being achieved by each asset class to consider whether any changes are required	Quarterly monitoring	On Target	Rolling 12 month returns easily exceed long term target	Head of Pension Fund
F2	01/04/2014	Inappropriate long-term investment strategy.	The achievement of fully funded pension liabilities over the long term	4	3	12	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	3	6	Low	Financial	Head of Pension Fund	July 2016	Strategic Asset Allocation Review is taking place - January to March 2017	Move to agreed new Strategic Asset Allocation over the Short, Medium and Longer term, to fit in with the new pooling arrangements with BPP				Head of Pension Fund
F3	01/04/2014	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	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.	2	3	6	Low	Financial	Head of Pension Fund	July 2016						

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F4	01/04/2014	Increasing Pension Fund deficit	The achievement of fully funded pension liabilities over the long term	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.	2	3	6	Low	Financial	Head of Pension Fund	July 2016	Funding deficit reduced at 2016 Fund Valuation						
F5	01/04/2014	Active investment manager under-performance relative to benchmark.	Maximising investment returns to help the Fund achieve its funding targets	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	3	3	9	Medium	Financial	Head of Pension Fund	July 2016	Due to increased uncertainty following the BREXIT vote and possible negative long term implications, this risk will be monitored to determine whether the likelihood of this risk materialising needs to be increased from 2 to 3, which would increase the overall risk rating from low to medium.	Transition of one active manager to passive management. Strategic Asset Allocation Review taking place. Monitoring of Fund investment performance	Quarterly monitoring	On Target	Rolling 12 month returns easily exceed long term target	Head of Pension Fund	
F6	01/04/2014	Pay and price inflation significantly more than anticipated.	The achievement of fully funded pension liabilities over the long term	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	Medium	Financial	Head of Pension Fund	July 2016							

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F7	01/04/2014	Unexpected increase in employer's contribution rate	To stabilise changes in employer contribution rates over the long term	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	Low	Financial	Head of Pension Fund	July 2016							
F8	01/04/2014	Orphaned employers give rise to added costs for the Fund	To ensure individual employers in the Fund are responsible for their own costs	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	Medium	Financial	Head of Pension Fund	July 2016							
F/D1	01/04/2014	Pensioners living longer, thus increasing cost to Fund.	The achievement of fully funded pension liabilities over the long term	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	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							

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F/D2	01/04/2014	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	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	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							
F/D3	01/04/2014	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	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	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							
F/D4	01/04/2014	Deteriorating patterns of early retirements	To ensure individual employers in the Fund are responsible for their own costs	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	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							

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F/D5	01/04/2014	Reductions in payroll causing insufficient deficit recovery payments	To ensure individual employers in the Fund are responsible for their own costs	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	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							
F/D6	01/04/2014	Ill-health retirements significantly more than anticipated	To ensure individual employers in the Fund are responsible for their own costs	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. Health insurance is available to be purchased by individual employers	2	3	6	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							
F/D7	01/04/2014	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	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 outsourcing 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	Low	Funding/ Demographic	Head of Pension Fund	July 2016							

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F/D8	30/07/2015	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	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	Medium	Funding/ Demographic	Head of Pension Fund	July 2016							
A/R1	01/04/2014	Significant additional costs resulting from changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	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	Low	Administration/ Regulatory	Head of Pension Fund	July 2016							
A/R2	01/04/2014	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	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	Low	Administration/ Regulatory	Head of Pension Fund	July 2016							

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A/R3	01/04/2014	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	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	Low	Administration/Regulatory	Head of Pension Fund	July 2016							
A/R4	01/02/2016	Does the fund have sufficient resources to provide sufficient input to the development of the South West Regional Pool without having a detrimental effect on the service provided	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.	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	Medium	Administration/Regulatory	Head of Pension Fund	July 2016							
G1	01/04/2014	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	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 Deficit contributions may be expressed as monetary amounts.	2	3	6	Low	Governance	Head of Pension Fund	July 2016							

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G2	01/04/2014	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	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	Low	Governance	Head of Pension Fund	July 2016								
G3	01/04/2014	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	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	Low	Governance	Head of Pension Fund	July 2016								
G4	01/04/2014	An employer ceasing to exist with insufficient funding or adequacy of a bond.	Efficient management of the Fund by the Administering Authority, ensuring it's responsibilities are met, while costs are minimised	4	3	12	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a scheme employer with tax raising powers as guarantor. Reviewing bond or guarantor arrangements at regular intervals. Monitoring funding levels more closely as approaching cessation and reviewing contributions well ahead of cessation if thought appropriate	3	3	9	Low	Governance	Head of Pension Fund	July 2016								

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G5	01/04/2014	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	4	3	12	Compliance as detailed in the Statement of Investment Principles is kept under regular review.	2	3	6	Low	Governance	Head of Pension Fund	July 2016							
G6	01/04/2014	Lack of relevant expertise, knowledge and skills 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	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.	2	3	6	Low	Governance	Head of Pension Fund	July 2016	Internal and external training provided for staff and Members of Pension Board and Pension Committee	Training programme and external training for new members of Pension Committee following elections in May 2017	Internal training May/June 2017. External training Oct/Nov/Dec 2017				Head of Pension Fund
G7	01/04/2014	Failure to 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	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	Low	Governance	Head of Pension Fund	July 2016							

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G8	01/03/2016	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	5	5	25	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	Medium	Governance	Head of Pension Fund	July 2016	New risk added at the request of the Pension Committee	Review of controls to be included in Audit Plan for 2017/18	2017/18				Head of Pension Fund