**AVON PENSION FUND RISK REGISTER - TOP 10 RISKS** **APPENDIX 8**

| | | | Likelihood | | | | | Impact | | | | | Risk | RAG | Scale of | Funded by |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 | Score | | Financial | |
| | **Risk** | **Management Actions** | L | | M | H | | L | | M | H | | | | Impact | |
| 1 | The Fund fails to achieve investment returns sufficient to fund its liabilities. This could negative affect the contributions paid by the employing bodies. | Periodic reviews of investment strategy.<br>Annual and quarterly monitoring of strategic allocation, investment returns and tactical opportunities.<br>Periodic reviews of investment strategy.<br>Annual and quarterly monitoring of strategic allocation, investment returns and tactical opportunities. | | | 3 | | | | | | 4 | | 12 | A | >£1m | Increases in Employer contribution |
| 2 | Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions. This could result in the committee not making decisions in the best interest of the Fund or being unable to make decisions. | Have well defined investment policies in place setting out investment objectives and criteria. Engaging with government through the consultation process, giving a consistent message. | | | 3 | | | | | | 4 | | 12 | A | >£1m | Unclear but potentially increases in employer contribution |
| 3 | Lack of continuity within the Avon Pension Fund Committee. Until new members fully trained this could delay decision making. | Wide representation on Committee including two Independent Members not subject to electoral cycle.<br>Training made available to new members. | | | | 4 | | | | 3 | | | 12 | A | >£1m | Annual budget |
| 4 | Pensions legislation allows people to withdraw their pension "pot" from age 55. This will apply to the LGPS. Although tax penalties may reduce the attractiveness of this option, there is a risk that the fund matures more rapidly than assumed in the 2013 valuation. Cashflow could become more negative due to transfers out. No clarity yet as how to reduce the transfer value to reflect funding level. | Work with actuary to understand potential consequences on maturity profile of fund, funding of liabilities and agree a policy for valuing the transferring pension "pots". Incorporate into 2016 valuation. | | | | 4 | | | | 3 | | | 12 | A | >£1m | Potentially through employer contribution, investment income and divestment of assets |
| 5 | Insolvency of Participating Employers in the Fund without sufficient monetary guarantees or bonds to make good their outstanding liability. Any liability will be absorbed by the Fund and spread across other employers, increasing overall liabilities and employer contribution rate and reduce the funding level. | Fund policy is to only admit Transferee and Community Admission bodies where the pension liabilities are guaranteed by a scheme employer.<br>Covenant assessment monitoring process in place to annually assess financial standing of all employers in Fund, including review of all employers to identify whether guarantee arrangements are adequate and explore options for obtaining guarantee, bond or contingent assets if appropriate. | | | | 4 | | | 2 | | | | 8 | A | >£1m | Increases in Employer contribution |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **6** | The investment managers appointed by the Fund to manage the assets fail to achieve their benchmarks. This could cause the Fund to underperform its strategic benchmark and thus fail to achieve the investment returns required to fund the liabilities. This could negatively affect the contribution rates paid by the employing bodies. | Monitoring the performance of the managers is delegated to the Panel. The RAG performance monitoring framework in place to identify managers that are underperforming and issues that could impact future performance.<br>Issues and changes in RAG ratings are reported to the Panel who agree an action plan to address the issue.<br>The Panel reports quarterly to committee on the performance of the managers and changes in RAG ratings. | | | | **4** | | | **2** | | | | **8** | **A** | **>£1m** | **Increases in Employer contribution** |
| **7** | Non compliance with the Data Protection Act and the Pensions Regulator's codes of practice and standards. This could lead to fines being imposed, criminal/civil prosecutions, data processing suspended, or adverse publicity. | Pensions Manager is responsible officer for DPA. Have confidentiality agreements in place with the Fund's agents. The Fund complies with the Council's DPA policies. All personal data is transmitted from the Fund by secure portals. | | **2** | | | | | | **3** | | | **6** | **G** | **£100,000 to £1m** | **Annual budget** |
| **8** | Contributions from Employing bodies to the Fund are incorrect in value or late. This could adversley affect short term cash flow, could mean under/over funding of liabilities, breach of obligations which could lead to fines. | Monthly contributions received are reconciled to employer return (and authorisation is verified). Annual reconciliation of contributions received to member records. Late payers followed up and included in quarterly monitoring report to Committee. | | **2** | | | | | | **3** | | | **6** | **G** | **£100,000 to £1m** | **Fines, penalties recharged to employer** |
| **9** | For the cash invested by the Council on behalf of Pension Fund that the counterparties fail / delay the return of principle and /or investment income to pension fund as requested. | The Committee annually approves the Fund's Treasury management Policy which sets out maximum limits and maturity terms for each counterparty. Monthly monitoring of compliance with the policy through review of Investment activity report. | | **2** | | | | | | **3** | | | **6** | **G** | **>£1m** | **Increases in Employer contribution** |
| **10** | The pension fund cashflow profile is maturing. Risk there is not have enough cash to pay pensions on a monthly basis due to a reduction in contributions paid into the Fund. This will result in the bank account being overdrawn and possibly non payment of pensions. | The cash balance is monitored during the monthly cycle to identify if there is a cash shortfall. Investment strategy addresses need to use income from investment portfolio and/ or divestment of assets as required. | | **2** | | | | | | **3** | | | **6** | **G** | **£100,000 to £1m** | **Increase in employer contribution, investment income and divestment of assets** |