

Appendix 8

AVON PENSION FUND RISK REGISTER

			Likelihood					Impact					Risk score	RAG	Scale of financial impact
			1	2	3	4	5	1	2	3	4	5			
	Risk	Management actions	L	M	H	L	M	H							
1	Systems failure or lack of accessibility to systems. Implication: potential loss of data, need to re-process data, fall in productivity, potential corruption of data, delay in payment of pensions	Policies in place: (i) SLA with B&NES IT for corporate systems (ii) SLA with Heywood for pensions system (iii) APF DR policy (iv) B&NES BCP. Daily back up of pensions system limits loss of data, re-processing of data. Tested periodically (on-going). Rely on B&NES systems of control and firewalls to prevent virus attacks	1						3				3	G	£10,000 to £100,000
2	Dependence on electronic data from scheme employers. Implication: inaccurate or incomplete data.	Internal and /or external audit to review scheme employer processes. Employers are trained on use of electronic data submission by Fund staff. Controls in place to monitor data quality	1						3				3	G	£10,000 to £100,000
3	Fraudulent access to the self service facilities offered to employers and members	Rely on B&NES systems of control and firewalls to prevent virus attacks. Register of authorised users maintained by Fund	1						3				3	G	Under £10,000
4	Failure to comply with TPR code to maintain accurate and timely membership records caused by failure of employing bodies to notify employment changes. Implications:	Introduced electronic facilities for employers to send membership data to the Fund. Process in place to monitor employers and Fund's compliance with agreed timescales (on-going) Data Quality Team in place to check and monitor accuracy of data/records (on-going)	1						3				3	G	£100,001 to £1m

	breach of statutory duty to notify, pay benefits, maladministration and potential fine from TPR	<p>Pensions Committee awareness of TPR requirements - access given to TPR training toolkit</p> <p>Hold regular employer user group meetings to remind them of their obligations and statutory/ Fund policy changes</p> <p>Ensure employers' website is up to date with accurate information and instructions to employers about notification of changes. Ongoing website updates - 6 monthly review of content.</p> <p>Complete annual reconciliation of membership</p> <p>Review TPR code to ensure compliance procedures and processes in place.</p> <p>Review TPR code to ensure compliance procedures and processes in place.</p> <p>Administration Strategy sets out the compliance standards. SLA in place with employers stating employer obligations and timescales.</p> <p>Establish monitoring system of TPR standards to ensure compliance by Fund and employers. Implement APF TPR employer data improvement plan</p>												
5	Non-compliance with Data Protection Act (including TPR's codes and standards). Implication: Fines imposed, criminal/civil prosecutions, data processing suspended, adverse publicity	<p>Pensions Manager responsible officer for DPA.</p> <p>Obtain Confidentiality Agreement from the Fund Actuary (Mercer) and Nominated Tracing Bureau.</p> <p>Ensure compliance with B&NES DP policies (on-going)</p> <p>All staff share personal data with 3rd parties through secure portals</p>		2					3			6	G	£100,001 to £1m

		Members including pensioner members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud viz. National Fraud Initiative. (On-going) On-going training of employers in their TPR obligations												
6	Failure to provide information asked for under the terms of the Freedom of Information (FOI) Act 2000	FOI contact officer have been appointed - Investments Manager Documented procedure have been circulated to all staff for handling all FOI requests - all requests passed to FOI Contact Officer to deal with. Requests logged centrally for pensions. Circulate FOI procedure to all staff annually Make generic data available via website, to reduce number of requests and responses required.	1					2				2	G	£10,000 to £100,000
7	Fail to communicate effectively with stakeholders - Employers, Members. Implication - reputational risk, poor public relations, lack of information to make informed decisions and failure to comply with TPR code	Regular newsletters are produced to advise members of the performance of the fund and changes to the Pension Scheme including feedback. Maintain a list of employer representatives to take part in User Groups/ attend forums.(On-going) Arrange regular Employer User Group meetings to remind them of their responsibilities and any Statutory / Fund changes (On-going). Arrange annual conference for all employers, APF Committee members Local Pension Board members and HR, payroll and Finance senior staff.	1					3				3	G	£100,001 to £1m

		<p>Following change in LGPS benefits arrange for scheme documentation to be revised /re-issued to members within legal deadlines. (On-going)</p> <p>Maintain APF website up to date (On-going).</p> <p>Maintain and publish a Service Charter to clearly communicate minimum service standards.</p> <p>Communication Strategy sets out Fund's statement and approach to communications</p>												
8	Avon Pension Fund Committee and employing bodies do not receive independent assurance that the Fund's system of internal controls is operating effectively.	Report all independent reviews, normally by internal audit (including specific reports on Fund's system of internal controls) of the Avon Pension Fund to the APF Committee. (On-going).	1						3			3	G	£10,000 to £100,000
9	Failure to identify payments in error resulting in undetected fraud or error. Implication: impact on Fund assets.	<p>Sign off process in place for all payment types</p> <p>Agree with internal audit the strategic /annual audit plan to ensure this risk is reviewed, actions identified and assurance provided.</p> <p>Fund data provided to National Fraud Initiative to enable fraud to be detected. (every 3 years)</p> <p>In post training to mitigate errors and ensure understanding of procedures</p>	1					2			2	G	£10,000 to £100,000	
10	Contributions from Employing bodies to the Fund are incorrect in value or late. Implication: adverse short term cash flow	Monitor receipt of monthly LGPS50 forms from employing bodies and do reasonableness check on payment amount. Follow up potentially incorrect payments (monthly, on-going) and verify authorisation.		2					3			6	G	£100,001 to £1m

	and employer specific deficit could be over/under stated (this would ultimately be identified in next actuarial valuation), breach of obligations could lead to TPR fines	<p>Annually request from each employer details of all contributing members. This is reconciled to contributions received from the employer.</p> <p>Monitor receipt of monthly LGPS50 forms from each employing body to check timely receipt of contributions and authorisation. Follow up any late payers. (monthly on-going)</p> <p>Verify receipt of employing body payments through review of bank statements (On-going)</p> <p>Report Performance Indicator to Avon Pension Fund Committee quarterly including late payers (On-going)</p> <p>Set out fines for non-compliance/ disproportionate work in Administration Strategy</p>											
11	Failure of Pension software supplier. Implication: Risk that system used by Fund is not supported	<p>Monopoly supplier providing service to >90% of LGPS funds with common system. Therefore high probability business / client base will be bought by another provider</p> <p>Monitor provider to verify sufficient market share is held to indicate committed to client base.</p> <p>Monitor financial standing annually.</p>	1						4		4	G	£100,001 to £1m
14	Delayed payment of pension because of failure of BACS System or Interface with CSeries. Implication: members may experience cash flow problems and possible bank charges if pension payments are delayed. Reputational risk if	<p>Documented Contingency Plan / council DRP in place detailing: method of communicating problem to members, alternative method of processing payments. To be updated for new interface. B&NES IT will be reviewing SLA in April 2015</p> <p>Procedure in place to enable members to claim reimbursement of costs related to late pension payments. To be reviewed.</p>	1						3		3	G	Under £10,000

	payments are not paid promptly. Non-compliance with TPR code.												
15	Industrial action by postal service used by Pension Fund. Implication: Delay in members receiving communications or payment if payments made by cheque. (Note: Cheque payments to members per month - <0.2% of total payments)	Greater use of electronic means for payments, receiving changes to member records and dissemination of information to members and employers mitigates this risk (on-going) Documented contingency plan for those members receiving cheque payments.	1				1				1	G	Under £10,000
16	Absence of staff with specialist / key skills. Implication: Delays/errors in processing payments to members. Members experience hardship and bank charges. Reputational damage to Pension Fund. Non-compliance with TPR code.	Strengthened resources within teams to increase knowledge, experience and build in resilience. Review staffing level/ capacity annually as part of service plan Training in place to ensure technical skills and knowledge is shared Identified training requirements in PDRs; training plans in place	1				3				3	G	£10,000 to £100,000
19	Lack of adequate resources/ knowledge at scheme employers leading to a failure to comply with obligations to pension fund and	Ensure all information is provided in an accessible and timely manner Training tailored for employers' staff is provided for all new employers and refresher sessions for existing employers		2			3				6	G	£10,000 to £100,000

	employee members, and TPR code	<p>Enforce penalties allowed under administration Strategy for repetitive non-compliance with obligations / disproportionate work</p> <p>Set out employer training obligations in Administration Strategy.</p> <p>TPR improvement plan to highlight areas of employer failure</p>											
20	<p>Governance risk of investment managers, custodian and other investment suppliers, including insolvency and control environment to prevent fraud. Implications: Detrimental impact to the investment strategy through loss of assets or inability to trade due to assets being inaccessible</p>	<p>Internal control reports of all investment suppliers reviewed annually to identify and investigate any weaknesses in the control environment and to be evaluated as part of any tender exercise. Exceptions reported to Committee.</p> <p>Financial standing of custodian is checked during tender evaluation prior to appointment</p> <p>Custodian's oversight of sub-custodian network assessed in tender process for custodian</p> <p>Annual monitoring of the financial standing of the custodian during period of contract</p> <p>Legal agreement with custodian includes requirement of custodian to exercise due care in selection of sub-custodians</p> <p>Custodian's monitoring process of sub-custodian network assessed annually as part of review of internal controls</p> <p>Obtain legal advice for the custody and investment management contracts during a tender process to ensure adequate protection in the event of fraud or insolvency (as required)</p>	1						4		4	G	Greater than £1m

		<p>Assurance obtained annually from the managers of pooled assets that they have in place monitoring procedures regarding the financial standing of their custodian & that the custodians that they use gave systems in place to monitor and control their network of sub-custodians</p> <p>Due diligence undertaken by the hedge fund managers on underlying managers/holdings on controls around administration and prime brokers is assessed on appointment and monitored annually as part of the audit process</p> <p>Monitoring process in place to reconcile the custody transactional records to those of the fund managers in respect of income receipts (dividends, coupons, tax reclaims), trades, holdings and security values</p>												
23	<p>Insolvency of Participating Employers in the Fund without sufficient monetary guarantees or bonds to make good their outstanding liability. Implication: 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.</p>	<p>Covenant assessment monitoring process in place for on-going assessment of financial standing of fund employers</p> <p>Review all employers to identify whether guarantee arrangements are adequate as part of covenant assessment and explore options for obtaining guarantee, bond or contingent assets if appropriate</p> <p>Exit and termination policies in place to ensure financial risk to the Fund is minimised when scheme employers cease to be active employers.</p> <p>For those employers where the pension liabilities undermine the financial viability of the organisation, discuss ways of capping the debt.</p>		3			2			6	G	Greater than £1m		

25	<p>Lack of continuity and knowledge within Avon Pension Fund Committee. (This risk arises mainly because some members face re-election simultaneously. Until the new members are fully trained, there may be a delay in decision-making).</p>	<p>Maintain 2 independent members on the committee that are not subject to the electoral cycle.</p> <p>Introductory sessions are organised for all new committee members, covering pension and investment issues on the upcoming meeting agenda. (on-going)</p> <p>Arrange basic training course for all new Committee Members [organised by the LGPC] (on-going)</p> <p>Assess committee knowledge and skills level; identify training needs; agree training plan.</p> <p>Hold workshops for committee to explore aspects of the fund in more detail to facilitate decision making</p> <p>Training plan in place reported to committee quarterly</p>			4			3			12	A	Greater than £1m
26	<p>The Avon Pension Fund fails to achieve investment returns sufficient to meet its liabilities, as set out in the Actuarial Valuation. This could negatively affect the contribution rates paid by the employing bodies.</p>	<p>The Fund periodically undertakes an asset liability study which determines the appropriate risk adjusted return investment strategy required to meet the liabilities. The investment strategy is reviewed annually by the committee to ensure it remains appropriate. Strategic issues or tactical opportunities are considered at quarterly meetings of Panel and /or Committee.</p> <p>Monitoring of investment performance of the Fund is reported to the Panel and Committee quarterly. Implementation of strategic or tactical decisions is reported as required to Panel and /or Committee.</p> <p>Any issues will be reviewed by the investment panel prior to being considered by the committee (on-going).</p>			3			4			12	A	Greater than £1m

		<p>The estimated funding level is reviewed quarterly to monitor the impact of the investment return on the funding level and is reported to Committee (on-going). Ensure specialist advice is taken prior to any investment decisions are made to ensure decisions are in line with SIP and contribute to investment objective. Report any potential legislation changes that may affect the investment strategy to the Panel for discussion. Discuss implications of consultation papers or draft regulations with advisors immediately to assess impact and identify potential projects. Inform scheme employers and members as appropriate of any potential changes in the relating to investments and funding in the regulations.</p> <p>Ensure SIP clearly sets out investment strategy and is kept up to date</p> <p>Established Investment Panel to support Committee in implementation of investment strategy.</p> <p>Explore approaches to managing liabilities more effectively and build into funding and investment strategies</p>											
27	<p>The investment managers appointed by the Avon Pension 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</p>	<p>Monitoring & managing the performance of the managers is delegated to the Panel. The RAG performance monitoring framework identifies managers that are underperforming and issues that could impact future performance. Issues and changes in RAG ratings are reported to the Panel who agree an action plan to address the issue. The Panel reports quarterly to committee on the</p>		3			2			6	G	Greater than £1m	

	<p>the investment returns required to fund the liabilities. This could negatively affect the contribution rates paid by the employing bodies.</p>	<p>performance of the managers and changes in RAG ratings.</p> <p>Ensure adequate due diligence is undertaken prior to the appointment of a new manager, incorporating the use of external advice covering technical capability, investment approach, risk management (including responsible investing risks) and value for money. The impact of underperformance by any individual manager is limited given diversification within investment management structure. Thus in aggregate the likelihood and impact are reduced.</p>																
28	<p>The Fund is unable to recruit appropriately skilled technical or investment staff given the short supply of such staff regionally in the market. This could restrict the Fund's ability to develop and implement the service plan.</p>	<p>Complete PDR process with all staff to identify training and professional qualification needs based on Service requirements.</p> <p>Identify at risk areas and consider succession planning to minimise risk of losing skilled/specialist staff. Explore options for developing apprentice and graduate level staff.</p>			3					2				6	G	£10,000 to £100,000		
29	<p>There is a risk that the service does not focus on the customer needs / expectations resulting in poor service delivery and inability to maintain good customer service</p>	<p>Ensure all policies are in place to ensure quality service is delivered to TPR requirements. Review periodically e.g. administration and communications strategies, SLAs</p> <p>Use of feedback from members and employers to continually improve the service</p>	1							2				2	G	£10,000 to £100,000		

38	The pension fund monies are not accurately allocated to the pension fund bank account through the income receiving system. This will result in an incorrect pension fund cash balance.	Bank reconciliation in place whereby the pension fund accounts are reconciled to the pension fund bank account on a weekly basis (ongoing). Monthly reconciliation statement reviewed by Investments Manager.	1				1				1	G	£100,001 to £1m
39	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.	Annual report to Committee to obtain approval for the Pension Funds Treasury Management Policy (sets out the maximum limits and maturity terms for each counterparty). Monitor compliance with the PF Treasury Management Policy by reviewing Investment Activity Report (ongoing).		2				3			6	G	Greater than £1m
40	The pension fund cash flow profile is maturing. Risk there is not 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.	Policy in place to monitor cash balance during the monthly cycle. Monitor on ongoing basis. Investment policy addresses need to generate income from investments portfolio and / or the divestment of assets as required. The cash requirement is monitored on ongoing basis.	1				3				3	G	£100,001 to £1m

41	There is a risk that the service fails to comply with the Council's codes of practices, standing orders and corporate policies in respect of equalities, H&S and employment. Implication: fines for non-compliance, disciplinary issues, reputational risk.	Ensure all managers are aware of the Council's policies which are documented on the Council's information system	1					2			2	G	£10,000 to £100,000
42	Increasing political pressure to reform scheme structure, governance and direct investment decisions. If fund does not have robust plan for change, government may legislate to enforce change: Implications: committee does not make decisions in the best interest of the Fund or is unable to make decisions.	Have well defined investment policies in place setting out investment objectives and criteria. Engaging with the government through the consultation process, with consistent message Participate in collaborative working practices with other LGPS funds where possible/appropriate Officers responsibility is to advise Committee and if Committee unable or unwilling to take decisions, can refer issue to S151 Officer under urgent powers or report under Code of Conduct Discussing with other funds to agree frameworks for collaboration and identifying opportunities for shared investments.			4			4		16	R	Greater than £1m	
43	Changes to the scheme lead to significant implementation failures	Have project plans in place with distinct milestones and responsibilities										£100,001 to £1m	

	or lack of resources to deliver existing service. Implication: productivity falls, quality of service reduced, mis-information to employers and members - CLOSED	Review project plans progress at monthly management meetings.											
44	Office move: service moving to new council offices by November 2014. Risk that move delayed; physical move causes delays to work; access to systems for flexible working not fully operational by move date. CLOSED	<p>Prepare teams for new flexible working environment prior to move (review filing, start working flexibly, restructure work processes for fully electronic working).</p> <p>Test systems thoroughly before move to identify issues and put work around solutions in place</p> <p>Have identified "movers & shakers" to engage actively with Council project team and feedback requirements to management team.</p>											Under £10,000
45	Pension 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 it matures the fund more quickly than assumed in the 2013 valuation. Cash flow could become more negative due to transfers out. As yet no	<p>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. Initial report prepared by actuary in June 2015. Ongoing review as experience develops.</p> <p>Review leaver process to ensure capture numbers that leave due to this option.</p> <p>Engage with DCLG/Treasury and actuarial bodies on relevant regulations / guidance.</p> <p>Build assumption for transfers out into cash flow model once experience develops.</p>		3				3		9	A	Greater than £1m	

	clarity as to how it may affect the actuarial assumptions used for such transfers.	Assess impact on investment strategy in terms of maturity profile, cash flows and income generation.												
46	Transformational risk as move towards fully electronic management and use of data and information	<p>Training of employers to ensure staff have sufficient knowledge to transact electronically. This could include Fund officers working at employer sites or remotely to support employers</p> <p>For those members that still request non-electronic data receipt, have alternative systems in place to meet their needs.</p> <p>Resource and systems in place to support transformation viz employer communications strategy/website/training</p>		2				2				4	G	Under £10,000
47	Introduction of employer cost cap mechanism by central government. PR/communication risk and increased need for communications to employers and members	<p>Ensure this is covered in employer user groups/forums and explained via employer and member newsletters.</p> <p>Use generic material from Actuary to communicate to employers.</p> <p>The cost cap mechanism will be discussed with the Committee during the 2016 valuation process.</p>			3			1				3	G	Under £10,000

48	Trivial commutation project. Small pensions in payment can be commuted to a lump sum. Around 4000 pensioners may be eligible under this regulation. Implications: Impact on cash flow through payment of lump sums versus monthly payments; resources required to support the project.	Manage resource requirement over medium timeframe			3				2				6		£100,001 to £1m
49	Freedom & Choice in Pensions. Pensions reforms offering greater flexibility on DC schemes for individuals aged 55 and over. There is an indirect impact on members considering DB to DC transfer arrangements	Member transfer estimate and payment requests monitored and reported Freedom and choice guidance and member F&Q's communicated and available on website Transfer process amended to require appropriate (FCA) advice for payment requests. Recommended for <£30K			3				2				6	G	£100,001 to £1m
50	B&NES Reduced Office Space in Civic Centre. Office closure in Bath resulting in expected increase in staffing numbers from Nov/Dec 2015.	Task workflow project implemented to support flexible working for 50% staff officers Hot Desking Spreadsheet set up to identify desk availability		2					3				6	G	Under £10,000

51	<p>Risk of Fund retaining incorrect pensions liability - GMP Reconciliation Exercise. Following the abolishment of contracting out earnings effective from April 2016, requirement to undertake a reconciliation of GMP liability between Fund and HMRC. Completion date due end 2018</p>	<p>Manage resource requirements over timeframe</p> <p>Develop project plan to manage data reconciliation process and outcomes including volumetrics</p> <p>Monitor and report progress and actions taken</p> <p>Communicate with HMRC and members regarding actions undertaken (ongoing)</p>			3				3			9	A	£100,001 to £1m
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