

AVON PENSION FUND RISK REGISTER - TOP 10 RISKS

Owner(s): Liz Woodyard / Geoff Cleak

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

| | # | DESCRIPTION | DATE ENTERED | RISK OWNER | CATEGORY | RISK SCORE | | | | | | | | | | TOTAL | CURRENT OVERALL STATUS | PERIODS AGO | | | CURRENT STATUS OF ACTIONS | ACTIONS TO MANAGE RISK |
|---|-----|--|--------------|--|---------------------|------------|---|---|---|---|--------|---|---|---|---|-------|------------------------|-------------|---|---|---------------------------|--|
| | | | | | | Likelihood | | | | | Impact | | | | | | | 1 | 2 | 3 | | |
| | | | | | | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 | | | | | | | |
| 1 | R28 | The Fund is unable to recruit appropriately skilled administrative, 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 and administer the Fund. On the investment side this has been exacerbated by the creation of BPP Ltd. (Brunel) based in Bristol which will manage the fund's assets. | 01-Jul-08 | All Team Managers | Governance | | | | | 5 | | | | | 5 | 25 | HIGH | H | H | H | On target | Complete PDC process with all staff to identify training and professional qualification needs based on Service requirements. 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. Re Brunel - significant impact with loss of 3 FTE staff. 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 and strengthening Governance and Risk Management within the fund. Investment work programme is continuously risk reviewed to ensure focus is on strategic and operational priorities. Implementation of skills and knowledge training plan following admin restructure (Jan 2017) and introduction of Apprentice programme from September 2018. The 2019/22 Service Plan provides for extra resource to support delivery of strategic training plan. |
| 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. |

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| 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 | <p>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.</p> <p>The Fund adopts a diverse strategy across assets and managers which limit the impact of any one asset class or manager on the performance of the fund.</p> <p>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 probability that funding plan will be achieved (currently LDI and Equity protection strategies).</p> <p>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.</p> <p>Significant due diligence is undertaken when appointing managers; process ensures there is not undue reliance on past performance.</p> <p>Specialist advice is commissioned covering both strategic issues, ongoing monitoring of strategy and managers and evaluating potential managers during procurement process.</p> <p>As the assets transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel. The Fund's responsibility will be to monitor Brunel's portfolios and Brunel's capability as the manager.</p> |
| 5 | 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 March 2019 | 10-Aug-15 | Technical & Compliance Advisor | Admin Strategy | | | 3 | | | | | | 4 | | 12 | MEDIUM | M | M | M | On target | <p>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. Report on GMP project submitted to PC September 2018. Letter to be sent to SAB & LGA seeking guidance on rectification of overpayment cases awaiting responses - February 2019.</p> |
| 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 | <p>Resources have been increased to support employer services within both actuarial and administration teams, reflecting the increase in new schedule bodies and admission bodies. Significant focus on developing more efficient automated processes. The administration of Academies within the LGPS is being reviewed by SAB</p> |

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| 7 | R05 | General Data Protection Regulation – 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 EU General Data Protection Regulations (GDPR) - ensure systems and processes in place and are complied with. | 01-Jul-08 | Pensions Manager | Admin Strategy | | | 3 | | | | | | 4 | | 12 | MEDIUM | M | M | M | On target | <p>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. GDPR privacy notices provided to all members. All staff undertaking GDPR online training programme, which is monitored and recorded.</p> <p>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)</p> <p>Project set up to ensure GDPR compliance to identify processes that need to be put in place - working with corporate Information Governance team.</p> |
| 8 | R54 | The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The FCA- authorised company is now operational. The key risk is the transition of local fund assets to the Brunel portfolios. A significant delay in this could seriously impact the Fund's and pool's ability to deliver savings according to financial case. Focus in next 12-24 months is transition of assets, operational aspects relating to this and client monitoring and reporting. | 01-Jul-16 | Pensions Investments Manager | Governance | | | 2 | | | | | | 4 | | 8 | MEDIUM | M | M | M | On target | <p>The Brunel governance structure is in place. Governance structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice will be commissioned as required to assist the transition. Interim resources in place to support client side of the pool during the transition.</p> <p>Brunel developed a transition plan for 2018-20. Portfolios for quoted assets agreed in Jan 18; non- quoted asset portfolios agreed in April 18. Avon developed its 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 by the Shareholders and where necessary, issues are escalated to Brunel Oversight Board. Brunel Transition Plan revised in November 2018.</p> <p>Quarterly Committee agenda includes Brunel update report. Client side sub groups established to work closely with Brunel on portfolios & transition, financial aspects, RI and services delivered by Brunel.</p> |
| 9 | R57 | Pension Fund does not comply with the Transparency Code for full disclosure of Investment cost in the Annual Report of Accounts from 2018/19. The FCA is issuing a template to managers to provide the info to the Fund. Managers then have 12 months to comply therefore there is a risk that the Fund doesn't have full disclosure for 2018/19. Main risk is reputational if cited as non-compliant. | 18-Jul-18 | Investments Manager | Investment Strategy | | | | 4 | | | 2 | | | | 8 | MEDIUM | M | L | | On target | <p>The Fund has a project plan in place to collate as much info as possible in line with the Code. The Brunel client group and Brunel are working together to ensure funds in the pool understand the requirements and disclose in a consistent manner. The FCA reporting template has yet to be issued. As a result CIPFA have confirmed 2018/19 disclosure is on best endeavours basis as data is still incomplete.</p> |

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| 10 | 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 | | 2 | | | | | | 3 | | | 6 | LOW | L | L | L | On target | The Fund has policies in place which are periodically reviewed to ensure statutory obligations are met. Financial Systems team provides expert technical support to the Pensions service. 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. Arrangements with FS & IT to undertake replacement server – expected to complete during 2019/20. |
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