

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
1	Pens	If the Pension Fund fails to reconcile HMRC Guaranteed Minimum Pension (GMP) data with the Pension Section data there is a risk of overpayment of Pensions Increase	From 2018 the pensions section has had responsibility for GMPs creating the need to ensure that this is accounted for in the pensions increases	Overpaying pensions (i.e. for GMP cases pension increases are lower) Reputation	Ian Howe	Checking of HMRC GMP data to identify any discrepancies Full time person recruited to work on the project	3	3	9	Treat	Working through cases Developed reporting tools to assist	3	2	6	Ian Howe
2	Pens	If the Pension Fund fails 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)	A new system has been implemented, with several features subject to a gradual roll-out.	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	Gradual implementation of member self-service functionality Working in partnership with another Fund Phased approach to implementation, with single payment the most significant piece of functionality remaining.	4	2	8	Treat	Detailed project planning for final phase, accounting for other pressures in the section	3	1	3	Ian Howe
3	Pens	If the Pensions section fail to meet the service requirements of the	Changes in legislation on the	Reputation	Ian Howe	Quarterly meetings take place with the Fire Authorities to	2	3	6		Continue to monitor and develop improvements to work processes,	2	2	4	

		three Fire Authorities we may lose their business	<p>Firefighters pension scheme has significantly increased the scheme's complexity.</p> <p>Only limited knowledge in the Section in this area.</p> <p>Outstanding legal challenges could significantly impact on the Fire scheme rules and administration time</p>	<p>Potential loss of business</p> <p>Increased administration</p>		<p>resolve issues</p> <p>Membership of the Midlands Fire Officer Group enables us to identify and resolve issues early</p> <p>Resource on the team increased</p> <p>SLA and contracts produced</p>				Treat	<p>guiding all three Fire Authorities to similar processes and decisions (where possible).</p> <p>Set up a joint pension board for the 3 Fire Authorities</p> <p>Refresh of contracts in progress</p> <p>Press the LGA and all relevant parties nationally on regulatory changes</p>								Ian Howe
4	Pens	If the pensions fund fail to receive accurate and timely data from employers scheme members pension benefits could be incorrect or late	<p>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</p>	<p>Late or inaccurate pension benefits to scheme members</p> <p>Reputation</p> <p>Increased appeals</p> <p>Greater administrative time being spent on individual calculations</p>	Ian Howe	<p>Training provided for new employers</p> <p>Guidance notes provided for employers</p> <p>Amended SLA and communication and administration guide distributed to employers making IConnect a statutory requirement by 31/3/2020)</p>	3	3	9	Treat	<p>Implement IConnect with employers so they provide monthly data in a secure and timely manner</p>	3	2	6					Ian Howe
5	Invs	Employer and employee contributions are not paid accurately and on time	<p>Error on the part of the scheme employer</p>	<p>Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act</p>	Declan Keegan	<p>Receipt of contributions is monitored and late payments are chased quickly</p>	2	4	8	Treat	<p>Late payers will be reminded of their legal responsibilities.</p>	2	3	6					Declan Keegan

6	Invs	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	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. The 2019 valuation will assess the contribution rates.	4	2	8			Chris Tambini	
7	Pens/Invs	Sub-funds of individual employers are 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. Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.	Ian Howe/ Declan Keegan	Ensuring, as far as possible, that the financial position of each employer 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. Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks Investigate arrangements to de-risk funding arrangements for individual employers. Ensure that the implications of the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations is fully accounted for in the Funding Strategy	4	2	8			Ian Howe/ Declan Keegan	

8	Invs	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
9	Invs	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
10	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. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant short term changes to the allocation.	2	2	4	Chris Tambini

11	Invs	Investment pooling within the LGPS fails to deliver a higher long term net investment return	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 activity, which has been designed in collaboration with the audit functions of the partner funds.	2	2	4	Chris Tambini
12	Invs	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	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
13	Invs	The transition of investment assets to LGPS Central is not successful	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

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%

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

Risk Scoring Matrix

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

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