

APPENDIX A – Pensions Risk Register December 2017

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 we fail to reconcile HRMC GMP data with the Pension Section data there is a risk of overpayment of Pensions Increase	Government changes to end contracting out legislation. Contracting out ended April 2016. Between 2015 and December 2018 Pensions need to reconcile GMP data. From 2018 we take responsibility for GMPs so we need to ensure we pay Pensions Increase. (e.g. no GMP means we pay full PI and if there is a GMP we pay less PI)	Overpaying pensions  Reputation	Ian Howe	Checking of HMRC GMP data to identify any discrepancies	3	3	9	Treat	Working through cases  Developed reporting tools to assist  Recruitment taking place for a full time person to join the project	3	2	6	Ian Howe	Managed at Service level
2	Pensions	If we fail to implement a pension administration system the Pension Section will fail to deliver its statutory duties for both LGPS and the 3 Fire Authorities	The current pensions administration system contract ends in April 2019	Failure of the Pension Section  Unable to meet statutory requirements  Manual calculations  Huge increase in administration time causing delays  Increased appeals	Ian Howe	Currently use a successful pension administration system  Currently use a separate member self-service facility	5	2	10	Treat	Tender document completed  Working in partnership with another Fund  Working closely with internal IT, ESPO, internal audit and others	5	1	5	Ian Howe	Managed at Service level

3	Pensions	<b>If we fail to meet the service requirements of the three Fire Authorities we may lose their business</b>	Changes in legislation on the Firefighters pension scheme has significantly increased the scheme's complexity.  Only limited knowledge in the Section in this 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  Resource on the team increased  SLA and contracts produced	3	2	6	Treat	Continue to monitor and develop improvements to work processes, guiding all three Fire Authorities to similar processes and decisions (where possible).  Set up a joint pension board for the 3 Fire Authorities	2	2	4	Ian Howe	Managed at Service level
4	Pensions	<b>If we fail to receive accurate and timely data from employers scheme members pension benefits could be incorrect or late</b>	A continuing increase in Fund employers is causing administrative pressure in the Pension Section. This is in terms of receiving accurate and timely data from these new employers who have little or no pension knowledge	Late or inaccurate pension benefits to scheme members  Reputation  Increased appeals  Greater administrative time being spent on individual calculations	Ian Howe	Training provided for new employers  Guidance notes provided for employers  Communication and administration guide provided to employers	3	3	9	Treat	Implement IConnect with employers so they provide monthly data in a secure and timely manner  Review the SLA and communication and administration guide (for IConnect)	2	2	4	Ian Howe	Managed at Service level
5	Investments	<b>If employer and employee contributions are not paid accurately and on time</b>	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

6	I n v s	<b>If assets held by the Fund are ultimately insufficient to pay benefits due to individual members</b>	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
7	P e n s / I n v s	<b>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</b>	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
8	I n v s	<b>If market investment returns are consistently poor and this causes significant upward pressure onto employer contribution rates</b>	Poor market returns, most probably caused by poor economic conditions	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	Chris Tambini/ Colin Pratt	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook for different asset classes is included as part of the consideration	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks that arise, but is still based on a reasonable medium-term assessment of future returns	4	2	8	Chris Tambini/ Colin Pratt	Managed at service level
9	I n v s	<b>If market returns are acceptable but the performance achieved by the Fund is below reasonable</b>	Poor performance of individual managers, or poor asset allocation policy	Opportunity cost in terms of lost investment returns, which is possible even if	Chris Tambini/ Colin Pratt	Ensuring that the causes of underperformance are understood and acted	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be	2	2	4	Chris Tambini/ Colin Pratt	Managed at service level

		<b>expectations</b>		actual returns are higher than those allowed for within the actuarial valuation		on where appropriate											recognised that some managers have a style-bias and that poor performance will happen on occasions.								
10	I n v s	<b>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</b>	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
11	I n v s	<b>Investment pooling within the LGPS fails to deliver a higher long term net investment return</b>	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
12	I n v s	<b>Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns</b>	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