

APPENDIX A – Pensions Risk Register

Pensions																
R i s k n o e	S e r v i c e	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner	
1	Pensions	If accurate information is not received at year end from employers we will be unable to meet statutory deadlines	A change in the Local Government Pension Scheme Regulations 2014. There is a risk of not receiving accurate and timely information from employers at year-end. The career average revalued earnings (CARE) pay provided by employers is "locked" into the members pension account and is used for annual benefit statements and future pension calculations.	Complaints - Appeals Potential Fines or charges for late information to HMRC	Ian Howe	Bulletins issued and Comprehensive combined HR/Payroll Guide developed to inform employers of statutory deadlines, responsibilities and information required Pension Colleagues continue to meet with employers to resolve issues to mitigate the risk of inaccurate information	3	3	9	Treat	Develop and implement a control sheet for employers to sign off to reduce the risk of inaccurate data Provide a key contact for each employer to help resolve their own specific issues Develop the administration and communication strategy Change the year end process to monthly loading of contributions from employers	3	2	6	Ian Howe	Managed at Service level

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2	P e n s i o n s	If we fail to reconcile HRMC GMP data with the Pensions Section data there is a risk of overpayment of Pensions Increase	Government changes to end contracting out legislation. Contracting out ends April 2016 and between 2015 and 2018 we need to reconcile our GMPs to the information held by HM Revenue. From 2018 we take on responsibility for GMPs so we need to ensure we pay the correct Pensions Increase (e.g. no GMP means we pay full PI and if there should be a GMP we pay less PI).	Overpaying pensions NI for employees increasing by 1.4% from April 2016 which could lead scheme members to opt out of the scheme NI for employers increasing by 3.4% from April 2016 Reputation	Ian Howe	Checking of HMRC GMP data to identify any discrepancies in against our data	3	4	12	Treat	Implement national recommendations in a timely way once they are agreed LGA liaising with Treasury on GMP reconciliation in order to assist pension funds	3	2	6	Ian Howe	Managed at Service level
3	P e n s i o n s	If we fail to meet the service requirements of the three Fire Authorities we may lose their business	Changes in legislation on the Firefighters pension scheme, Managing the Fire fighters pension scheme changes and the retained fire fighters buy back. Only limited knowledge in the Section in this key area.	Reputation Potential loss of business	Ian Howe	Quarterly meetings take place with the Fire Authorities to resolve issues Membership of the Midlands Fire Officer Group enables us to identify and resolve issues early	3	3	9	Treat	Establish a joint Fire Local Pensions Board to standardise working practices subject to DCLG approval Provide a single point of contact to resolve issues and develop the SLA for the benefit of all parties Increase resource in the Fire Team	2	2	4	Ian Howe	Managed at Service level

4	I n v s	If employer and employee contributions are not paid accurately and on time	Error on the part of the scheme employer	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act	Colin Pratt	Receipt of contributions is monitored and late payments are chased quickly	2	4	8	Treat	Late payers will be reminded of their legal responsibilities.	2	3	6	Colin Pratt	Managed at Service level
5	I n v s	If assets held by the Fund are ultimately insufficient to pay benefits due to individual members	Ineffective setting of employer contribution rates over many consecutive actuarial valuations	Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.	Chris Tambini/ Colin Pratt	Input into actuarial valuation, including ensuring that actuarial assumptions are reasonable and the manner in which employer contribution rates are set does not bring imprudent future financial risk	5	2	10	Treat	Actuarial assumptions need to include an element of prudence, and Officers need to understand the long-term impact and risks involved with taking short-term views to artificially manage employer contribution rates	4	2	8	Chris Tambini/ Colin Pratt	Managed at Service level
6	P e n s / I n v s	If the sub-funds of Community Admission Bodies were not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer	Changing financial position of both sub-fund and the employer	Significant financial impact on employing bodies due to need for large increases in employer contribution rates, which may ultimately lead to insolvency and a deficit that has to be met by the Fund.	Ian Howe/ Colin Pratt	Ensuring, as far as possible, that the financial position of Community Admission Bodies is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.	5	2	10	Treat	Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates.	3	2	6	Ian Howe/ Colin Pratt	Managed at Service level
7	I n v s	If market investment returns are consistently poor and this causes significant upward pressure onto	Poor market returns, most probably caused by poor economic conditions	Significant financial impact on employing bodies due to the need for large increases	Chris Tambini/ Colin Pratt	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks	4	2	8	Chris Tambini/ Colin Pratt	Managed at service level

		employer contribution rates		in employer contribution rates		for different asset classes is included as part of the consideration					that arise, but is still based on a reasonable medium-term assessment of future returns					
8	I n v s	If market returns are acceptable but the performance achieved by the Fund is below reasonable expectations	Poor performance of individual managers, or poor asset allocation policy	Opportunity cost in terms of lost investment returns, which is possible even if actual returns are higher than those allowed for within the actuarial valuation	Chris Tambini/ Colin Pratt	Ensuring that the causes of underperformance are understood and acted on where appropriate	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poor performance will happen on occasions.	2	2	4	Chris Tambini/ Colin Pratt	Managed at service level
9	I n v s	Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Chris Tambini/ Colin Pratt	Ensuring that all factors that may impact onto investment returns are taken into account when setting asset allocation policy. Only appointing investment managers that integrate responsible investment into their processes, and ensuring that managers take a holistic view on the risks associated with the investments they make on behalf of the Fund.	3	3	9	Treat	Responsible investment aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns	2	2	4	Chris Tambini/ Colin Pratt	Managed at service level
10	I n v s	Investment pooling within the LGPS fails to deliver a higher long term net investment return	LGPS Central fails deliver better net investment returns than the Fund would have expected to achieve if investment pooling did not occur	Lower returns will ultimately lead to higher employer contribution rates than would otherwise have been the case	Chris Tambini/ Colin Pratt	Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will give significant influence in the event of issues arising.	3	3	9	Treat	Set-up of LGPS Central likely to most difficult phase, and Fund will continue to monitor closely how the company evolves	2	2	4	Chris Tambini/ Colin Pratt	Managed at service level

1 1	I n v s	Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns	The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high	Poor decisions likely to lead to low returns and higher employer contribution rates	Chris Tambini/ Colin Pratt	Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions	3	3	9	Treat	On-going process of updating and improving the knowledge of everybody involved in the decision-making process	2	2	4	Chris Tambini/ Colin Pratt	Managed at service level
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