AVON PENSION FUND RISK REGISTER - TOP 10 RISKS

Owner(s): Liz Woodyard / Geoff Cleak **Date updated:** 26/02/2017

RISK STATUS KEY

LOW	1 to 6
MEDIUM	7 to 14
HIGH	14 to 25

	#	DESCRIPTION	DATE ENTERED	RISK OWNER	CATEGORY	RISK SCORE Likelihood 1	2	3	4	5	Impact 1	2	3	4	5	TOTAL	CURRENT OVERALL STATUS	PERIODS AGO 1	2	3	CURRENT STATUS OF ACTIONS	ACTIONS TO MANAGE RISK
1	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 has been exacerbated by the creation of BPP Ltd. (Brunel) 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					5				4		20	HIGH	H	H	M	Potentially off target	Complete PDR process with all staff to identify training and professional qualification needs based on Service requirements. Re Brunel - significant impact with loss of 3 FTE staff. Interim plan to rebuild team reflecting transition of assets to BPP is being put in place. Will include buying in resource from advisors or BPP as appropriate. Investment work programme is continuously risk reviewed to ensure only priority work will be undertaken in the short term. 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.
2	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 a participant in the Brunel Pension Partnership to meet the government broad agenda to reduce investment fees and increase efficiency. Brunel and the LGPS Cross Pool Collaboration Group actively engages with government on a wide range of issues related to the government's agenda.
3	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 a self-assessment of training needs is undertaken to ensure knowledge gaps are identified and addressed in the training plan. This is now more important in order for the Fund to comply with MIFID2.

#	Ref	Risk Description	Date	Owner	Strategy	Current Score	Target Score	Total	Rating				Status	Controls / Mitigation
4	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 and takes into account the market outlook. 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 monitored 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 Fund implements risk management strategies as appropriate to increase probabilty that funding plan will be achieved (curently LDI and Equity protection strategies). 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. As the assets transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel.
5	R51	Risk of Fund retaining incorrect pensions liability - GMP Reconcilliation Exercise. Following the abolishment of contracting out earnings effective from April 2016, requirement to undertake a reconcilliation 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 as1.5 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.
6	R56	Significant increase in employers especially if all schools convert to academy status.		Pensions Manager	Admin Strategy	4	3	12	MEDIUM	M	M	M	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.
7	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	M	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 2018.

#	Ref	Risk	Date	Owner	Strategy			Impact							Likelihood			Score	Rating				Status	Commentary
8	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. Implications and impact of upcoming EU General Data Protection Regulations (GDPR) - ensure systems and processes inplace to comply with legislation - required May 2018	01-Jul-08	Pensions Manager	Admin Strategy			3							4			12	MEDIUM	M	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 . Project group set up to look at implications of GDPR in conjunction with corporate Information Governance team and assess current processes and improvements to be made.
9	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	M	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. Move of Altair to a Windows platform successfully took place in Sept 2017. Java technical platform change for payroll support still needs to be undertaken - Approx 17 week project requiring min of 2 months of dual processing

| 10 | R54 | The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The Company is now established and working towards FCA authorisation, getting fully staffed and developing transitions plan for assets. 3 significant risks 1)transition of local funds to new custodian; 2) transition of local fund assets to the Brunel portfolios and 3) FCA authorisation. A delay in either 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 | M | M | On target | The Brunel governance structure is in place. Governance structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice has been commissioned to advise Brunel and pool on FCA authorisation, custody transition and related issues. Advice will continue to be commissioned as required.
Interim resources in place to support client side of the pool during 2018.
7 of 10 funds transitioned to new custodian by March 18. Process in place to ensure the custody transition does not delay the transition of assets and agreement of how any extra costs due to delays will be shared.
Brunel developing transition plan for 2018-20. Portfolios for quoted assets agreed in Jan 18; non quoted asset portfolios to be agreed in 2Q18. Avon will develop own plan consistent with Brunel timetable to ensure any decisions/governance by Avon is identified and dealt with accordingly.   Client Group will monitor plan with Brunel to ensure meets objectives, any changes are understood and agreed and where necessary, issues are escalated to Brunel Oversight Board.
Quarterly Committee agenda includes Brunel update report. |