

**WILTSHIRE PENSION FUND RISK REGISTER**

**Purpose of the Report**

1. The purpose of this report is to update the Committee in relation to changes to the Fund's Risk Register (see Appendix).

**Background**

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Committee on a quarterly basis.

**Key Considerations for the Committee / Risk Assessment / Financial Implications**

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and by the potential damage that might be caused by an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. Three items have changed since the last report to this Committee on 19 November 2009:
  - a) Risk PEN002 ("Failure to collect and account for contributions from employers and employees on time") rose from Amber to Red as the Fund still did not have a detailed analysis of the employees' and employers' contributions paid over by Wiltshire Council when the Risk Register was updated on 31 January 2010. A report has now been received and at the time of writing it is aimed to achieve a reconciliation of contributions payable by Wiltshire Council for 2009-10 in time for the start of the interim audit work by KPMG shortly.
  - b) Risk PEN011 ("Lack of expertise on Pension Fund Committee or amongst officers") has risen from Green to Amber, as a result of the recent launch of the CIPFA Local Government Pension Fund Skills Framework, from which it is clear that further work is needed on member training. A report on the Framework will be brought to a future meeting of this Committee.
  - c) Risk PEN012 ("Over-reliance on key officers") has risen from Green to Amber due to the imminent departure of David Broome as Head of Pensions. However, a transition plan is in place to achieve an efficient and orderly handover of responsibilities and knowledge to his replacement David Anthony.

## **Environmental Impacts of the Proposals**

5. There no known environmental impact of this report.

## **Proposals**

6. The Committee is asked to note the update of the Risk Register.

MARTIN DONOVAN  
Chief Finance Officer

Report Author: David Broome, Head of Pensions.

---

Unpublished documents relied upon in the production of this report: NONE

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
PEN001	Failure to process pension payments and lump sums on time	Service Delivery	Non-availability of AXISE/ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	Martin Summers	David Broome	2	2	4	2	2	4	2	2	4	Robust maintenance and update of AXISE/ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.	None	31 January 2010	4	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	Non-availability of CRS/SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively.	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	David Broome	3	4	12	2	1	2	2	1	2	Robust maintenance and update of AXISE/ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	At the date of the assessment, the Fund still does not have a breakdown of contributions from Wiltshire Council (WC) for 2009-10. If unresolved, this will have implications for the year-end audit. WC officers are working to resolve it.	31 January 2010	12	↑
PEN003	Insufficient funds to meet liabilities as they fall due	Service Delivery	Contributions from employees too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. However, this would not conceivably be an issue for the Wiltshire Pension Fund for many years to come, because it is currently "immature" and very cashflow positive.	David Broome	David Broome	4	1	4	4	1	4	4	1	4	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, etc.	None	31 January 2010	4	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Service Delivery	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	Andy Cunningham	David Broome	4	2	8	4	1	4	4	1	4	Business Continuity Plan in place	Fire Proof Safe required for microfiches - this is being investigated. WC's additional measures in place for Swine Flu.	31 January 2010	8	→
PEN005	Loss of funds through fraud or misappropriation	Fraud / Integrity	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	David Broome	4	1	4	4	1	4	4	1	4	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	None	31 January 2010	4	→
PEN006	Significant rises in employer contributions due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Broome / Andy Cunningham	David Broome	4	3	12	3	2	6	3	2	6	Longevity and bond yields are really beyond the control of the Fund. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (eg. early retirements, augmented service, etc).	Quarterly monitoring of movements in liabilities is being undertaken and significant advance warning is being given to employers of potential increases in contribution rates	31 January 2010	12	→

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likeli hood	Risk Score	Impact	Likeli hood	Risk Score	Impact	Likeli hood	Risk Score						
PEN007	Significant rises in employer contributions due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	David Broome	3	4	12	3	2	6	3	2	6	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	Quarterly monitoring of movements in investment is being undertaken and significant advance warning is being given to employers of potential increases in contribution rates.	31 January 2010	12	→
PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	New Pensions Manager / David Anthony	David Broome	2	2	4	2	1	2	2	1	2	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	A close eye is being kept on the AXISe system at present as it is some way behind some of the recent regulatory and actuarial changes, which is necessitating some manual intervention.	31 January 2010	4	→
PEN009	Failure to hold personal data securely	Legal / Statutory	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data lost or compromised	Tim O'Connor	David Broome	2	2	4	2	1	2	3	2	6	Compliance with Wiltshire Council's Data Protection & IT Policies.	It is intended to do a full data protection audit for the Fund shortly.	31 January 2010	4	→
PEN010	Failure to keep pension records up-to-date and accurate	Knowledge / Data / Info	Poor or non-existent notification to us by employers and members new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	Tim O'Connor	David Broome	3	2	6	2	1	2	3	3	9	Operations Team set-up and constantly working to improve data quality, data validation checks carried out through external partners (eg. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative, LEAN Review looking at all ways to collect and input "clean data".	We are always looking for new ways to improve the quality of the data that we collect and hold. This is a particular area for continuous development.	31 January 2010	6	→
PEN011	Lack of expertise on Pension Fund Committee or amongst officers	Professional judgement & activities	Lack of training and continuous professional development	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments	David Broome	David Broome	3	2	6	2	1	2	3	3	9	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Help can be called on from our consultants and independent advisors too.	Officers are being more proactive with the new Committee from June 2009 to ensure that members have as many opportunities as possible to gain knowledge that will help in the carrying out of their Pension Fund Committee duties. However, there is a need for further work in this area following the recent launch of the CIPFA Local Government Pension Fund Skills Framework for both members and officers.	31 January 2010	6	↑

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
PEN012	Over-reliance on key officers	Organisation Management / HR	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Broome	David Broome	2	4	8	2	1	2	2	3	6	Key people in the Section are seeking to transfer specialist knowledge to colleagues and recent structural changes are helping with this. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	David Broome (the Head of Pensions) is leaving at the end of February 2010. A transition plan is in place to achieve an efficient and orderly handover of responsibilities and knowledge.	31 January 2010	8	↑
PEN013	Failure to communicate properly with stakeholders	Stakeholders	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor and they may misadvise their employees.	Nikki Barnes & Andy Cunningham	David Broome	2	2	4	2	1	2	2	3	6	The Fund has a dedicated Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	None	31 January 2010	4	→
PEN014	Failure to provide the service in accordance with sound equality principles	Corporate / Leadership / Organisation (Reputation)	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Broome	David Broome	2	1	2	2	1	2	2	2	4	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	None	31 January 2010	2	→