



South Tyneside Council

item 7

Local Pension Board

Date: 23rd March 2016

Risk Management

Report of the Corporate Director Business and Resources

Purpose of Report

1. This report contains the current Fund level Risk Register.
2. The Board is asked for its views on the Risk Register.

Approach to Managing and Reporting on Risks

3. The Fund has to identify and control the risks that it faces as part of the ongoing delivery of the service.
4. The outcome of this process appears in a range of documents produced by the Fund. The requirement to include this information is often prescribed in Regulations. For example:
 - The Funding Strategy Statement includes a summary of risks to the funding strategy and the setting and collection of employer contributions
 - The Statement of Investment Principles includes a summary of risks to the delivery of the investment strategy
 - The Notes to the Report and Accounts include a summary of risks to the value of the Fund's assets.
5. The position on the more prominent risks is reviewed at least quarterly by senior managers and set out in a Risk Register. The approach is set out in an attachment to this report entitled "Risk Assessment Methodology". It is based on the net risk, i.e. the risk that remains after all appropriate controls have been applied, which is ranked on a scale of:
 - Critical
 - High
 - Moderate
 - Minor.

Current Risk Register

6. The current Risk Register is attached.
7. The Register was last reviewed on 18th January 2016
8. No risks have been classified as Critical.
9. Any recent changes to the ranking of risks are shown in the table at the start of the Register.
10. Risk S6, Key Man Risk re Retention and Recruitment, has been reclassified from Moderate to High in the light of impending changes to the Senior Management Team.

11. The Officers are considering a number of other risks and issues that could emerge, including

- the risks associated with member withdrawals that could result from Freedom and Choice and generally from transfers to defined contribution schemes.

Recommendation

12. The Board is asked for its views on the Risk Register.

Appendix

Risk Assessment Methodology

Impact

Impact / Area	Negligible	Marginal	Significant	Substantial
Governance	Little or no impact	Minor short term	Moderate short term	Sustained
Assets	Less than 3% of assets	3 –10% of assets	10-25% of assets	Over 25% of assets
Liabilities / Funding	Minor or no impact on liabilities / funding level	Low impact on liabilities / funding level	Significant but recoverable impact	Significant and irrecoverable
Legal	Minor short term	Moderate short term	Serious short term	Serious long term
Service Delivery	Minor short term	Moderate short term	Serious short term	Serious long term
Reputation	Minor short term	Moderate short term	Serious short term	Serious long term

Likelihood

Event is expected to occur	Near certain
Event should occur at some time	Probable
Event could occur at some time	Possible
Event may occur only in rare circumstances	Improbable

Risk Management

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
Risk Register	N/a	Head of Pensions Office, South Shields Town Hall

Risk Register

Review – 18th January 2016

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near certain	Moderate A7, A9, F4, S1	High A13, S6 S7,S9	Critical	Critical
Probable	Moderate A11, L8	High F3, F8, S3	Critical	Critical
Possible	Minor A5, A6, A8, A10, A12, F5, L6, S8	Moderate G1, S2	High A1, F1	Critical
Improbable	Minor A4, L1, L4, L5, L7	Minor A3,	Moderate	High

Changes at this Review

Risk		From	To	Reason
Ref	Title			
S6	Key man risk re retention and recruitment	Marginal / Possible (Moderate)	Marginal / Near Certain (High)	Changes to Senior Team

Notes on Potential Future Risks

1. Continue to monitor the position on the new pension freedoms re DB to DC shift.

Other Notes

2. None.

No.	xxxx	Ref.	G1	Risk Owner	Pensions Committee	Updated	18/1/16
Risk	Lack of knowledge and understanding by the Committee and Local Pension Board						
Impact	Potential for poor decision making and lack of challenge to officers and advisors.						
Controls	Training Policy and Programme in place, based on CIPFA Code of Practice and Knowledge and Skills Frameworks for Pensions Committees and Local Pension Boards. Diverse skills base amongst Members. Size of Committee provides protection against turnover. Annual Committee self assessment of skills base and review of governance structure. Availability of advisors and officers. Local Pension Board strengthens governance structure.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod xxxxx	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	<p>Continue the emphasis on development and delivery of Training Policy and Programme.</p> <p>Monitor and implement industry developments, including the Pensions Regulator's Code of Practice and Toolkit.</p> <p>Review the training requirements of the Local Pension Board with the Lead Officer.</p>
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No.	xxxx	Ref.	A1	Risk Owner	Head of Pensions	Updated	As G1
Risk	Funding level fails to recover in accordance with the recovery plan, or worsens, due to investment returns being below the levels assumed in the triennial valuations, i.e. relative return to discount rate						
Impact	Reduced investment return leading to the potential for higher employer contributions and greater volatility in level of contributions. Need to review investment and valuation strategies						
Controls	Valuation assumptions are discussed and agreed with the Actuary. A conservative assumption of 5.15% has been adopted for the 2013 valuation, against about 6% for the ALM, to increase probability of funding success. Monitoring returns against assumptions and reporting to Committee. Derisking strategies researched with Hymans Robertson – no action required at present. Desktop review of strategy completed in 2015/16.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High xxxxx	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Continue to apply appropriate funding and investment strategies. ALM exercise to be undertaken in 2016/17.</p> <p>Keep potential derisking strategies under review.</p> <p>Monitor impact of current market conditions on performance and assets.</p>
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No.	xxxx	Ref.	A3	Risk Owner	Head of Pensions	Updated	As G1
Risk	The Fund does not have an appropriate strategic benchmark and an appropriate investment management structure						
Impact	Possible reduced investment return, leading to the potential for higher employers' contributions and greater volatility in level of contributions. Possible need to devise and implement a revised strategy. Non compliance with Investment Principles.						
Controls	The benchmark is reviewed in depth when up to date liability data becomes available after each triennial valuation. Interim studies and analysis are carried out in intervening years, as appropriate. Desktop review completed in 2015/16.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min xxxxx	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Continue to apply controls. Noted that strategy would, ideally, be more matched but is driven in part by underfunded position and the higher allocation needed to growth assets.</p> <p>Keep potential derisking strategies under review. Consider use of hedging, e.g. for currency.</p> <p>Undertake ALM exercise in 2016/17.</p>
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No.	xxxx	Ref.	A4	Risk Owner	Head of Pensions	Updated	As G1
Risk	Inadequate monitoring of the performance of managers and custodians. Failure to undertake formal reviews, if required						
Impact	Possible breach of statutory duty, leading to adverse audit reports and poor publicity. Possible reduced investment return. Selection process leading to assets under care and maintenance, cost of transition of assets, assets in limbo in the case of a corporate failure						
Controls	A detailed monitoring process is in place that involves the Committee, Investment Panel, Officers and the Investment Advisor. Monthly reconciliation of portfolios.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min xxxxxx	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply existing controls. Actions would have to be assessed against the future pooling arrangements.
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No.	xxxx	Ref.	A5	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	High profile failure of an investment manager's process						
Impact	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected manager's investment process. Potential for need to run a manager selection process and for adverse publicity.						
Controls	Investment strategy is subject to continuous review by managers. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor and others available to provide advice, market intelligence and views						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply controls. Actions would have to be assessed against the future pooling arrangements.
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No.	xxxx	Ref.	A6	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	Investment, broker or stocklending counterparty failure						
Impact	Trades fail, potential for assets (securities and / or cash) to be in limbo or lost						
Controls	Managers review counterparties. Collateral and indemnities, custodian controls and counterparty limits in place for stocklending						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Continue to apply controls</p> <p>Continue to monitor the position on MF Global recovery, which stood at 85% to January 2016. A full recovery is expected but timing remains uncertain. A quarterly check is in place.</p>
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No.	xxxx	Ref.	A7	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	Poor performance by an investment manager						
Impact	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for need to run a manager selection process and for adverse publicity.						
Controls	Investment strategy is subject to continuous review by managers. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor available to provide proactive advice						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod xxxxx	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	<p>Continue to apply controls.</p> <p>Continue to monitor underperforming managers.</p> <p>Actions would have to be assessed against the future pooling arrangements.</p>
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No.	xxxx	Ref.	A8	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	Fraud or guideline breach by an investment manager						
Impact	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for need to run a manager selection process and for adverse publicity.						
Controls	Each manager's strategy is subject to continuous review by the Investment Panel and Officers. Monthly monitoring of portfolios is in place. Investment Advisor available to provide proactive advice. Managers' internal controls. Regulatory framework						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply controls. Actions would have to be assessed against the future pooling arrangements.
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No.	xxxx	Ref.	A9	Risk Owner	Head of Pensions	Updated	As G1
Risk	Longer Term Liquidity – maturing of the Fund through ER / VR programmes and outsourcing into closed agreements reduces the free cash position. Change to employees’ contributions in new scheme re part timers may also impact.						
Impact	Decreased cash flow to rebalance structure and to meet large cash requirements such as a property purchase. Impending need to withdraw income or capital from managers in the medium term and to review the structure in the long term						
Controls	Monthly monitoring of cash flow and of membership movements. ALM work undertaken to model the optimal structure. Hymans Robertson has advised that the impact is not material in near term.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod xxxxx	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	<p>Continue to apply controls.</p> <p>Update the longer term cash flow forecast for the accounts and budget and undertake the ALM exercise in 2016/17.</p> <p>Monitor offsetting impact of Auto Enrolment for which deferred staging dates are approaching. Monitor position on horizontal integration of funds (universities?) as per Probation Trusts.</p> <p>Monitor position on use of wholly owned subsidiaries by scheduled bodies.</p>
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No.	xxxx	Ref.	A10	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	Short Term Liquidity - the Fund is temporarily overinvested in relation to its asset base / there is an unexpected working capital requirement from pensions or other commitments						
Impact	Possible forced and disorderly realisation of assets to meet commitments if the position cannot be covered by temporary borrowing						
Controls	System in place for weekly review of the working capital position. Power to borrow to cover certain types of shortfall.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply controls. Monitor potential large cashflows into Private Markets and UK property.
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No.	xxxx	Ref.	A11	Risk Owner	Head of Pensions	Updated	As G1
Risk	Constraints and lack of clarity in Investment Regulations lead to a sub optimal approach to the investment of the Fund						
Impact	Sub optimal strategy has to be followed, particularly for alternative investments. Use of wrappers. Possible inadvertent breach of limits. Inability to use certain instruments, e.g. swaps, outside a vehicle. Legal risk. Increased costs. Additional calls on management time in the Investments Office and in Legal Services.						
Controls	Tailor investment strategy to what is permissible under a prudent interpretation of the regulations. Legal advice is sought and acted upon. Monitor position against limits. Use wrappers and alternative legal structures.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod xxxxxx	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	Continue to benchmark strategy against Regulations. Respond to current consultation on the CLG review of Regulations.
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No.	xxxx	Ref.	A12	Risk Owner	Head of Pensions	Updated	As G1
Risk	Failure to account for overseas tax with overseas tax authorities.						
Impact	Over or under recovery of tax. Failure to manage filing obligations. Penalties imposed by tax authorities.						
Controls	Deloitte carried out audit work in 2015/16 and provided Adequate (second highest) assurance. Controls are comparable to those at other funds. Regular discussion with managers to evaluate positions. Use of blocking structures. Filing of tax exemption forms.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Continue to apply controls.</p> <p>Have budgeted to carry out further work and test checking of selected funds in 2015/16.</p> <p>Develop manual.</p>
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No.	xxxx	Ref.	A13	Risk Owner	Head of Pensions	Updated	As G1
Risk	Enforced changes to the investment arrangements from proposals to pool investments across the Scheme						
Impact	Potential for lower gross and net investment returns, short term transition costs and forced sale of investments at a sub optimal price. Material short term governance burden as new arrangements are researched and out into place.						
Controls	Respond to consultation.						

Area	Assets
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Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High xxxxx	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat / Tolerate
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Action Required	Respond to consultation. Take forward the Committee's decision on pooling.
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No.	xxxx	Ref.	F1	Risk Owner	Head of Pensions	Updated	As G1
Risk	Funding level fails to recover in accordance with the recovery plan, or worsens, due to outturn differing from valuation assumptions						
Impact	Potential for higher employer contributions and greater volatility in level of contributions. Financial strain on employers. Possibility of employer failure amongst smaller employers. Withdrawal from Fund of non scheduled employers.						
Controls	Valuation assumptions are discussed and agreed with the actuary and employers. Relative discount rate reduced at 2013 valuation, partly in response to reduced inflation and pension assumptions. Cessation valuations have a matched strategy. Cost Management process will assist. Have considered use of inflation and interest rate protection and de-risking strategies with Hymans Robertson – no action required at present						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High xxxxx	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Monitor position and keep employers advised.</p> <p>Keep valuation and investment strategies and potential derisking strategies under review.</p>
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No.	xxxx	Ref.	F3	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Data used for valuation is of poor quality due to inadequate data flows from an employer or inadequate data cleansing						
Impact	In extreme cases, the funding strategy could be inappropriate and the declared funding level incorrect. Contribution rates set could be inappropriate and might have to be loaded against an employer where the data is inaccurate / incomplete. Failure to meet regulatory deadline for submission of data to GAD.						
Controls	The Pensions Office works with employers to obtain accurate and timely data. A Pensions Administration Strategy is in place. Comprehensive data cleansing and data checks are carried out by the Pensions Office and the Actuary. Contribution rates can be loaded against an employer to compensate for inaccurate data. TPR data cleansing strategy implemented from 2014 for Common Data and will be followed up for Conditional Data when TPR approach is clear and resources are available. Employers have been advised of data requirements for CARE Scheme.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	There are material short term concerns re new Scheme and workload. Engaging with employers and informing Committee and Board. Clarify position on accounting data with Actuary. Common standard for valuation data extract is being worked on. Apply planned approach on staffing and processing.
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No.	xxxx	Ref.	F4	Risk Owner	Head of Pensions	Updated	As G1
Risk	Assessment of employer covenant / employer failure						
Impact	In the event of an employer failing, the Fund could be unable to clear the deficit with the employer. In the absence of a guarantor or bond, the funding gap would be met by the remaining employers in the Fund						
Controls	Covenant is assessed at each valuation and the strategy / initiatives to address the impact of employer failure are set out in the Funding Strategy Statement. The approach to admissions was reviewed by Pensions Committee on 8 th July 2014 and a policy is in place. Additional guarantees put into place at 2010 valuation. 2013 Regulations provide new powers to vary rates and undertake cessation valuations for scheduled bodies and moribunds and restate the approach to putting bonds in place. In house approach has been reviewed and strengthened. Deloitte audit in 2015/16 gave Substantial assurance.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod xxxxxx	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat / Transfer
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Action Required	Continue to apply controls, including TPR Regulatory Guidance on Assessing and Monitoring the Employer Covenant issued in August 2015. Apply measures available in 2013 Regulations.
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No.	xxxx	Ref.	F5	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund is left with a deficit when a scheduled or admitted body leaves with inadequate provision for the deficit						
Impact	Financial loss to the Fund that has to be made up by a guarantor / insurer. In the absence of a guarantor, the funding gap would be met by the remaining employers in the Fund						
Controls	Use a valuation strategy that reduces deficits as quickly as is reasonable. Seek additional contributions when an employer is known to be leaving the Fund. Close off moribunds and identify possible moribunds.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat / Transfer
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Action Required	<p>Continue to apply existing controls.</p> <p>Consider position on more matched investment strategies over and above that for cessation valuations.</p> <p>Continue to implement cessation valuations for moribunds.</p>
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No.	xxxx	Ref.	F8	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	New employees do not join the Fund, either for financial reasons or because their employer does not promote the scheme or structures employees away from the Scheme (scheduled and admitted bodies) or prevents membership (admitted bodies only). Fewer new starters re use of short term contracts by employers allied to the two year vesting period in the new scheme						
Impact	Decreased cash flow into the Fund. Fund matures quicker than it would otherwise. Potential for increase in employers' contributions						
Controls	Ensure scheduled bodies comply with regulations on enrolment. Where possible, promote benefits of scheme membership, whilst recognising that this is sometimes not favoured by employers. Possible small beneficial impact from Auto Enrolment, the management of which will be overseen by the Fund. 50 / 50 option could assist with retention but take up is low to date.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Tolerate
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Action Required	<p>Limited ability to manage this area. Continue to apply current approach. Consider membership campaign if agreed to by employers. Seek to ensure employers comply with Regulations and requirements of Auto Enrolment. Monitor impact of Auto Enrolment</p> <p>Monitor position on impact of new pension freedoms.</p>
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No.	xxxx	Ref.	L1	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to implement the Regulations correctly in relation to benefits.						
Impact	Breach of Regulations. Benefits not paid correctly to members. Risk of adverse publicity. Censure by tPR, TPAS, IDRPs and Pensions Ombudsman. Risk of financial penalties						
Controls	Resources are applied to interpretation of Regulations. Checks are made on software at design stage. High degree of check built into system. Staff training. Cross reference opinions on regulations to other funds, the Actuary and CLG						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min xxxxx	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Risk lowered from Negligible / Probable to Negligible / Improbable in October 2015 in the light of favourable experience to date.</p> <p>Apply existing controls.</p> <p>Continue to involve Legal Services in interpretation of Regulations</p>
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No.	xxxx	Ref.	L4	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Compliance with Data Protection Act						
Impact	Enforcement action, service disruption, costs, adverse publicity						
Controls	Corporate procedures are followed. Advice is taken from Legal Services as required. Audit carried out in 2012/13 received Substantial assurance. Staff reminded of requirements.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min xxxxxx	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Risk lowered from Negligible / Possible to Negligible / Improbable in October 2015 in the light of favourable experience.</p> <p>Apply controls in line with Council policy.</p> <p>Audit included in 2015/16 Internal Audit programme.</p>
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No.	xxxx	Ref.	L5	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Inadvertent poor guidance or bad advice to a member						
Impact	Inferior service to member. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution. Risk heightened re Freedom and Choice						
Controls	General issues are addressed through staff training. Staff are advised that the Fund cannot give advice. System has been strengthened re mis-selling and TPR documents have been circulated. System in place re Freedom and Choice - Deloitte audit in 2015/16 gave Substantial assurance.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min xxxxxx	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply controls.
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No.	xxxx	Ref.	L6	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to manage income tax correctly						
Impact	Fines and interest payments. Members tax positions may be compromised						
Controls	Periodic audits are carried out on management of tax by audit partner. Increased awareness by staff. Information included in ABS						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply controls. Audit included in 2015/16 Internal Audit Programme - bring BTST into scope of work.
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No.	xxxx	Ref.	L7	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Safeguarding issues in relation to members (also a Reputational issue)						
Impact	A potential or actual safeguarding issue arises and the appropriate action is not taken						
Controls	Revised protocol issued to staff in March 2015. Staff are required to report issues upwards to senior management, Legal Team and to Social Services.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min xxxxxx	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to monitor position and promote awareness.
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No.	xxxx	Ref.	L8	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	A transfer value is incorrectly managed, resulting in a Pensions Liberation Fraud						
Impact	Potential for fines by Regulator, tax charges and adverse publicity						
Controls	Systems reviewed to alert staff and members to position. TPR practices have been adopted. Strengthened disclaimer introduced. Legal and Senior Management review of cases. System in place re Freedom and Choice. Deloitte audit in 2015/16 gave Substantial assurance.						

Area	Legal
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Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod xxxx	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	<p>Risk raised from Negligible / Possible to Negligible / Probable in October 2015 as concerns are being raised re overall complexity of the position</p> <p>Continue to apply controls. Monitor position on new pension freedoms</p>
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No.	xxxx	Ref.	S1	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Benefit fraud						
Impact	Financial loss						
Controls	High degree of check built into system. Name, address and bank detail checks. Selective eligibility checks, e.g child's pensions paid to students. Participated in 2014 NFI.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod xxxxx	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	Continue to apply controls. Conclude recoveries identified in 2014 and earlier NFIs.
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No.	xxxx	Ref.	S2	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	UPM not fully developed to deliver the CARE scheme						
Impact	Unable to carry out aspects of pensions administration in line with regulations without manual intervention. Additional working costs. Service to employers and members is compromised						
Controls	Development is largely complete. Plans are in place for remaining areas						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod xxxxx	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Moderate	Strategy	Treat
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Action Required	<p>Continue to update and implement development plans.</p> <p>Meetings in hand with Civica and other users.</p> <p>Work to continue through 2015/16 and 2016/17..</p> <p>Monitor position on programming for negative CPI in September 2015, valuation extract and general fixes.</p>
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No.	xxxx	Ref.	S3	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to develop and introduce improved working practices across pensions processing, particularly Web and BDI						
Impact	Increased costs of processing. Additional processing backlogs arise. Statutory targets and local performance indicators are not met. Inferior service to employers and members. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
Controls	Development plans are in place, but delayed by need to introduce CARE system. Included in Service Plan for 2016 – 19. Monitor progress and report to Committee and Board.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Use consultancy time as required.</p> <p>Monitor progress against development plans and the report to Committee and Board.</p> <p>Encourage employer take up when systems are available.</p>
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No.	xxxx	Ref.	S6	Risk Owner	Head of Pensions	Updated	As G1
Risk	Key man risk re retention and recruitment						
Impact	Failure to deliver an adequate service. Increased stress and pressure of working						
Controls	Structure kept under review. Additional review carried out by senior managers as part of 2015/16 service planning. Training programmes in place. Manuals and service planning in place.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High xxxxx	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Raised from Marginal / Possible to Marginal / Near Certain at this review in the light of senior management changes. Recruitment to be taken forward.</p> <p>Continue with training and knowledge and task sharing programmes, as raised through SMT and elsewhere.</p> <p>Possible increased use of consultants in the short term (current usage is low).</p> <p>Continue to monitor structure.</p>
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No.	xxxx	Ref.	S7	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Performance against Disclosure Regulations deteriorates due to introduction of CARE Scheme.						
Impact	Breach of Regulations. Risk of adverse publicity. Censure by TPR, TPAS, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
Controls	Increasing staffing resources. Liaison between Client Managers and employers. Reporting back to senior management at employer and to Committee and Board. Pensions Administration Policy in place. Training is available.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High xxxxx	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Keep staffing structure under review and fill posts.</p> <p>Continue to apply controls. Roll out and encourage use of automated data transfer systems.</p> <p>Continue to tackle issues that arose via annual contribution posting.</p> <p>Note that the reported position will deteriorate as the backlog is cleared.</p>
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No.	xxxx	Ref.	S8	Risk Owner	Head of Pensions	Updated	As G1
Risk	Failure by employers to manage Auto Enrolment correctly						
Impact	Failure by employer to identify staging date or to re auto enrol members. The Pensions Office then has to retrospectively correct the position.						
Controls	Have reviewed guidance and Regulations. Internal systems are in place. Have sent reminders to employers. Included in Annual Employers' Questionnaire.						

Area	Service Delivery
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Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min xxxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Downgraded from Negligible / Probable to Negligible / Possible in October 2015 in the light of continuing favourable experience to date.</p> <p>Monitor staging dates and position at employers. Continue to review the guidance and Regulations as these emerge.</p> <p>Issue periodic reminders.</p>
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No.	xxxx	Ref.	S9	Risk Owner	Head of Pensions	Updated	As G1
Risk	Capacity issues in 2015/16 and later years						
Impact	Issues with service delivery. Late receipt of Regulations and GAD Factors have caused programming, training and communication issues for new Scheme. Additional work re Pooling expected.						
Controls	Monitoring structure and key man risk. Training in place. Work flexibly re staff allocation. Working overtime selectively.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High xxxxx	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Monitor workload v. capacity and position re Pooling.</p> <p>Review position in Investments Office that has arisen re final accounts due to vacancy and from extra work required on budget and on pooling.</p> <p>Proceed with staffing proposals</p>
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