

Risk no	Service	Risk	Causes (s)	Consequences	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	Pens	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
2	Pens	If we fail to implement a pension administration system, pensioner payroll and immediate payments system the Pension Section will fail to deliver its statutory duties for both LGPS and the 3 Fire Authorities. It will also be unable to pay pensioners and other single payments (e.g. lump sums)	The current pensions administration system contract ends in April 2019	Failure of the Pension Section  Unable to pay pensioners  Unable to pay single payments  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, pensioner payroll and immediate payments system.  Successful tender completed and project team established	5	2	10	Treat	Working in partnership with another Fund  Working closely with internal IT, internal audit and others  Detailed project planning	5	1	5	Ian Howe

3	Pens	<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
4	Pens	<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)	3	2	6	Ian Howe
5	Pens	<b>If we fail to implement the 2018 amendment regulations benefits could be paid incorrectly or not paid at the correct times</b>	Changes to the Pension Regulations	Incorrect pensions or late benefits to scheme members  Increased complaints or appeals	Ian Howe	LGA to provide guidance to Funds  System provider working on system changes	3	2	6	Treat	Implement all system changes  Write to all members affected  Calculate and separately check all benefit changes	3	1	3	Ian Howe

				Reputation													
6	Invs	<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	Declan Keegan	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	Declan Keegan		
7	Invs	<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	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		
8	Pens/Invs	<b>Sub-funds of Community Admission Bodies are 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/ Declan Keegan	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/ Declan Keegan		

9	Invs	If market investment returns are consistently poor and this causes significant upward pressure onto employer contribution rates	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	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
10	Invs	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	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
11	Invs	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	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

12	Invs	<b>Investment pooling within the LGPS fails to deliver a higher long term net investment return</b>	LGPS Central fails to 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	Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will give significant influence in the event of issues arising.	3	3	9	Treat	The set-up of LGPS Central is likely to be the most difficult phase. The Fund will continue to monitor closely how the company evolves  Programme of LGPS Central internal activity, which has been designed in collaboration with the audit functions of the partner funds.	2	2	4	Chris Tambini
13	Invs	<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	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
14	Invs	<b>The transition of investment assets to LGPS Central is not successful</b>	Pooling does not reduce the on-going management costs of assets  Transition costs are significantly higher, for example the cost of selling the existing investments and buying new ones.	Savings available do not justify the transition costs and on-going cost of running LGPS Central	Chris Tambini	Central maintains the flexibility to run funds internally.  Specialist transition manager being appointed.  Implementation being phased, allowing capacity to be managed and lessons learned	2	3	6	Treat	Advisors engaged to assess the impact upon Leicestershire's assets.  Views from 8 partners sought throughout the transition process.  Central increasing the level of engagement with Funds  LGPS Central's Internal Audit plan includes an assessment of the governance surrounding the transition	2	2	4	Chris Tambini

## Risk Impact Measurement Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	Pension Section <£50k Investments Losses expected to be recovered in the short term
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Pension Section £50k-£250k Minimal effect on budget/cost Investments Some underperformance, but within the bounds of normal market volatility
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Pension Section £250k - £500k Small increase on budget/cost: Handled within the team/service  Investment Underperformance by a manager requiring review by the Investment Sub-committee

4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Pension Section £500-£750k. Significant increase in budget/cost. Service budgets exceeded  Investment Underperformance of significant proportion of assets leading to a review of the Investment or Funding strategy
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council/Fund, members or officers	Pension Section >£750k Large increase on budget/cost.  Investment Employer contributions expect to increase significantly above Funding Strategy requirement

### Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%

<b>3</b>	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
<b>4</b>	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
<b>5</b>	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

**Risk Scoring Matrix**

		<u>Impact</u>				
	<b>5</b> Very High/Critical	5	10	15	20	25
	<b>4</b> Major	4	8	12	16	20
	<b>3</b> Moderate	3	6	9	12	15
	<b>2</b> Minor	2	4	6	8	10
	<b>1</b> Negligible	1	2	3	4	5
		1	2	3	4	5
		Very Rare/Unlikely	Unlikely	Possible/Likely	Probable/ Likely	Almost certain
						<u>Likelihood*</u>

\*(Likelihood of risk occurring over lifetime of objective (i.e. 12 mths)