

KENT PENSION FUND RISK REGISTER MARCH 2016

Category	Ref	Risk	Impact	Likelihood	Risk Score	Risk Owner	Mitigation	Residual Impact	Residual Likelihood	Residual Risk Score
Governance Risks										
Governance	G1	Increased scrutiny from the National Scheme Advisory Board, The Pensions Regulator (TPR) and Pensions Ombudsman.	1	1	1	N Vickers	Hold Pension Board meeting	1	1	1
Governance	G2	Proposals for pooling of Investments	4	4	16	N Vickers	Responded to consultations, SFC now agreed to join the Access Pool, submission in on 19th February, work now in hand	4	4	16
Governance	G3	Failure to establish the new Pension Board in accordance with legislation	1	1	1	N Vickers/ D Fitch	The Pensions Board had its first meeting on 30 July 2015 and the Chair Person has been appointed. Membership to be finalised after 6 Nov Committee meeting Details of the Pension Board set up on Kent.gov website. Link on pension fund website. 2nd meeting scheduled for April 2016	1	1	1
Governance	G4	Compliance with TPR requirements	3	1	3	A Mings / B Cheatle	Officers monitoring compliance, response to surveys	2	1	2
Governance	G5	Administering Authority becoming separate entity from Local Authority	1	2	2	N Vickers	Respond to consultations	1	2	2
Governance	G6	Compliance with data protection laws	3	1	3	A Mings/ B Cheatle	KCC policies and protocols. Training is now compulsory for all KCC staff by 31 December 2015 which was completed	2	1	2
Governance	G7	Inadequate skills & knowledge of Committee and Board Members / officers	2	1	2	N Vickers	Emphasis on member and officer training & development. Attendance at conferences / training events run by Fund Managers, CIPFA, NAPF etc. KCC training available. TPR toolkit available	2	1	2
Governance	G8	Loss of experienced Members/staff	3	2	6	N Vickers / A Mings / B Cheatle	Local election in 2017 / Succession planning KCC policy re succession planning	3	2	6
Governance	G9	Potential changes to the provision of KCC Legal Services	2	2	4	A Mings/ S Tagg	Ongoing monitoring of KCC plans	1	2	2
Governance	G10	Inadequate KCC resource to support Pension Fund processes	3	1	3	A Mings /B Cheatle	Need to agree a Service Level Agreement (SLA) with the BSC and agree charges	2	1	2
Employer Risks										
Employer	E1	Failure to communicate with employers effectively.	2	1	2	B Cheatle/ A Mings/ S Tagg	Employer Forums, meetings, regular communication Enhance Fund website, add guidance for employers to website	1	1	1
Employer	E2	Increased number of employers in the Fund	2	4	8	A Mings/ S Tagg	Appropriate staffing resources and systems, clear communication Recognising Academies at Trust level, liaising with actuary	2	3	6
Employer	E3	Employer outsourcing - admission bodies	3	4	12	S Tagg / A Mings	Clear process and communication with employers pre contract decisions, Liaise with KCC Legal Services and actuary Regular employers report to SFC and Pensions Board SFC agreed delegation for admission decisions to Director of Finance and Procurement in exceptional circumstances Ensure guarantees provided or bonds put in place if required and maintained for the life of the contracts	2	4	8
Employer	E4	Admission agreements / scheduled body resolutions closed to new members	3	4	12	A Mings / S Tagg	Plan for exiting employers as per Reg. 64 (4)	2	4	8
Employer	E5	Financial failure of an employer	4	1	4	A Mings/ S Tagg	Monitoring of employers, bond / guarantees, credit risk management Pro-active management of exit liability as per Reg 64 (4) Agree shorter recovery periods. Cash deficit contributions	3	1	3
Employer	E6	Academies Closing	3	2	6	A Mings/ S Tagg	Recognise the academy Trust as employer rather than the individual academy in a multi academy trust. D of E guarantee	3	1	3
Employer	E7	Failure to collect pension contributions in line with regulatory guidelines	4	1	4	A Mings/ S Tagg	Regular reporting to the Superannuation Fund Committee and Pensions Board Escalation process agreed and documented, Regular monitoring and recovery action, KPI's, Annual internal and external audit review Project to be established to look into solution based on employers using selfservice.	3	1	3
Employer	E8	Changes to Employers' payroll providers	2	4	8	B Cheatle / S Tagg	Use of website, Communication with employers	1	4	4
Employer	E9	Implementation of actuarial valuation results - 2016 valuation	2	2	4	A Mings/ S Tagg	Project plan documented on SharePoint August 2015 Briefing note received from actuary 2013/14 & 2014/15 cash flows already sent to actuary to reduce workload spike, Monitoring of monthly returns Held pre valuation meeting with actuary Reviewing employers evenst spreadsheet with actuary	2	1	2

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Investment Risks										
Investment	I1	Fund managers' compliance with LGPS 2009 regs (as amended) and Fund SIP / FSS	2	1	2	A Mings/ S Surana	IMAs, Fund Manager reports, monthly management reporting, Committee reviews, officer reviews	2	1	2
Investment	I2	Lack of adequate internal controls at Fund Managers and Custodian	3	1	3	A Mings/ S Surana	AAF/01/16 and SSAE16 reports for Fund Managers and Custodian	3	1	3
Investment	I3	Changes in membership maturity mean that different employers request different investment strategies	2	1	2	N Vickers / A Mings	Balanced Investment strategy. Liaison with actuary.	2	1	2
Investment	I4	Fund investment return below that assumed by the actuary	4	4	16	N Vickers	Diversified investment strategy with annual review. Advice from Hymans Robertson, Tactical asset allocation Monitoring of investment managers.	3	4	12
Investment	I5	Investment in complex instruments / vehicles	2	3	6	N Vickers	Diversified Investment strategy, Advice from Hymans Robertson. Attendance at Industry and Fund Manager training forums	2	2	4
Investment	I6	Pressure to reduce Investment fees	2	4	8	N Vickers	Participate in consultation to influence Policy and direction of travel Consider pooling of investments with other funds to reduce fee rates	1	4	4
Investment	I7	Increased longevity	2	3	6	N Vickers	Investment strategy, Actuarial assumptions, increased employer contributions	2	3	6
Investment	I8	Failure of manager or custodian	3	1	3	N Vickers / A Mings	Quarterly monitoring SSAE16 audit reports; diversification of manager mandates; diversification of custody via pooled funds Advice from Hymans Robertson.	2	1	2
Investment	I9	Incomplete and inaccurate investment records including income	3	2	6	A Mings/ S Surana	Reconciliation of KCC accounting systems with fund managers' reports. Annual external audit review	2	1	2
Investment	I10	Insurance risk on property portfolio	2	2	4	S Surana	Ensure adequate arrangements in place at all times	2	1	2
Investment	I11	Failure to complete the Transition of Custodian Services on the due date	3	1	3	A Mings/ S Surana	Transition complete as agreed Regular internal review with custodian of progress against plan Dialogue and consultation with Fund Managers	2	1	2
Administration Risks										
Administration	A1	Poor communication with members	2	1	2	B Cheatle	Regular communication, ABI's	2	1	2
Administration	A2	Fraudulent payments	3	1	3	B Cheatle/ A Mings	Atmos monitoring process Internal controls Regular internal & external audits	2	1	2
Administration	A3	Failure of employers to provide timely and accurate information such as whole time equivalent pay and Assumed Pensionable Pay	2	3	6	B Cheatle/ S Tagg	Regular communication. Intervention with problem employers	2	3	6
Administration	A4	Inadequate implementation of the 2014 Regulations and compliance with new requirements by employers	4	2	8	B Cheatle/ S Tagg	Regular communication with employers and staff training	3	2	6
Administration	A5	Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors	3	1	3	B Cheatle	Engagement with employers, employer manuals in place, electronic interface, year end data cleansing, officer checking	3	1	3
Administration	A6	Security and integrity of member data	3	1	3	B Cheatle	Access controls, authorisations, reconciliations	3	1	3
Administration	A7	System failure	3	1	3	B Cheatle	Externally hosted business continuity arrangements with Heywood. Cover for key staff in Business Services Centre	3	1	3
Administration	A8	Manual calculations due to late/non receipt of new Regulations and errors within administration system.	2	3	6	B Cheatle	Staff training.	2	3	6
Administration	A9	Failure or delay in paying pensioners	2	4	8	B Cheatle	Externally hosted business continuity arrangements with Heywood.	2	4	8
Administration	A10	Impact of tax changes on individuals-annual allowance/lifetime allowance	2	3	6	B Cheatle	Briefing material.	2	3	6
Administration	A11	Change of premises	2	5	10	B Cheatle	Admin team moved to Invicta House temporarily, anticipated move to Cantium House in early 2016	1	5	5
Administration	A12	Ending of Contracting Out - GMP reconciliation	2	4	8	B Cheatle	Awaiting central government guidance on any underpayment or overpayment of pensions	2	4	8
Administration	A13	TPR concerns re quality of data - common data	3	2	6	B Cheatle	Contract to use tracing company to locate lost addresses, train employers so that correct timely data received	2	2	4

Risk Scoring Guidelines

Likelihood (Threats)		
Almost Certain	4	The event is expected to occur in most circumstances > 80%
Likely	3	More likely to occur than not: 51% to 80%
Possible	2	Fairly likely to occur: 21% to 50%.
Unlikely	1	Low but not impossible: 1% to 20%

Risk Matrix (Threats)

			Impact (Negative)			
			Minor	Moderate	Major	Critical
			1	2	3	4
Likelihood	4	Almost Certain	Medium (4)	High (8)	VeryHigh (12)	Very High (16)
	3	Likely	Medium (3)	High (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	High (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

Risk Appetite (Threats)

Level of Risk	Consequences	Action Required
Very High 12-16	Disastrous (negative) impact. The Council is very concerned with this kind of threat (Unacceptable).	Treatment/Mitigation Action(s) required to minimise threat(s) within 0 – 3 Months
High 6-9	Severe (negative) impact. The Council is concerned with this kind of threat (Considerable).	Treatment/Mitigation Action(s) required to minimise threat(s) within 3 – 6 Months
Medium 3-4	Medium (negative) Impact. The Council is uneasy with this kind of threat (Manageable).	Managed via contingency plans. Treatment/Mitigation Action(s) required to minimise threat(s) within 6 -9 Months
Low 1-2	Relatively light negative impact. The Council is content with this kind of threat (Acceptable).	The Council is content to accept this risk, but threat(s) should be reviewed every 9 – 12 Months

Risk Score = Likelihood × Impact