

KENT PENSION FUND RISK REGISTER AUGUST 2019

Ref	Risk	Mitigation	Residual			Risk Owner
			Impact	Likelihood	Risk Score	
Governance Risks						
G1	The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board, resulting in: <ul style="list-style-type: none"> • Non-compliance with legislation and/or best practice. • Inability to determine policy, make effective decisions and/or deliver service • Risk to reputation 	The Kent County Council Superannuation Fund Committee discharges the duties of the Council as Administering Authority of the Pension Fund. <ul style="list-style-type: none"> • KCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008 • The Governance Policy and Compliance Statement is reviewed and updated regularly to ensure that the policy remains appropriate • The Statement is published on the Kent Pension Fund website • The Kent County Council Governance and Audit Committee approves the annual statement of accounts of the Kent Pension Fund, considers whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from any audit that need to be brought to the attention of the Council. • A Pension Board has been established as required by the Public Service Pension Act 2013. • Support and training are being provided to ensure that the Board is equipped to undertake its role. 	4	1	4	Z Cooke
G2	Failure to comply with regulations and guidance from the National Scheme Advisory Board, the Pensions Regulator and Pensions Ombudsman	Updates on guidance and regulations received directly from the regulators, CIPFA and other professional publications. Member and officer awareness and training through attendance at workshops organised by PLSA, CIPFA, actuaries, fund managers and consultants.	4	1	4	Z Cooke
G3	Failure to comply with GDPR	KCC policies and protocols. GDPR training now compulsory for all KCC staff .	3	1	3	C Head / B Cheatle
G4	Concentration of knowledge in a small number of officers and risk of departure of key staff or non-availability due to sickness or other issues	Knowledge of all tasks is shared by at least two staff members and can in addition be covered by senior staff. Ongoing training of staff. Training requirements reviewed annually with staff and a formal training record is maintained. Senior finance management manage the succession plans. Officers complete the Pensions Regulator Toolkit for Public Service Schemes	3	2	6	Z Cooke / D Shipton / C Head
G5	Risk of non compliance with new CMA directive - Lack of appropriate and adequate independent consultancy advice	Ensure appropriate advice is obtained from approved consultants to support committee decisions and reviews of investment mandates	3	1	3	Z Cooke / N Vickers / D Shipton
G6	Failure to achieve competitive prices for Investment Management and other services	Participation in the ACCESS Pool to reduce fee rates. Requirement for Fund managers to sign up to transparency code Use of LGPS frameworks to procure financial services	2	2	4	N Vickers / D Shipton / C Head / A Mings
G7	Excessive payments to suppliers	Budgetary control and management by budget holders with support from KCC Revenue Finance.	2	1	2	A Mings / S Surana

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		All payments made using KCC iProc system, ensure robust invoice checking and approval process.				
G8	Conflicts of Interest	KCC procedures for declarations of conflicts of interest by members at Committee and Board meetings as well as by staff on ORACLE	2	1	2	Democratic Services / Z Cooke / D Shipton / C Head
G9	Business continuity and disaster recovery	Externally hosted business continuity arrangements with Heywood. Cover for key staff in Cantium Business Solutions KCC Business Continuity Plan for staff and systems	2	1	2	B Cheatle / A Mings
Employer Risks						
E1	Financial failure of a non public sector employer	Monitoring of employers, bond / guarantees, credit risk management information Awareness of daily news which could affect the Fund employers Pro-active management of exit liability as per Reg 64 (4) Agree shorter deficit recovery periods. Cash deficit contributions	1	2	2	A Mings / S Tagg
E2	Increased number and complexity of employers including due to outsourcing of services. Fragmented payroll providers	Monitor closed admission agreements, staff movement to different terms and conditions and contract end dates Recognising Academies at Trust level Clear process and communication for onboarding new and exiting employers Enhancing information on Fund website for current and prospective employers System and process changes to improve timeliness, frequency and efficiency of automatic information transfer from employers through the pension fund website. Monitor staffing resources and systems Increased resource at Invicta Law Ltd	3	1	3	A Mings / S Tagg
E3	Non collection of pension contributions due to error or fraud and failure to follow regulatory guidelines	Regular monitoring and recovery action, KPIs Escalation process agreed and documented Regular reporting to the Superannuation Fund Committee and Pensions Board Periodic internal and annual external audit review	2	1	2	A Mings / S Tagg
E4	Failure to complete 2019 actuarial valuation exercise accurately and on time	Preparation and liaison with actuary and employers . Develop comprehensive action plan and monitor progress	2	1	2	A Mings / S Tagg / B Cheatle
Funding Risks						
F1	Risk of increased funding deficit caused by the following events:	Regular review of Investment Strategy	2	3	6	N Vickers / A Mings

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	Reducing contributions as the result of the increased maturity of the Fund due to an aging membership and as local authorities outsource services to organisations who agree closed arrangements. Increased liabilities due to the increased longevity of pensioners High inflation and / or low gilt interest rates adversely affecting employer liability	Cash flow monitoring. Employers are paying cash sums re falling payrolls Appropriate actuarial assumptions. Actuary reviews contributions as part of the triennial valuation and annual interim reviews. Maintain balanced Asset Allocation including Inflation protection investments. Long term investment horizon ensures that the short term fluctuations in interest rates and inflation do not affect the long term viability of the Fund				
F2	Increased fragmentation of employers increases risk of different employer maturity profiles.	Balanced Investment strategy. Actuary undertakes valuation at employer level and sets appropriate contribution rates	1	2	2	N Vickers / A Mings
F3	Insufficient cash-flow to fund pension payments	Cash flow forecasting and monitoring Cash generation by Investment in income distributing funds and property assets Maintaining some investment in liquid assets.	2	2	4	N Vickers / A Mings / S Surana
Investment Risks						
I1	Fund managers' non-compliance with LGPS 2016 Regulations and Fund ISS / FSS	IMAs, Fund Manager reports, monthly management reporting, Committee reviews, officer reviews	2	1	2	A Mings / S Surana
I2	Failure of fund managers to achieve target investment returns	Diversified investment strategy with annual review. Advice from Consultants Monitoring of investment managers. Tactical asset allocation	3	2	6	N Vickers / S Surana
I3	Failure of in-house treasury management practices leading to fraud, corruption or error. Risk of financial loss and damage to reputation	Pension Fund has its own agreed list of approved counterparties. KCC's Treasury Management Practices which also cover the management of the Pension Fund's cash are reviewed and updated regularly. Sufficient members in the Treasury team to cover absence and leave - a central calendar is maintained to ensure cover in place. Appropriate separation of duties exists.	3	1	3	D Shipton / A Mings
I4	Investments too complex	Diversified Investment strategy. Attendance at Industry and Fund Manager training forums Advice from Consultants	2	2	4	N Vickers
I5	Failure to adjust investment strategy to meet funding requirements	Review of Investment strategy and rebalancing to agreed asset allocation Monitoring of funding levels. Advice from Consultants	2	2	4	N Vickers
I6	Failure of manager or custodian	Quarterly performance monitoring	3	2	6	N Vickers / A Mings / S

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		Contract management, media reports Internal Control reports; diversification of manager mandates; diversification of custody via pooled funds Advice from Consultants				Surana
I7	Risks associated with the establishment of the ACCESS pool: delay in set up, operational issues with provider, cost creep	Operator appointed, Project Group established, representation of Chair and officers, project managed by consultants and use of professional services and advice, separate risk register, IAA, Operator Agreement	2	2	4	A Mings / S Surana
I8	Risks associated with the investment in the ACCESS ACS sub-funds : slippage of time table, lower fee savings than expected, high transition costs, disagreement within pool regarding sub fund / manager selection	Transition Management, pooling negotiations and due diligence, advice from consultants, representation on OWG and OBSG	3	2	6	A Mings / S Surana
I9	Completeness and accuracy of investment and accounting records including income	Reconciliation of KCC accounting systems with fund managers' reports and custodian records. Annual external audit review, and periodic internal audit review	2	1	2	A Mings / S Surana
I10	Insurance risk on property portfolio	Ensure adequate cover in place at all times, valuations	2	1	2	S Surana
Administration Risks						
A1	Fraudulent pension payments	Atmos monitoring process of deceased pensioners. Internal controls on checking and authorisation of payments. Regular internal & external audits of operation of controls.	2	1	2	B Cheattle
A2	Member data incomplete or inaccurate	Regular communication with employers. Intervention with problem employers. Better sharing of queries on year-end returns. Implement system for data submission by employers on monthly basis, roll out of i-Connect	2	2	4	B Cheattle
A3	Administration process failures	Engagement with employers, employer manuals in place, electronic interface, year end data cleansing, officer checking, regular review of data quality, staff training	3	1	3	B Cheattle
A4	Security and integrity of member data	Access controls, authorisations, reconciliations, GDPR training and procedures	3	1	3	B Cheattle
A5	Recruitment and retention of pension admin staff	Career progression and development opportunities to be highlighted	2	2	4	B Cheattle
A6	Complex and multiple membership arrangements resulting in extra workload and errors in benefit/ liability calculations and payments	Staff training, communication with employers, additional staff including contract workers to clear backlog	3	2	6	B Cheattle