

Appendix A - Risk Register

| Risk | Risk Number | Impact | RAG | Trend | Mitigating Action (For Committee / Board report) |
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| Recruitment of staff | R28 | Fund's ability to develop & implement service plan and administer the Fund | | ◀ | First phase of three phases of recruitment for Administration posts started in September 20. Trainer has been appointed to train the new recruits. A new member of the Investments Team started in January 2021. |
| McCloud/Sargeant Judgements resulting in the extension of protections | R63 | Increase in workload on administration side and for scheme employers | | ▶ | The consultation has now closed and we expect a response to be issued by MHCLG in early 2021 outlining the final remedy. Changes to primary legislation not expected until April 2022. Work is underway to develop a comprehensive project programme with multiple workstreams contained within it. Initial analysis has been carried out to identify the number of members that are impacted by the consultation proposals, the action required to implement the remedy and which employer they fall under. The current priority is to collect missing data from employers in respect of working hours and details of service breaks, since 1 April 2014, for all members in scope of protection. |
| Deterioration in financial stability of employers (employer Covenants) | R23 | employers not able to meet their liabilities impact on rest of Fund | | ◀ | The covenant work plan has been agreed & is being implemented. Experiencing an increase in contribution queries from outsourcing employers about pension costs on their contracts. Actively considering the changes to the USS debt arrangements with employers which would mean LGPS ranks lower in event of insolvency, which will affect covenant of HE's. Policy being developed for Deferred Debt Arrangements (regulations passed but implementation guidance is not due until early 2021). |
| Political Pressure to reform the scheme & direct investment decisions eg ESG | R42 | National decisions are not in best interests of the scheme | | ▶ | Participate in Brunel pool, ISS aligned with Fund's Climate Change policy. Supreme court judgement against SoS re ESG guidance clarifies that government only has power over how funds invests, not what they invest in. Have good local governance but national decisions could impact. Developing comms strategy to manage ESG information and debate more proactively with all stakeholders. Government policy stalled temporarily due to pandemic but DWP/MHCLG/SAB guidance on ESG being issued and still high on agenda. |
| Failure to earn investment returns | R26 | scheme cannot meet liabilities, employer costs could rise | | ◀ | Review of Investment Strategy & risk management strategies. Specialist advisors used. Revised ISS was approved in April 2020. Market volatility & event risk remains but significant market recovery has led to Fund recovering Q1 losses. Portfolio positioned defensively with min exposure to UK equities. |
| Increase in employers | R56 | increased resources needed to support more employers | | ▶ | Additional resources have been put into Employer Services to support & train employers. Phase one of three phases of recruitment started September 20. Trainer has been appointed to train the new recruits. Currently more employer exits than new admissions. |
| Climate Change Emergency | R60 | Significant financial risk to the value of the investments assets | | ▶ | Climate Change still represents significant risk to investment strategy and value of underlying holdings due to lack of clarity on how companies will meet respective emissions reductions targets. Interim equity allocation review commencing May/June 2021 to better understand impact of increased allocation to sustainable equities and move into next generation passive equity indices building on funds low carbon approach. Brunel portfolios seek to reduce emissions by 7% YoY to facilitate client net zero ambitions. 2022 stocktake to assess whether on track to achieve this. |
| Inadequate knowledge of those charged with governance. Committee Members knowledge is impacted by re-election process. Failure to comply with statutory regulations | R25 | delays in decision making for the Committee & Fund. Failure to meet MIFID & TPR regs | | ▶ | Hymans NKA reviewed and training planned throughout the year for committee & PB members inline with the recommendations. Plan to recruit in 2022 for ind member and 2021 for PB members |
| Implementation of changes arising from scheme cost cap mechanism | R47 | Additional burden on administration. Awareness of members & employers | | ▶ | On 16 July 2020 the Government made an announcement confirming that the cost control mechanism pause will be lifted for public sector schemes and the objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination. The SAB further agreed that the LGPS cost cap arrangement should be un-paused in the same way as the HMT arrangement, but no action should be taken until the HMT Direction, on how McCloud costs are to be considered, is published early next year along with the final remedy details. |
| Delays in transition of assets to Brunel or Brunel fails to deliver its objectives | R54 | delays could impact pool's ability to deliver savings in line with business case or pool could fail if objectives are not met | | ◀ | Monitoring of transition plan by Inv Panel & Committee. Transition plan nearing completion. Focus shifting to BAU/strategic developments. |
| Iconnect data from employers | R59 | Incorrect member data on records and valuation of employer liabilities | | ▶ | Iconnect Team has been set up and extracts are now loaded inhouse. DPIA to be reviewed 2021 & audit actions complete. New tolerances in IC will stop a load proceeding without the fund's approval enabling loading to be handed back to some employers. |
| Sustainability of working arrangements during Covid 19 outbreak | R64 | Unable to deliver service to members and employers | | ▶ | Steps have been taken to mitigate the risk of Coronavirus impacting on the service as set out in our business continuity update report circulated to Committee members June 2020. TPR/SAB guidance continues to be reviewed as received & procedures reviewed as necessary. A review of staff identified as needing to return to the office was done but due to latest Government guidance all staff will continue to work from home for time being. Roll out of new IT equipment to all staff expected app April 2021 |
| Failure to secure and manage personal data held by the Fund in line with Data Protection Regulations | R05/R58 | Personal data is corrupted, compromised or illegally shared resulting in fines & reputational damage. | | ▶ | Working through Data Protection project plan with assistance of Banes DPO. New processes put in place for remote working due to Coronavirus (DPIA assessment carried out) Cyber Security E-Learning for all staff |

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| Service delivery efficiency & customer service | R29 | poor member outcomes | | ◀ | We are working on a number of initiatives that will increase the resilience of our communications: We have started to expand our use of MSS (Member Self-Service) for member communications starting with developing the Deferred payment request initiated with a digital request. This will then form a template on how future services can be digitised. We have started to develop a Digital ABS option for Deferred members and will soon be testing a Word template. We are also exploring the options for the relocation of our Altair Scanner to a remote location which will improve our organisational resilience, and safeguard staff members. |
| Late / incorrect contributions from employers | R10 | cashflow, employer funding position, TPR breach | | ◀ | Monthly reconciliation, follow up in line with TPR code and late payers reported to Committee & Board. Top 34 employers contributing into the fund continue to pay on time. No significant increase in terms of other employers paying late, but this should still be monitored very closely as the situation continues to evolve. |
| Political pressure to reform the LGPS eg The introduction of the exit payment cap | R53 | This will place an additional burden on the administration resource | | ▼ | Exit Payment Regulations no longer apply with effect from 12 Feb 21, removing the position of legal uncertainty. No cases were processed during the period 4 Nov 20 to 11 Feb 21 therefore no retrospective adjustments are required. There are not likely to be any changes to the LGPS regulations in this area before the government reconsider the changes that are required to tackle unjustified exit payments, which is likely to take some time and require consultation. |
| Loss of capital or income on treasury investments | R39 | Delayed return of principle or investment income | | ◀ | Annual report on Treasury Management Policy (TMP) will be taken to committee in March. The TMP for APF closely aligns with the Council's (approved by Corporate Audit Committee in February). The Council recognises the importance of robust treasury management and appointed a qualified accountant with specific responsibility for treasury issues (appointed 13 months ago). It also uses the advice of Arlingclose in its decision making. |
| failure of employers to meet statutory responsibilities | R19 | Potential fines, greater scrutiny and more reporting | | ◀ | Employer training, reconciliation of member data at year end and regular reporting in line with TRP requirements |
| Disaster Recovery & Business Continuity | R01 | Fund is unable to operate and members do not receive pension payments in time | | ◀ | Disaster Recovery & Business Continuity plans in place and reviewed. APF - BCP (COVID-19) summary overview report produced detailing actions undertaken by the Fund to manage COVID risk. Report circulated to Pensions Committee for comment. Osborne Clark Business Continuity template completed. Risk assessment being carried out for all staff regarding home working conditions and mental health as per Banes guidance and in line with business recovery plan. Further procedures to be reviewed to ensure fit for purpose for remote working. |
| Introduction of Cost Transparency Disclosures | R57 | full disclosure requirements may not be met (presentation of data in AR on a best endeavours basis) | | ◀ | Full disclosure for FY19/20 was not met although there was significant improvement on the prior year. Disclosure rates moved from 70% to 87% of managers reporting in line with CTI guidance. Improvement in disclosures due to private markets mandates coming into scope and improvements to the reporting templates which facilitated more granular reporting from listed markets mandates. Reporting remains on a best endeavours basis. Certain risk management strategies were unable to report as templates not appropriate. Brunel reported for all of their portfolios. All managers to submit to SAB platform. Consultation on LDI template to conclude. |
| Governance risk of Investment Managers, custodian & other investment suppliers | R20 | loss of assets or inability to trade due to assets being inaccessible | | ◀ | Robust procurement & contract management processes to protect Fund. Risk transferring to Brunel, monitored by Client Group |
| Brexit | R55 | negative impact on investment strategy & returns | | ◀ | Paper on Brexit risks taken to Nov 20 Panel. Cashflow monitoring being developed to ensure sufficient ongoing cash collateral to support strategy. UK property transition due in Jan 2021 - UK property portfolio positioned defensively i.e. underweight retail and office space; overweight industrials. |
| System Failure of BACs or Cseries | R14 | pensions cannot be administered & paid | | ◀ | APF uses BANES corporate system. Risk mitigation in line with BANES corporate policy for making payments. Payments system (Cseries) recently upgraded to PTX including increased security features |
| Cashflow profile is maturing | R40 | not enough cash in bank account to meet pension payments | | ◀ | Lower level of cash coming in each month due to unitary employers paying in advance means that we have to top up our cash more regularly. Our lower limit used to be 10m and upper 45m. Now the lower limit is 20m and upper limit is 35m. A combination of these factors (plus COVID) mean we have to monitor our cash position regularly to ensure these limits aren't breached. Top 34 employers continue to pay on time. |
| Ineffective stakeholder communication | R07 | poor public relations with members & employers. TPR breach | | ◀ | Member & employer comms planned and issued to keep updated re the Coronavirus outbreak. Working closely with our supplier we were able to ensure that mailings were sent to all members (Active/Pensioner/Deferred) detailing our actions in response to the Coronavirus outbreak and also the Climate Emergency. We have kept our employers updated about our response to Coronavirus. We have also ensured that advice and information (including webinars) from the LGA, TPR etc. is communicated effectively via email. |
| Internal Controls are not adequate & independently checked | R08/R09 | committee & employers do not receive independent assurances | | ◀ | Schedule of internal & external audits throughout the year. Results reported to Committee & Board |
| Failure to comply with Council's policies & codes of practice | R41 | fines for non-compliance, disciplinary issues & reputational risk | | ◀ | Managers & staff undertake training in accordance with Council's codes of practices and standards |

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| GMP Reconciliation | R51 | Incorrect pension liability retained | ◀▶ | JLT/Mercer consultancy work in progress and expected to complete in March 2021. Outcomes determining potential incorrect liability will be reviewed pending decision on any further action. |
| Investment Strategy impact by MIFID II | R52 | restrictions on investments as retail investor | ◀▶ | Fund given Elected Professional status from all Managers, annual review & Officer / Member training in place. Review to be carried out with Brunel. |
| Exit credits - disputes between exiting employer & outsourcing employer | R62 | Court cases to decide who should receive exit credit | ◀▶ | Regs changed 20th March 2020. We have implemented a determination process to comply with the new Regs and adopted. We are paying 3 small exit credits to employers at present following our new procedure. We can anticipate disputes in future so having a strong policy will be essential. A policy is drafted ready to sending it to Mercer to finalise before the December committee meeting |