

Pension Fund - Extract from Full Risk Register (3 new risks)

Financial Management - Technical Finance (Pension Fund)				
Risk: Investment Markets (NEW 4) (Id: 1301) - Assigned To: Pension Fund Manager				
Description: Investment strategy fails to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long term, due to any one or a combination of the following factors: - Fall in risk-free returns on Government Bonds - Collapse of investment manager, or its wilful negligence, fraud or default - Active investment manager under-performance relative to benchmark - Systemic failure of several asset classes and/or investment managers - Significant allocation to any single asset category and its underperformance relative to expectation. Consequence: - significant reduction in investment values and/or investment income. - loss of assets. - reduction in funding level - potentially higher employer contribution rates - reputational damage Review Date: 31/05/2023		Inherent Rating: 9 - Medium	Current Rating 5 - Low (27/03/2023)	Target Rating: 5 - Low
Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Advice will be taken from investment consultants should there be a need to transition assets from one investment manager to another, to ensure that out-of-market exposure and transition expenses are minimised.	0	31/03/2024	Pension Fund Manager	
investment portfolio diversified across a number of asset managers. independent investment consultants provide review of performance of portfolio as a whole, specific asset classes and individual fund managers at each committee meeting Any significant changes to the structure of the manager (including personnel, acquisitions, other activity) is reported to the committee. rolling quarterly action.	0	31/05/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Investment managers invited to attend pension committee meetings on a rolling cycle, which can be amended should issues with any manager arise. Managers are invited to present on current performance, actions for mitigations of poor performance (if necessary), views for the future, as well as ESG/RI issues. proposal for managers: May 23 = Partners (Infrastructure); Jul 23 = UBS (passive global); Nov23 = ACCESS/Link (pooling update); Feb24 = Baillie Gifford (DGF)	0	31/05/2023	Pension Fund Manager	
quarterly monitoring of interim funding level reported at each pension fund committee meeting linking to review of investment performance	0	31/05/2023	Pension Fund Manager	
Investment assets are held by custodian, in ringfenced accounts, to protect against investment manager default	0	31/05/2023	Pension Fund Manager	
pooled investment management agreements determined and monitored through ACCESS Support Unit and Link fund Solutions. monitored by officer working group and reported at each JC meeting. reported to each PFC meeting as part of performance review and reports back from ACCESS.	0	31/05/2023	Pension Fund Manager	
Assets invested on the basis of specialist advice, in a suitably diversified manner across assets classes, geographies, managers, etc. annual rolling review	0	31/05/2023	Pension Fund Manager	update 24-Mar-23: review of strategic asset allocation following 2022 valuation to be considered at 24 May 23 PFC.
review of investment strategy linked with every triennial valuation to ensure consistency of approach	0	25/05/2023	Pension Fund Manager	update 24-Mar-23: introduction to strategic asset allocation review presented at Nov22 PFC, high level recommendations to be complete for decision in May 2023. implementation thereafter
triennial valuation only anticipate long term returns on a relatively prudent basis to reduce risk of underperforming	75	31/03/2023	Pension Fund Manager	update 9-May-22: valuation assumptions discussed at meeting with Director of Finance on 5 May, to be presented at committee meeting on 25 May. final discount rate (asset outperformance assumption) will be confirmed once council's contribution modelling completed. Update 1-Jul-22: meeting on 21 June discussed council's contribution rate and discount factor. no concerns, final decision can be deferred until valuation results further progressed. update 4-Oct-22: discussion of whole fund results with s151 officer included consideration of current significant market volatility. Will also be included in committee report for November. update 24-Mar-23: valuation results reflect long term returns only. Mitigation complete once valuation results published.

Financial Management - Technical Finance (Pension Fund)

Risk: Employer engagement (NEW 5) (Id: 1302) - Assigned To: Pension Fund Manager

<p>Description: Administering Authority fails to engage with employers on a regular basis, meaning it is unaware of: - structural changes in employer membership (e.g. large fall in employee members, large number of retirements). - an employer closing to new entrants. - economic circumstances causing financial pressures on the employer. - outsourcing decisions from scheduled body. Employers may be unaware of impacts of changes to scheme regulations, etc.</p> <p>Consequence: - Inappropriate funding strategy set for that employer/group of employers; unaffordable contribution rates. - Employer could approach exit without notice, resulting in either significant unaffordable deficit due to the fund, or significant credit payable to employer. - Admission agreements not prepared and/or inappropriate employer contribution rates agreed. - Failure to commission cessation calculation on a timely basis. - Employer cannot meet its obligations, leading to increased risk/additional cost to other employers.</p> <p>Review Date: 30/06/2023</p>	<p>Inherent Rating:</p> <p>9 - Medium</p>	<p>Current Rating</p> <p>5 - Low (27/03/2023)</p>	<p>Target Rating:</p> <p>5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
The actuary may revise the rates and adjustments certificate to increase an employer's contributions between triennial valuations - policy created in FSS 2023	0	31/03/2026	Pension Fund Manager	
Cessation policy included in FSS 2023. Further, more detailed, policies to be developed: Exit credits; flexibilities on exit. Formal documentation of current practice to ensure employers aware of fund policies, and their options when it comes to exit planning	0	31/03/2025	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
outsourced contracts, whether the Council or one of the fund's scheduled employers is letting authority, tend to have a pass through arrangement whereby employer contribution rate is fixed for the new supplier for the duration of the contract, to give certainty on contract pricing. Engagement with council's procurement team ensures fund is made aware of potential outsourcings from the council. Need to develop engagement with College and academies for this purpose.	0	29/09/2023	Pension Fund Manager	
Regular contact maintained with admitted body employers with membership less than 5 to discuss planning for exit. Engagement as part of valuation process and at least every 6 months, or if membership numbers change.	0	30/06/2023	Pension Fund Manager	
Admin team to communicate with finance team if membership numbers change significantly during year. use of i-connect for monthly data submission by all employers will highlight significant changes in membership/participation, and will prompt engagement with that employer to determine circumstances.	0	30/06/2023	Pensions Manager (Admin)	
The Administering Authority has a close relationship with employing bodies and communicates required standards - e.g. for submission of data. rolling annual mitigation.	25	31/03/2023	Pensions Manager (Admin)	
Employer engagement as part of triennial valuation planning, sharing of draft results at early stage, meetings with those "non-standard" employers (community admission bodies, housing associations)	100	30/12/2022	Pension Fund Manager	update 24-Mar-23: this was completed as part of the 2022 valuation.

Financial Management - Technical Finance (Pension Fund)

Risk: Changes to legislation (NEW 6) (Id: 1304) - Assigned To: Pension Fund Manager

Description:

Fund is not aware of, or fails to adequately respond to, changes arising from central government and/or HMRC, including:

- changes from public sector report (McCloud)
- changed to a particular type of employer in LGPS (e.g. academies)
- Climate risk reporting
- TPR General code

Consequence:

- incorrect assessment or payment of benefits
- inappropriate information provided to stakeholders
- increased complaints
- impact on funding strategy for particular type of employer and/or fund as a whole.
- impact on investment strategy.
- non-compliance with legislation, regulations and/or codes of practice
- reputational damage
- potential financial penalties.

Review Date: 31/05/2023

Inherent Rating:

12 - High

Current Rating

12 - High

(27/03/2023)

Target Rating:

5 - Low

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
McCloud remedy consultation delayed until early calendar year 2023.	25	31/10/2023	Pensions Manager (Admin)	update 9-Sep-22: Actuaries have factored in assumptions to valuation results, in line with government guidance. Data is being collected from employers - 86% of data requested has been received; 8%" analysed. Project report to each LPB meeting.
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
Take advice from Fund actuary on impact of changes on the Fund and amend strategies as appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: participating throughout 2022-23. restart reprogress for 2023-24
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: included in all meetings 2022-23. renewed focus in 2023-24
business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	0	31/03/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
training and development plans in place for all pension administration staff, identifying external events as well as in-house training. as part of annual PDR process.	100	30/06/2022	Pensions Manager (Admin)	update 16-May-2022: all administration staff have bespoke training plans in place, which are monitored as part of regular 1-2-1 meetings.