

Pension Fund Risk Register 2018/19

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Cabinet Member
PEN 01 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<ol style="list-style-type: none"> 1. Anticipate long-term return on a relatively prudent basis to reduce risk of failing to meet return expectations. 2. Analyse progress at three yearly valuations for all employers. 3. Undertake Inter-valuation monitoring. 	With the assistance of the KPMG 'Fusion' tool - the position is kept under regular review and Pension Committee informed of the impact of prevailing market conditions on the funding level.	Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)	Sian Kunert / Cllr P Corthorne
PEN 02 - Inappropriate long-term investment strategy	<ol style="list-style-type: none"> 1. Set Pension Fund specific strategic asset allocation benchmark after taking advice from investment advisers, balancing risk and reward, based on historical data. 2. Keep risk and expected reward from strategic asset allocation under review. 3. Review asset allocation formally on an annual basis. 4. Investment strategy group actively monitors this risk. 	A separate Officer and Advisor working group, Investment Strategy Group (ISG) has been formed to regularly monitor the investment strategy and to develop proposals for change / adjustment for Pension Committee consideration. The impact of each decision is carefully tracked against the risk budget for the Fund to ensure that long-term returns are being achieved and are kept in line with liabilities.	Strategic risk Likelihood = Low Impact = Large Rating = E2 (Static)	Sian Kunert / Cllr P Corthorne

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PEN 03 - Active investment manager under-performance relative to benchmark	<ol style="list-style-type: none"> 1. The structure includes active and passive mandates and several managers are employed to diversify the risk of underperformance by any single manager. 2. Short term investment monitoring provides alerts on significant changes to key personnel or changes of process at the manager. 3. Regular monitoring measures performance in absolute terms and relative to the manager's index benchmark, supplemented with an analysis of absolute returns against those underpinning the valuation. 4. Investment managers would be changed following persistent or severe under-performance. 	<p>The Fund is widely diversified, limiting the impact of any single manager on the Fund.</p> <p>Active monitoring of each manager is undertaken with Advisors and Officers meeting managers on a quarterly basis and communicating regularly.</p> <p>Comments on whether mandates should be maintained or reviewed are included and where needed specific performance issues will be discussed and reviewed.</p>	<p>Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)</p>	<p>Sian Kunert / Cllr P Corthorne</p>
PEN 04 - Pay and price inflation significantly more than anticipated	<ol style="list-style-type: none"> 1. The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. The actuarial basis examines disparity between the inflation linking which applies to benefits, the escalation of pensionable payroll costs, which only applies to active members, and on which employer and employee contributions are based. 2. Inter-valuation monitoring gives early warning and investment in index-linked bonds also helps to mitigate this risk. 3. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees. 	<p>The impact of pay and price inflation is monitored as part of the Council's MTFE processes and any potential impact on pension fund contributions is kept under review and factored into the Council's overall position.</p> <p>However, there is an increasing likelihood of rising inflation impacting on the overall liabilities of the Fund however the risk rating takes this into account.</p>	<p>Strategic risk Likelihood = Low Impact = Medium Rating = E3 (Static)</p>	<p>Sian Kunert / Cllr P Corthorne</p>

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PEN 05 - Pensioners living longer.	<p>1. Mortality assumptions are set with some allowance for future increases in life expectancy. Sensitivity analysis in triennial valuation helps employers understand the impact of changes in life expectancy.</p> <p>2. Club Vita monitoring provides fund specific data for the valuation, enabling better forecasting.</p>	<p>The Fund is part of Club Vita, a subsidiary of the Fund Actuary, which monitors mortality data and feeds directly into the valuation.</p> <p>In addition, further mortality monitoring is undertaken by CEB, the fund's administrators.</p>	<p>Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)</p>	Ken Chisholm / Cllr P Corthorne
PEN 06 - Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary	<p>1. Quarterly review meetings held</p> <p>2. Weekly update calls with officers</p> <p>3. Quarterly KPI reports are provided to track and monitor performance</p>	<p>New cases are being dealt with and improvements in processes within the contract. There are signs of improvement in the quality of data inherited by SCC from Capita.</p>	<p>Strategic risk Likelihood = Low Impact = Large Rating = E2 (Static)</p>	Ken Chisholm / Cllr P Corthorne
PEN 07 - Failure to invest in appropriate investment vehicles as a result of MiFID II regulations in place from 3 January 2018	<p>1. Applications have been made to sustain "Professional Status" of the pension fund to enable continuation of the existing investment strategy.</p> <p>2. All current application's have successfully been resolved confirming professional status</p>	<p>This is a risk identified as a result of regulatory changes and is continually assessed. The fund is required to show an appropriate level of knowledge and skills for investment decision makers.</p> <p>Changes in circumstances including committee membership or change in officers must be reported and could effect the ongoing investment relationship.</p>	<p>Strategic risk Likelihood = Very Low Impact = Large Rating = F2 (Static)</p>	Sian Kunert / Cllr P Corthorne

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<p>PEN 08 - Cyber Security - Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals</p>	<p>1. Council wide policies and processes in place around: acceptable use of devices, email and internet use of passwords and other authentication home and mobile working data access, protection (including encryption), use and transmission of data 2. Risk is on teh Corporate risk register with risk mitigation in place. 3.All member and transactional data flowing from SCC and Hillingdon is sent via encryption software 4.Data between the fund, SCC and Hymans is distributed via upload to an encrypted portal 5. Systems at Hillindon and SCC are protected against viruses and other system threats 6. SCC are accredited to ISO27001:2013 and applying for Cyber Essentials Plus accreditation. SCC are also PSN compliant (to June 2019)</p>	<p>This risk has been recognised in response to recommendations by the Pensions Regulator</p> <p>Certificates on SCC accreditation received</p> <p>SCC have an incident response plan which is required to develop mitigation of this risk. A copy will be sent to the fund.</p>	<p>Strategic risk Likelihood = Low Impact = Medium Rating = E3 (New)</p>	<p>Sian Kunert / Cllr P Corthorne</p>