

Wiltshire Pension Fund Risk Register

16-Nov-17

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
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PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of 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.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.	2	2	4	Low	None	David Anthony		2	2	4	Low	16 Nov 17	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan reviewed in Dec 2016 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	David Anthony		4	1	4	Low	16 Nov 17	→
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	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.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	18 Sep 17	→
PEN014	Failure to provide the service in accordance with sound equality principles	Benefits Administration	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 Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	Review procedures / policies to ensure compliant with Wiltshire Council Trans gender policy.	Craig Payne	Sep 17	2	1	2	Low	18 Sep 17	→
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	David Anthony	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.	2	2	4	Low	Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes. Not anticipating implementation currently.	Craig Payne	Sep-17	1	3	3	Low	18 Sep 17	→
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP records.	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	David Anthony	Project has been set up and 2 Data Analysts employed to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	Reconciliation project on-going. Ahead of most LGPS Funds but reliant on HMRC responses. Need to agree policies for tolerances with Committee prior to any rectification phase.	Mark Anderson	Dec-17	1	3	3	Low	18 Sep 17	→

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PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	Contributions from employees / employers 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. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None			4	1	4	Low	16 Nov 17	→
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. This approach has been used for the 2016 Valuation.			2	2	4	Low	16 Nov 17	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.	2	2	4	Low	The rates for the 2016 Valuation were presented in October. The better than expected investment performance along with improving membership experience and reviewing of assumptions has meant most increases have not been significant.			2	2	4	Low	16 Nov 17	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy has continued in the 2016 Valuation. A new Investment Strategy Statement was implemented in April 2017, following approval by this Committee in March. Risk mitigation tools being considered currently by Committee.			2	2	4	Low	16 Nov 17	→

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PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	Low	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. A new Investment Strategy Statement was implemented in April 2017, following approval by this Committee in March. Risk mitigation tools being considered currently by Committee.	David Anthony		2	2	4	Low	16 Nov 17	→
PEN015	Failure to collect payments from ceasing employers	Funding & Investments	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.	2	2	4	Low	Concern over ability for Head of Pensions to spend sufficient time covering the strategic employer issues with the on-going Brunel project. Additional time to be planned to assist in training Employer Relations Manager and new procedures being drafted.	David Anthony		2	1	2	Low	16 Nov 17	→
PEN016	Treasury Management	Funding & Investments	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Chris Ashton		3	1	3	Low	16 Nov 17	→
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	David Anthony	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.	3	2	6	Medium	Markets have appeared to have settled since the BREXIT vote. Will monitor markets as exit negotiations begin. Risk mitigation tools be considered by Investment Sub Committee to protect Fund from future downside risk.	David Anthony	Sep-17	3	1	3	Low	16 Nov 17	→
PEN026	Impact of MiFid II Regulations	Funding & Investments	New MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	David Anthony	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.	2	2	4	Low	LGE and Scheme Advisory Board now agreed standard templates for application of LGPS funds to opt up to "professional" status. On this agenda to agree application.	David Anthony	Sep-17	3	1	3	Low	16 Nov 17	↓

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PEN002	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	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	Robust maintenance and update of 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. The Breaches framework now require the Fund to log material late payments.	2	2	4	Low	The amount of employers (170) to review and monitoring is too high for current resource level and in order to ensure compliance with TPR Code, need to ensure each missed payment is reported to Regulator after 90 days. A revised contributions framework was implemented and effective from October 2017.	Chris Ashton		2	2	4	Low	16 Nov 17	↓
PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	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	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against	2	2	4	Low	Work continues to ensure the Fund can comply fully with the tPR Code of Practice requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator. An audit report on the Fund's compliance was presented to the last Committee which showed no material issues.	David Anthony	Sep-17	2	2	4	Low	16 Nov 17	→
PEN009	Failure to hold personal data securely	Regulatory & Governance	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, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.	2	3	6	Medium	The Fund needs to ensure it meets with the new General Data Protection Regulations (GDPR) coming into effect in May 2018. Currently working with a number of other Funds to review implications and updating the Wiltshire Council corporate project team on position. Requires resources prioritised to avoid	Nick Weaver	Apr-18	2	1	2	Low	16 Nov 17	→
PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	2	4	Low	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Fund received Heywood's software provider report showing performance and priorities for improvements	Mark Anderson		2	1	2	Low	16 Nov 17	↓
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	Michael Hudson	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. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	3	9	Medium	Head of Pensions leaving 30 November, Strategic Pension Manager left during September. The replacement posts have been advertised and interviews are on 21/22 Nov. Interim Head of Pension in place to provide short term cover. Consultancy support continues with Hymans Robertson for departing Technical & Compliance Manager.	Michael Hudson	Nov-17	2	1	2	Low	16 Nov 17	↓

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PEN012	Over-reliance on key officers	Regulatory & Governance	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.	Michael Hudson	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	3	4	12	High	Hymans Robertson continue to provide consultancy support. Head of Pensions leaves 30 November, and Strategic Pension Manager now left. Technical & Compliance Manager leaves 8 December. Replacement posts for Head of Service scheduled 21/22 Nov. Restructure now finalised increasing team capacity & recruitment commenced for these posts.	Michael Hudson	Nov-17	2	1	2	Low	16 Nov 17	→
PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	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. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	3	6	Medium	The new members training plan for 2015-17 was approved in March 2015. Induction training undertaken in May 2017.	David Anthony		2	1	2	Low	16 Nov 17	→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	A review of the effectiveness of the Investment Sub-Committee was undertaken which indicates its effectiveness and positive contribution in considering investments in more detail and freeing up Pension Committee agenda time. The Local Pension Board Annual Report has shown how its been effective over the past 12 months in assisting in the effectiveness of administration of the Fund.	David Anthony		1	3	3	Low	16 Nov 17	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets	If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	David Anthony	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.	3	4	12	High	Transfer to new custodian taking place 13 December. Development of Client Group required to establish intelligent client to hold Brunel to account. New Investment Manager role will provide this support and additional capacity once appointed.	Michael Hudson		1	3	3	Low	16 Nov 17	→

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PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	Michael Hudson	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.	3	4	12	High	With the Head of Pensions and Strategic Pension Manager leaving support available to service the Committees / Boards is limited. New structure finalised to provide additional capacity to support governance arrangements. Interim Head of Pension now appointed to cover until permanent positions confirmed. Risk can reduced once vacancies are filled.	Michael Hudson	Nov-17	1	2	2	Low	16 Nov 17	→
PEN025	Academisation of Schools	Regulatory & Governance	The recent proposals from the Government to encourage all school to convert to academy status.	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	David Anthony	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	PWC report issued on academies, identifies the issues but no recommendations. Fund is reviewing how academies are dealt with when MATs break-up and the additional governance involved with a report back to this Committee in December 2017.	Denise Robinson	Dec-17	1	1	1	Low	16 Nov 17	→
PEN013	Failure to communicate properly with stakeholders	Communication	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.	David Anthony	The Fund has a 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.	2	2	4	Low	Member communication continues to be developed and the current round of pension clinics are being held. Both Employer and Members newsletters have been sent out during March / April. Employer forums were held in April and September with an AGM held in June. The Fund now has a Twitter account. Annual Benefit Statement sent to members by 31 August.	Zoe Stannard / Denise Robinson		1	1	1	Low	16 Nov 17	→