

## KENT PENSION FUND RISK REGISTER AUGUST 2019

| Ref                     | Risk  | Mitigation   | Residual |            |            | Risk Owner                               |
|-------------------------|---|--|----------|------------|------------|--|
|                         |   |  | Impact   | Likelihood | Risk Score |  |
| <b>Governance Risks</b> |   |  |          |            |            |  |
| 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"> <li>• Non-compliance with legislation and/or best practice.</li> <li>• Inability to determine policy, make effective decisions and/or deliver service</li> <li>• Risk to reputation</li> </ul> | 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"> <li>• KCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008</li> <li>• The Governance Policy and Compliance Statement is reviewed and updated regularly to ensure that the policy remains appropriate</li> <li>• The Statement is published on the Kent Pension Fund website</li> <li>• 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.</li> <li>• A Pension Board has been established as required by the Public Service Pension Act 2013.</li> <li>• Support and training are being provided to ensure that the Board is equipped to undertake its role.</li> </ul> | 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.<br>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.<br>Requirement for Fund managers to sign up to transparency code<br>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.<br>Cover for key staff in Cantium Business Solutions<br>KCC Business Continuity Plan for staff and systems   | 2        | 1          | 2          | B Cheatle / A Mings                                |
| <b>Employer Risks</b> |   |   |          |            |            |  |
| E1                    | Financial failure of a non public sector employer   | Monitoring of employers, bond / guarantees, credit risk management information<br>Awareness of daily news which could affect the Fund employers<br>Pro-active management of exit liability as per Reg 64 (4)<br>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<br>Recognising Academies at Trust level<br>Clear process and communication for onboarding new and exiting employers<br>Enhancing information on Fund website for current and prospective employers<br>System and process changes to improve timeliness, frequency and efficiency of automatic information transfer from employers through the pension fund website.<br>Monitor staffing resources and systems<br>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<br>Escalation process agreed and documented<br>Regular reporting to the Superannuation Fund Committee and Pensions Board<br>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 .<br>Develop comprehensive action plan and monitor progress  | 2        | 1          | 2          | A Mings / S Tagg / B Cheatle                       |
| <b>Funding Risks</b>  |   |   |          |            |            |  |
| 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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|                         | <p>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.</p> <p>Increased liabilities due to the increased longevity of pensioners</p> <p>High inflation and / or low gilt interest rates adversely affecting employer liability</p> | <p>Cash flow monitoring. Employers are paying cash sums re falling payrolls</p> <p>Appropriate actuarial assumptions. Actuary reviews contributions as part of the triennial valuation and annual interim reviews.</p> <p>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</p> |          |            |            |                                |
| F2                      | Increased fragmentation of employers increases risk of different employer maturity profiles.   | <p>Balanced Investment strategy.</p> <p>Actuary undertakes valuation at employer level and sets appropriate contribution rates</p>   | 1        | 2          | 2          | N Vickers / A Mings            |
| F3                      | Insufficient cash-flow to fund pension payments  | <p>Cash flow forecasting and monitoring</p> <p>Cash generation by Investment in income distributing funds and property assets</p> <p>Maintaining some investment in liquid assets.</p>   | 2        | 2          | 4          | N Vickers / A Mings / S Surana |
| <b>Investment Risks</b> |  |  |          |            |            |                                |
| 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  | <p>Diversified investment strategy with annual review.</p> <p>Advice from Consultants</p> <p>Monitoring of investment managers.</p> <p>Tactical asset allocation</p>   | 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  | <p>Diversified Investment strategy.</p> <p>Attendance at Industry and Fund Manager training forums</p> <p>Advice from Consultants</p>  | 2        | 2          | 4          | N Vickers                      |
| I5                      | Failure to adjust investment strategy to meet funding requirements   | <p>Review of Investment strategy and rebalancing to agreed asset allocation</p> <p>Monitoring of funding levels.</p> <p>Advice from Consultants</p>  | 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<br>Internal Control reports; diversification of manager mandates; diversification of custody via pooled funds<br>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.<br>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           |
| <b>Administration Risks</b> |  |   |          |            |            |                    |
| A1                          | Fraudulent pension payments  | Atmos monitoring process of deceased pensioners.<br>Internal controls on checking and authorisation of payments.<br>Regular internal & external audits of operation of controls.  | 2        | 1          | 2          | B Cheattle         |
| A2                          | Member data incomplete or inaccurate   | Regular communication with employers.<br>Intervention with problem employers. Better sharing of queries on year-end returns.<br>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         |