

Appendix 1 - 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 | Red | ◀▶ | Now into phase 3 of recruitment plan. Recruitment going well but internal promotions have created further backfill requirements. Technical & Compliance Advisor leaving in June 2021. Mercer contacted and will provide technical support if required. |
| McCloud/Sargeant Judgements resulting in the extension of protections | R63 | Increase in workload on administration side and for scheme employers | Red | ◀▶ | On 13 May 2021, a Written Ministerial Statement outlining some key remedy policies was issued. A formal response to the consultation will be published later this year, and the new LGPS regulations giving effect to the changes are expected to come into force on 1 April 2023, and be retrospective to 1 April 2014. |
| Deterioration in financial stability of employers (employer Covenants) | R23 | employers not able to meet their liabilities impact on rest of Fund | Red | ◀▶ | 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). |
| Failure to earn investment returns | R26 | scheme cannot meet liabilities, employer costs could rise | Red | ◀▶ | 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 | Red | ◀▶ | 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. |
| Political Pressure to reform the scheme & direct investment decisions eg ESG | R42 | National decisions are not in best interests of the scheme | Red | ◀▶ | 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/ |
| Climate Change Emergency | R60 | Significant financial risk to the value of the investments assets | Red | ◀▶ | SAA revised to a higher allocation to climate positive investments. Unable to control global markets in general only through strategy. |
| Implementation of changes arising from scheme cost cap mechanism | R47 | Additional burden on administration. Awareness of members & employers | Yellow | ◀▶ | 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. |
| Iconnect data from employers | R59 | Incorrect member data on records and valuation of employer liabilities | Yellow | ◀▶ | Iconnect Team has been set up and extracts are now loaded inhouse. New tolerances in IC will stop a load proceeding without the fund's approval enabling loading to be handed back to some employers. Plans being developed to hand back loading to Employers. project. |
| Failure to secure and manage personal data held by the Fund in line with Data Protection Regulations | R05 | Personal data is corrupted, compromised or illegally shared resulting in fines & reputational damage. | Yellow | ◀▶ | Cyber security benchmarking exercise completed with AON and results analysed August 2021. An action plan is currently being developed and a full report will be taken to Pension Board in Nov 2021 & Committee in December 2021. |
| Sustainability of working arrangements during Covid 19 outbreak | R64 | Unable to deliver service to members and employers | Yellow | ◀▶ | Steps 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. Legislation that allows remote Committee & PB meetings has ceased. Planning for Future project continues. Final designs expected for Keynsham Civic Centre shortly and roll out of new IT equipment for all staff is in progress. Review of admin strategy and digital transformation plans in place. |
| 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 | Yellow | ◀▶ | 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. Further requirements expected from Good Governance Review |
| Brunel fails to deliver its objectives to clients in terms of service delivery | R65 | Affects the Fund's ability to achieve its own investment objectives and/or implementing its strategy | Yellow | ◀▶ | Client assurance framework is in place providing detailed monitoring by Clinet Group and Brunel Oversight Board. Avon Panel monitors investment performance and related investment issues; Committee monitors overall service delivery, financial aspects, RI aspects and effectiveness of the governance framework. Avon has Brunel Working Group to discuss any issues or emerging risks and to agree response to SRM/RMs |
| Disaster Recovery & Business Continuity | R01 | Fund is unable to operate and members do not receive pension payments in time | Yellow | ▲ | Business continuity plan currently being reviewed by Audit. Cyber security benchmarking exercise completed with AON and results analysed August 2021. Further internal assurances required from IT. An action plan is currently being developed and a full report will be taken to Pension Board in Nov 2021 & Committee in December 2021. |
| Late / incorrect contributions from employers | R10 | cashflow, employer funding position, TPR breach | Yellow | ◀▶ | Continue to follow TPR code and report late payers as necessary. As at February 2021, contributions from top 34 employers continued to be paid on time. One employer had expressed an interest to pay contributions late, but subsequently decided not to. |
| Service delivery efficiency & customer service | R29 | poor member outcomes | Yellow | ◀▶ | We have recently introduced mass email communication to the fund for the first time, which was used in May/June 2021 to communicate with our Deferred members regarding the introduction of Annual benefit statements being available to download from our online portal. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership. |

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| Government plans to reform the LGPS eg The introduction of the exit payment cap | R53 | This will place an additional burden on the administration resource | | ◀▶ | MHCLG have confirmed that no action will be taken following the consultation they held on the Further Reforms to Exit Payments proposed for the LGPS, instead further consultation is expected in the future. In April 2021, MHCLG wrote to councils requesting for them to provide data on exit payments, which will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector. |
| 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 FY2020/21. All managers reporting in line with CTI templates although not all managers reporting in a consistent manner. Different templates for private and public assets make data consolidation difficult and manually keying data increases risk of human error. Templates do not reflect all pricing conventions e.g. where fees are charged to NAV on a daily basis as opposed to being charged based on an average value over a predefined period. Some managers reported based on legacy CTI templates, others submitted their templates in PDF so had to manually convert data and pooled fund managers continue to report based on fund level (not individual client level). Some managers had to be prompted to submit the data and the use of the SAB platform is sporadic. Differences between CTI disclosures and fees reported as part of Statement of Accounts largely due to timing (where we estimate some fees in SoA to meet statutory deadlines). |
| Loss of capital or income on treasury investments | R39 | Delayed return of principle or investment income | | ◀▶ | Annual report to Committee to obtain approval for the fund's Treasury Management Policy. POST COVID : Cash held primarily in money market funds and although should not fall in value they could face liquidity issues if sudden increase in withdrawals if market volatility increases. On 4th June Arlingclose updated their information on recommended banks to hold deposits with after conducting some stress testing analysis and they have taken a bank off the list of banks that the pension fund can use. |
| 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 |
| 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. However much of the risk has transferred to Brunel, monitored by Client Group and Brunel Oversight Board. Fund retains full oversight of legacy managers and advisors. |
| Ineffective stakeholder communication | R07 | poor public relations with members & employers. TPR breach | | ◀▶ | Recently introduced mass email communication to the fund for the first time, which was used in May/June 2021 to communicate with Deferred members regarding the introduction of Annual benefit statements being available to download from online portal. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership. Also plan to introduce social media (LinkedIn) help communicate with employers. |
| 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 |
| 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 |
| 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 the we have to monitor our cash position regularly to ensure these limits aren't breached. |
| Exit credits - disputes between exiting employer & outsourcing employer | R62 | Court cases to decide who should receive exit credit | | ◀▶ | Regulations changed 20th March 2020. A determination process to comply with the new Regs has been implemented and a policy is now in place. |
| 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 |
| GMP Reconciliation | R51 | Incorrect pension liability retained | | ◀▶ | Project plan in place to reconcile GMPs with HMRC info and carry out necessary rectification. Slight delay due to Covid 19. |
| 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 |