

# RISK ASSESSMENT

<b>Service Area</b>	<b>PENSION FUND</b>	<b>Updated 27th September 2016</b>
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User notes: This spreadsheet has automatic conditional formatting which changes the colour of the scoring column, amber and red must go to the Pension Fund Committee

	High level risk
	Medium level risk
	Low level risk

## FUND MANAGEMENT RISKS

Ref	Description of risk, i.e. what is the threat or opportunity to the achievement of a business/project objective, use format "If <event happens> then <consequence of event>"	Assessment of untreated risk				Risk Treatment, i.e. what are we going to do about this risk		Assessment of residual risk			Owner
		Impact	Probability	Untreated score (don't write in here)	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score	
P1	If the investment strategy does not produce the returns as envisaged / required then funds perform worse than expected, the deficit increases, pressure on employer contributions, pressure on Council Tax and reputational pressure on the Pension Fund	6	3	18	ongoing	Strategy reviewed formally every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise Mini-valuation undertaken annually Appointment of Investment Consultant and Committee Advisor, Investment advice analysed. A long term view is taken with regards to the Fund's investment strategy.	ongoing	6	2	12	Pension Fund Committee and Finance Director, Business Services Plus
P2	If there is a significant downturn in a particular sector / geographical location then funds perform worse than expected, the deficit increases, employers contributions would need to be increased.	5	3	15	ongoing	Strategy reviewed every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise. Managers closely monitored. Economic issues are being monitored. Closer monitoring of managers' views on Eurozone. Revised strategy implemented May 2014, investment strategy review due in 2017. Annual mini-actuarial valuation reported. Governance structures require meeting every Fund Manager on average 3 times per annum. Holistic reporting to Members - not just performance based.	ongoing	5	1	5	Pension Fund Committee and Finance Director, Business Services Plus
P3	If a new investment vehicle is not understood by the Pension Fund Committee then loss of control, limited governance exercised, poor controls / limited challenge and errors.	2	2	4	ongoing	Ensure adequate training. Periodic training needs analysis undertaken to support annual training plan. Committee Advisor supports the Committee members understanding of asset classes and investment issues.	ongoing	2	1	2	Pension Fund Committee and Finance Director, Business Services Plus
P4	If there are natural or man made disasters / problems which impact on the markets long term then loss of confidence, worried customers, lower returns and increased liabilities	2	4	8	ongoing	Governance structures provide for horizon scanning. Current investment strategy has built in flexibility that enables some degree of tactical decision making.	ongoing	2	4	8	Pension Fund Committee and Finance Director, Business Services Plus
P5	If too many early retirements then the ratio of pensioners to contributors gets worse, less able to meet obligations and pressure on contributions	2	5	10	ongoing	Early retirement options were reduced in line with 2008 LGPS regulations. Administration team monitor. The Fund's employers are responsible for the pension strain costs, not the Fund.	ongoing	2	2	4	Pension Fund Committee and Finance Director, Business Services Plus
P6	Public sector cuts could increase the number of early retirements, increase in administration costs and impact on revenue. Public sector cuts, member opt outs, localism and outsourcing could reduce the number of active members reducing contributions income. Contributions income could bring forward the date when the Fund has to use investment income to meet benefit payments.	3	4	12	ongoing	Review in light of austerity measures and other large employer strategies. Periodic meetings held with larger employers. Factor maturity of the Fund into investment strategy decisions, review Funding Strategy Statement every three years following the actuarial valuation.	ongoing	3	3	9	Pension Fund Committee and Finance Director, Business Services Plus
P7	If significant changes in government regulations occur, for example IAS19, then limited opportunities for innovation exist and resource is wasted supporting employers / members with non-value adding activities.	1	2	2	ongoing	Not within the Pension Fund's control. No further action required.	ongoing	1	2	2	Pension Fund Committee and Finance Director, Business Services Plus
P8	If there is fraud at some point in the "chain" (within the Council or Fund Management House) then loss of assets, damage to credibility and reputation and potential litigation.	4	2	8	ongoing	Monitoring activity undertaken (SAS70, AAF01/06) Relationships with fund managers to include assurance and risk management consideration. Detailed and embedded assurance framework in place.	ongoing	4	1	4	Pension Fund Committee and Finance Director, Business Services Plus
P9	If there is poor Fund management caused by poor selection, loss of key staff, change in process or not keeping up with the market then there will be poor performance, reduced assets, damage to reputation and increased deficit.	3	4	12	ongoing	Fund managers' performance actively reviewed quarterly. New investment strategy implemented May 2014. Benchmarking undertaken and research undertaken.	ongoing	3	2	6	Pension Fund Committee and Finance Director, Business Services Plus
P10	If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and increased pressure on future contributions.	4	4	16	ongoing	Not within the Pension Fund's control Actuaries review projection of longevity regularly. The 2013 Actuarial Valuation mortality assumptions allowed for a long term rate of improvement in mortality rates. The next triennial valuation as at 31 March 2016 will be reported in Autumn 2016.	ongoing	4	3	12	Pension Fund Committee and Finance Director, Business Services Plus

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P11	If inflation is significantly greater than currently forecast, then a combination of lower bond values and increasing pay levels will cause the deficit to widen (all else equal). If inflation is negative (deflation) for a prolonged period of time, the value of the inflation linked bonds will decrease. However, the value of the liabilities would not fall to the same extent as pay levels are unlikely to fall and pensions cannot be reduced, which will cause the deficit to widen (all else equal).	3	4	12	ongoing	Review bond performance regularly. Economic commentators suggest that inflation will fall back to target in the medium term and that the factors driving the current spikes in inflation are temporary.	ongoing	3	3	9	Pension Fund Committee and Finance Director, Business Services Plus
P12	If there is loss of confidence by employees and employers in the Pension Fund management then political fallout, seen as a poor performer, criticism from external audit and Public Interest Reports.	2	2	4	ongoing	Pensions Communications Officer role involves designing and delivering communications strategy. The Buckinghamshire Pension Board was established in 2015.	ongoing	2	1	2	Pension Fund Committee and Finance Director, Business Services Plus
P13	If stock market volatility exists at key points in the cycle e.g. at time of actuarial review then, deficit grows as does pressure on employer costs.	3	5	15	ongoing	Ongoing review more intense when markets are volatile. Key decision to be made in terms of timing of changes. Actuary using 'smoothing' effect which actively seeks to mitigate risks.	ongoing	2	4	8	Pension Fund Committee and Finance Director, Business Services Plus
P14	If a failure of a fund management house or nominee company is caused by financial issues or a catastrophic event e.g. terrorism or company policy change e.g. leaving the UK then there will be a short term performance failure, time and cost implications and a potential loss of opportunity if at the wrong moment.	3	2	6	ongoing	Ongoing review using governance structures described previously.	ongoing	2	2	4	Pension Fund Committee and Finance Director, Business Services Plus
P15	If officers do not follow policy decision or recommend inappropriate / radical policy decision then too great an exposure in certain areas will exist leading to greater volatility, break down of trust, policy decisions slowed, loss of opportunity and reputation damage.	3	2	6	ongoing	Effective scrutiny of officer activity by line management, Pension Fund Committee and audit	ongoing	2	1	2	Pension Fund Committee and Finance Director, Business Services Plus
P16	Following the decision of the British people to leave the European Union the economy and markets are anticipated to be volatile as the government negotiates and implements the exit package.	3	4	12	ongoing	Ongoing review more intense when markets are volatile. Key decision to be made in terms of timing of changes. Actuary using 'smoothing' effect which actively seeks to mitigate risks.	ongoing	2	4	8	Pension Fund Committee and Finance Director, Business Services Plus
P17	Proposals to pool the Fund's assets in the Brunel Pension Partnership are currently being developed. If the project is not managed and the transition is ineffective or excessive in cost, then the cost benefit ratio may not be achieved.	3	4	12	ongoing	Project team, Shadow Oversight Board with representatives from the Pensions Committees, Shadow Operations Group with officer representatives and Finance and Legal Assurance Group established. Project plan regularly reviewed to help support workstreams and keep deliverables on track.	ongoing	3	2	6	Pension Fund Committee and Finance Director, Business Services Plus

## ADMINISTRATION RISKS

A1	Lack of employer understanding of the 2014 Scheme and knowledge of the Service Level Agreement may cause incorrect information to be provided and additional queries from employers	4	4	16	ongoing	Training events have been provided to employers and the Employer Liaison Team provide ongoing support in addition to the Benefits Administration Team. Scheme information is also continually updated on the website & through quarterly newsletters	ongoing	4	3	12	Pensions & Investments Manager
A2	A lack of capacity due to staff losses or sickness could adversely affect the workload of the pensions section resulting in decreased productivity.	3	3	9	ongoing	The Pensions & Investment team has worked hard over the past year to increase capacity to take into account the level of workloads and also to build up a contingency. Use of overtime and temporary staff also continues	ongoing	2	2	4	Pensions & Investments Manager
A3	The risk that the pensions software (Altair) causes disruption due to system crashes etc. leading to calculation errors, delays and a loss of working time.	3	4	12	ongoing	Not within the Pensions and Investments Team control but errors can be recorded in order to notify supplier. Continuity arrangements in place. Regular client relationship management meetings.	ongoing	2	2	4	Pensions System Officer, Pensions & Investments Manager
A4	Software updates resulting from scheme changes may create errors in calculations thus resulting in more time spent checking and re-doing calculations.	4	3	12	ongoing	Not within the Pensions and Investments Team control but errors can be recorded in order to notify supplier. Continuity arrangements in place. Currently BAT are finding that a lot of manual intervention is needed. This is being dealt with by the systems team	ongoing	2	3	6	Pensions System Officer, Pensions & Investments Manager
A5	Staff retention. There is a risk of losing trained staff to other organisations due to a lack of flexibility in the career matrix.	2	4	8	ongoing	The Council has a Contribution Based Pay (CBP) system to reward high performance in a consistent and cost effective way. The Pensions Officer career matrix is currently under review in order to better reflect the level of knowledge and expertise that Pensions Officers hold and to allow simpler progression. The aim of this is that it should provide better satisfaction for Pensions Officers and increase retention.	ongoing	1	3	3	Pensions & Investments Manager, Assistant Service Director - Finance Centre of Expertise
A6	Poorly performing employers/payroll providers can cause additional work on the pensions team by not providing information which they have a statutory duty to provide. This results in wasted time chasing employers and creating a backlog of work.	2	5	10	ongoing	The employer SLA's should help make employers provide the required information. The Pensions Administration Strategy includes a charging policy. 1-1 meetings with employers will be conducted to go over issues with information. Employer Liaison Team working on a risk basis,	ongoing	2	4	8	Pensions & Investments Manager, Assistant head of finance

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A7	Additional work and disruption is caused due to outsourcing and changes in schools payroll providers creating losses of vital information. This results in a lot of extra work on pensions administration staff attempting to piece together information which should have been provided	3	5	15	ongoing	The employer SLA's should help make employers provide the required information. The Pensions Administration Strategy includes a charging policy. 1-1 meetings with employers being conducted to go over issues with information. Employer Liaison Team working on a risk basis, Responsibility on employers to manage their contractors.	ongoing	2	3	6	Principal Pensions Officer (Governance & Employer Liaison Officer)
A8	The increase of TUPE transfers / schools opting for academy status has resulted in an increased workload for pensions staff, mainly at a senior level. The Principal Pensions officer must deal with the admission agreements as well as liaising with external contractors and the fund actuaries. The range of employees involved differ between employer but range from 1 employee to hundreds.	3	3	9	ongoing	These TUPE Transfers are currently being dealt with. A dedicated post exists to deal specifically with TUPE transfers therefore reducing the risk impact on the team	ongoing	2	4	8	Pensions & Investments Manager/Principal Pensions Officers
A9	The end of contracting-out of the Additional State Pension from April 2016 means that a Guaranteed Minimum Pension reconciliation of the Fund's records with the HMRC's records will need to be completed by 2018. This reconciliation may result in identifying overpayments/underpayments. If the reconciliation is not complete before the closing of the office this could result in the Fund being liable for GMP's which we should not be responsible for.	4	3	12	ongoing	Currently Principal Pensions Officer (Systems) has registered with the HMRC in order to receive bulk GMPs. A plan will need to then be put into place to deal with this	ongoing	3	3	9	Principal Pensions Officer (Systems)
A10	Tax legislation in respect of high-earners pensions contributions could result in a departure of high-earners from the Fund. High-earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS	2	2	4	ongoing	LGE has issued a leaflet setting out the implications of the tax changes for high-earners which has been forwarded to high-earners. Ongoing communications to scheme members highlighting the benefits of the Scheme	ongoing	2	2	4	Pensions & Investments Manager/Principal Pensions Officers
A11	If Admitted Bodies who joined the Fund prior to 1997 fail or if current Admitted Bodies reduce their active members to 0, then the Fund has no powers to ensure these organisation make good any deficit.	4	3	12	ongoing	Encouraging organisations against this route. Use of network groups to lobby for change in Regulations. DCLG admit that the issue needs looking at. Consultation paper prepared.	ongoing	3	2	6	Pensions & Investments Manager/Principal Pensions Officers
A12	The 3% on average increase employee pension contributions implemented, with effect from 1 April 2014, by increasing the tiers of contributions paid by mid/high earners could result in a departure of mid/high-earners from the Fund. Mid/High-earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS. During current period of low pay increases members may opt out due to pressures on household budgets.	2	2	4	ongoing	Not within the Pension & Investments Team's control, but there are ongoing communications to Scheme members highlighting the benefits of the Scheme.	ongoing	2	2	4	Pensions & Investments Manager/Principal Pensions Officers

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A13	The Public Sector Pensions Act 2013 requires that Annual Benefits Statements are issued to Scheme Members by 31 August. There is a risk that the Regulator will issue a fine although this is the position for most local authorities.	3	4	12	ongoing	Robust timetable, employer training, provide employer support to submit correct returns and review process. Additional temporary resources have been recruited.	ongoing	3	3	9	Pensions & Investments Manager/Principal Pensions Officers