

# AVON PENSION FUND RISK REGISTER

Owner(s): Liz Woodyard / Geoff Cleak

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RISK STATUS KEY	
LOW	1 to 6
MEDIUM	7 to 14
HIGH	14 to 25

#		DESCRIPTION	DATE ENTERED	RISK OWNER	CATEGORY	RISK SCORE										OVERALL TOTAL	CURRENT OVERALL STATUS	PERIODS AGO				CURRENT STATUS OF ACTIONS	ACTIONS TO MANAGE RISK	KEY UPDATES/CHANGES TO ACTIONS DURING PERIOD
						Likelihood					Impact													
						1	2	3	4	5	1	2	3	4	5									
1	R42	Increase political pressure to reform the scheme & governance, reduce costs and direct investment decisions. If the fund does not have a robust plan for change, risk that government will direct funds. Implications: committee is unable or does not make decisions in best interest of the fund.	12-Sep-13	Head of Business, Finance and Pensions	Investment Strategy				4					4		16	HIGH	H	H	H	On target	The Investment Strategy Statement clearly defines the investment principles and objectives and the strategy in place to deliver. The Fund is actively developing Brunel Pension Partnership (BPP) to meet the government broad agenda to reduce investment fees and increase efficiency. BPP and the LGPS Cross Pool Collaboration Group is actively engaging with government on a wide range of issues related to the government's agenda.		
2	R25	Lack of knowledge and continuity within the Committee (risk arises as some members face re-election simultaneously. Until members are fully trained maybe a delay in decision making).	01-Jul-08	Pensions Investments Manager	Governance				4				3			12	MEDIUM	M	M	M	On target	There is a training plan in place linked to the 3 year Service Plan, which is periodically reviewed. The Committee includes 2 independent members that are not subject to the electoral cycle. An induction programme is provided for all new members, tailored for the Committee agenda for the next 12 months. Periodically as self-assessment of training needs is undertaken to ensure knowledge gaps are identified and addressed in the training plan.		
3	R26	The Fund fails to achieve investment returns sufficient to meet its liabilities as set out in the valuation. This may be due to strategy failure or investment managers appointed for each investment mandate failing to achieve their benchmark. Implications: this could negatively impact employer contribution rates.	01-Jul-08	Pensions Investments Manager	Investment Strategy				3					4		12	MEDIUM	M	M	M	On target	A strategic review of the investment strategy is undertaken at least every 3 years. It determines the appropriate strategy to deliver the returns assumed by the actuarial valuation. The Fund adopts a diverse strategy across assets and managers which limits the impact of any one asset class or manager on the performance of the fund. The strategy is reviewed quarterly and annually by Committee (between strategic reviews) when the investment performance is measured against the liabilities, the strategic benchmark and mandate performance targets. The managers are monitored against their mandate guidelines quarterly by the Investments Panel. Recommendations for action are made to Committee or actioned under delegated powers of the Panel. Significant due diligence is undertaken when appointing managers; process ensures there is not undue reliance on past performance. Specialist advice is commissioned covering both strategic issues, ongoing monitoring of strategy and managers and evaluating potential managers during procurement process.		

4	R51	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	10-Aug-15	Technical & Compliance Advisor	Admin Strategy			3						4		12	MEDIUM	M	M	M	On target	There is a project plan in place linked to 3 year Service Plan which is periodically reviewed. Additional resource identified as 1.5 fte to carry out reconciliation under management of Technical & Compliance Advisor. Exceptions reported to HMRC and progress/action reports provided periodically to Pensions Committee & LPB.	Review scope of project. Need to agree policies for tolerances with Committee
28	R56	Significant increase in employers especially if all schools convert to academy status.		Pensions Manager	Admin Strategy				4				3			12	MEDIUM				On target	Resources have been increased to support employer services within both actuarial and administration teams, reflecting the increase in new schedule bodies and admission bodies.	
22	R16	Staffing – Failure of the Pension Fund to ensure it has adequate resources and staff with the requisite skills and competencies to administer the Fund.	01-Jul-08	All Managers	Admin Strategy				4				3			12	MEDIUM	L	L	L	On target	Officers are trained and updated in key areas. Attendance at relevant national courses and internal training with peers. Succession planning to build resilience and minimise risk of losing skilled/specialist staff. Implementation of skills and knowledge training plan following admin restructure (Jan 2017) and introduction of Apprentice programme from April 2017.	
18	R01	System Failure – Failure of the Fund to ensure it has adequate and robust systems to ensure pensions are administered and paid in accordance with statutory obligations.	12-Sep-13	Pensions Manager	Admin Strategy			3					3			9	MEDIUM	L	L	L	On target	The Fund has policies in place which are periodically reviewed to ensure statutory obligations are met. Systems Control team has been incorporated with Financial Systems management to build internal resilience. Operational agreements in place with/for (i) Financial Systems (ii) SLA with Heywood (software provider) (iii) B&NES IT for corporate systems (iv) APF DR policy (v) B&NES BCP (vi) Daily system back-up. Two major systems update projects about to be undertaken with Heywoods 1) Move of Altair to a Windows platform due to the existing risk presented to APF by the age of and type of platform of the existing Altair servers 9 -10week project 2) Java technical platform change for payroll support. Appx 17 week project requiring min of 2 months of dual processing Two major systems update projects about to be undertaken with Heywoods 1) Move of Altair to a Windows platform due to the existing risk presented to APF by the age of and type of platform of the existing Altair servers 9 -10week project 2) Java technical platform change for payroll support. Appx 12 week project requiring min of 2 months of dual processing	Exploring possibility of hosted service with software provider. SLA with Finance Support System team being developed. Project plans with individual risk logs for Altair to Windows and Java Payroll projects being developed. Project implementation July 2017 onwards. Liaison between APF, Systems Support team and Heywoods to ensure successful completion. Risk that payroll project could be delayed if Windows project overruns

5	R54	The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The project is now in implementing phase with the company established. Key senior staff is being recruited but still risk adequate resources are not available in line with timetable. Any of the above could seriously impact the Fund's and pool's ability to deliver savings according to financial case. Focus in next 12-24 months on operational implementation and transition of assets.		Pensions Investments Manager	Governance		2					4		8	MEDIUM	M			On target	Shadow governance structure will move to formal structure with creation on company (July 2017). Governance structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice has been commissioned to advise on the legal structure required, FCA authorisation and related issues. Advice will continue to be commissioned as required. Additional resources provided to project team to manage implementation stage. Local funds have put delegations in place to ensure decisions can be made. Chair and NEDs appointed; Exec team in process of being appointed (July 2017). Rest of team below exec still to be appointed thus still risk to implementation timetable.	
6	R05	Data Protection – Failure to secure and manage personal data held by the Pension Fund in an appropriate manner and in line with statutory responsibilities.	01-Jul-08	Pensions Manager	Admin Strategy		3			2				6	LOW	L	L	L	On target	All staff undertake to share personal data with 3rd parties through controlled framework; compliant with B&NES DP policies. Awareness of potential risk in not doing so. Members including pensioner members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud in accordance with National Fraud Initiative. (On-going) Further staff training to be undertaken in 2017 to reinforce awareness	
7	R10	Contributions from employing bodies are incorrect in value or are late. Implications: adverse short term cash flow; employer funding position could be over/under stated; possible breach of TPR code which could lead to fines.	12-Sep-13	Finance & Systems Manager (Pensions)	Admin Strategy		2				3			6	LOW	L	L	L	On target	Monthly receipt of contributions is monitored and payments received are reconciled to LGPS 50 forms. Incorrect or non-payments are followed up in line with TPR code. Annually reconcile receipts from employers to member records. Late payers are reported quarterly to Committee and followed up in line with Late Payers policy.	
8	R19	Lack of adequate resources/ knowledge at scheme employers leading to a failure to comply with obligations to pension fund and employee members, and TPR code.	12-Sep-13	Pensions Manager	Admin Strategy		2				3			6	LOW	L	L	L	On target	The Pensions Admin Strategy clearly defines the Governance and administration requirements of TPR's Code of Practice as properly addressed as they fall to the Fund and its Employers. Key objectives/strategies set (communications, training, ICT & performance framework).	Task workflow and reporting project due completion in November 2017. MSS 2 development in progress.

9	R23	Insolvency of scheme employers without sufficient monetary guarantees or bonds to make good their outstanding liabilities on exit. Implication: as shared risk scheme any liability is absorbed by the fund and spread across all remaining employers which could negatively impact contribution rates.	01-Jul-08	Pensions Investments Manager	Funding Strategy				3				2				6	LOW	L	L	L	On target	Current policy is to only admit admission bodies where the pension liabilities are guaranteed by a scheme employer or a bond is in place. Covenant assessment monitoring process in place for on-going assessment of financial standing of fund employers. Incorporated into funding plan. For those bodies where greater security can be obtained work is ongoing to obtain a bond, guarantee or charge on assets. Exit and termination policies are in place to ensure financial risk is minimised when employers leave the fund. For those employers where the pension liabilities undermine the financial viability of the organisation, explore ways of capping the debt.	
10	R27	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 the investment returns required to fund the liabilities. This could negatively affect the contribution rates paid by the employing bodies.	01-Jul-08	Pensions Investments Manager	Investment Strategy				3				2				6	LOW	L	L	L	On target	Risk updated Jan 2015. Higher likelihood; impact lower	
11	R28	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 be exacerbated by the creation of BPP Ltd. based in Bristol which will manage the fund's assets. This could restrict the Fund's ability to develop and implement the service plan.	01-Jul-08	All Team Managers	Governance				4				3				12	MEDIUM	L	L	L	On target	Complete PDR process with all staff to identify training and professional qualification needs based on Service requirements. re BPP - Once know impact on team, consider all options for managing work including buying in resource from BPP. Identify at risk areas and consider succession planning to minimise risk of losing skilled/specialist staff. Build in resilience by broadening technical knowledge of staff within teams. Explore options for developing apprentice and graduate level staff.	
15	R20	Governance risk of investment managers, custodian and other investment suppliers. This includes the financial risk that could lead to insolvency or a weak control environment (which fails to prevent fraud). Implications: Detrimental impact to the investment strategy through loss of assets or inability to trade due to assets being inaccessible.	12-Sep-13	Pensions Investments Manager	Governance	1							4				4	LOW	L	L	L	On target	Include in procurement due diligence legal advice as to contracts to ensure adequate protection in the event of fraud, negligence or insolvency and check financial standing of supplier during tender Effective contract management to include: (i) review of Internal control reports annually; (ii) annual review of financial standing (iii) Annual monitoring of any outsourcings of key services or sub-custodians by fund's providers; (iv) Monitor due diligence undertaken by the hedge fund manager on underlying managers/holdings on controls around administration and prime brokers is assessed on appointment and monitored annually as part of the audit process (v) 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	

16	R52	Risk to investment strategy from MIFID II (Markets in Financial Instruments Directive II); effective from 1 January 2018. The directive will change the Fund's status from professional to retail investor. Implications: possible forced sale of non-retail compliant assets; increased costs of compliance if elect for professional status; need to evidence that we meet criteria for elect up; restricted investment universe if stay as retail investor. If remain retail investor, current strategy will have to be amended (illiquid assets would not be permissible).	17-Nov-15	Pensions Investments Manager	Investment Strategy		2					2				4	LOW	L	L	L	On target	Engaging with FCA via LGA and Cross Pool Collaboration Group to ensure criteria for opt up to professional status is possible and efficient for LGPS funds. In discussions with managers as to their approach to evaluating LGPS funds under MIFID II and subsequent process if fail to opt up.	
17	R53	Expected introduction of the exit cap will place an additional burden on the administration resource	01-Apr-16	Pensions Manager	Admin Strategy				4		1					4	LOW	M			On target	The Pension Fund will undertake communication/discussions with employers on how to implement statutory requirements. A project will be set up to review systems and processes.	
19	R07	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	01-Jul-08	Comms Manager	Admin Strategy	1						3				3	LOW	L	L	L	On target	Regular newsletters and bulletins advise members of performance and any regulation changes with the LGPS. Employers are made aware of responsibilities through bulletins and forums plus any statutory changes. Annual Employers Conference held. Maintain members and employers websites, including self service functionality. Maintain Customer Service Charter to communicate service standards. Communication Strategy (part of the Admin Strategy) sets out Fund's policy statement and a strategic approach to communication.	
20	R08	Avon Pension Fund Committee and employing bodies do not receive independent assurance that the Fund's system of internal controls including identification of fraud and money laundering operating effectively. Internal and external audit provision must be in place.	01-Jul-08	Pensions Manager	Governance	1						3				3	LOW	L	L	L	On target		
21	R14	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 payments are not paid promptly. Non compliance with TPR code.	01-Jul-08	Pensions Manager	Admin Strategy	1						3				3	LOW	L	L	L	On target		
23	R40	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.	01-Dec-09	Pensions Investments Manager	Investment Strategy	1						3				3	LOW	L	L	L	On target	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.	
24	R47	Introduction of employer cost cap mechanism by central government. PR/communication risk and increased need for communications to employers and members	19-Dec-14	Comms Manager	Admin Strategy			3			1					3	LOW	L	L	L	On target	Ensure employers / members are informed thru newsletters, websites and any forums etc. Use generic jmaterial from Actuary to communicate to employers. Cost Cap mechanism discussed as part of 2016 valuation.	
12	R39	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.	01-Dec-09	Finance & Systems Manager (Pensions)			2				1					2	LOW	L	L	L	On target	approval for the fund's Treasury Management Policy (sets out the maximum limits and maturity terms for each counterparty rating). Officers monitor compliance with the Treasury Management Policy by reviewing Investment Activity Report and report breaches to committee.	

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