

Report of the Section 151 Officer
Local Pension Board – 21 July 2016

RISK REGISTER

Purpose:	To inform Local Pension Board of the risks identified in the risk register and mitigating controls
Consultation:	Legal, Finance and Access to Services.
Report Author:	Jeffrey Dong
Finance Officer:	Mike Hawes
Legal Officer:	S Williams
Access to Services Officer:	N/A
FOR INFORMATION	

1 Background

1.1 The risk register is a tool used to effectively identify, prioritise, manage and monitor risks associated with the City & County of Swansea Pension Fund.

It assists the Fund by:

- identifying managed and unmanaged risks
- providing a systematic approach for managing risks
- implementing effective and efficient control
- identifying responsibilities
- identifying risks at the planning stage and monitoring the risks
- helping the Fund to achieve its objectives

1.2 The risk register is attached at Appendix 1 for information

1.3

2 Legal Implications

2.1 There are no legal implications arising from this report

3 Financial Implications

3.1 There are no financial implications arising from this report

4 Equality and Engagement Implications

4.1 There are no equality and engagement implications arising from this report

City & County of Swansea Pension Fund Risk Register 2016/17

Risk	Existing control measures /new control measures	Impact	Likelihood	Assigned	Date	Risk status
<p>CCSPF1- Failure to comply with LGPS Regulation</p> <p>If there is failure to comply with regulation, there would be adverse audit opinion and loss of trust from employers within scheme</p>	<ul style="list-style-type: none"> • Well trained staff • CPD • Pensions Officer Group • Society of Welsh Treasurers • Internal/external audit regime 	High	Low	JD	2016/17	Green
<p>CCSPF2 – Failure to process accurate pension benefits in a timely manner</p> <p>If a pension benefit is paid incorrectly there could be a cost to the fund or penalty imposed for lateness of payment</p>	<ul style="list-style-type: none"> • Well trained staff • Established procedure with imbedded checks and segregation of duties in place • Regular KPI monitoring • Use of market leading software Altair • NFI checks • Atmos checks 	High	Low	LM/JD	2016/17	Green
<p>CCS PF3- Failure to collect and account for full receipt of contributions from employers and employees on time</p> <p>If there is a failure to collect appropriate contributions there may be a rise in employers contributions and an adverse impact on cashflow and the ability to pay benefits and adverse audit opinion</p>	<ul style="list-style-type: none"> • Contribution timetable/monitoring procedure • Administering Authority agreement • Escalation and fines for non compliance • Internal audit 	High	Low	JD	2016/17	Green

<p>CCS PF4 – Failure to keep pension records up to date If pension records are not up to date, a wrong benefit may be calculated and paid</p>	<ul style="list-style-type: none"> • Administering Authority agreement with employers to ensure timely passing of information • Data accuracy checks undertaken • Data validation on Altair system • Periodic data validation by scheme actuary/NFI • 	High	Medium	LM	2016/17	Amber
<p>CCSPF 5 Failure to hold personal data securely If there is breach of data there is a risk to the individual's details and loss of trust in the Authority</p>	<ul style="list-style-type: none"> • Compliance with Data Protection Act 1998 • Business Continuity plan • IT Security Policy • Systems and pension payroll audit annually 	High	Low	LM/JD	2016/17	Green
<p>CCSPF6 Loss of funds through fraud or misappropriation by Administrative staff If funds are lost through fraud or misappropriation by Administrative staff could lead to increase in employer contributions</p>	<ul style="list-style-type: none"> • Segregation of duties • Clear roles and responsibilities and schemes of delegation • Internal external audit 	High	Low	LM	2016/17	Green
<p>CCSPF7 – Loss funds through fraud or misappropriation in investment related functions If funds are lost through fraud or misappropriation in investment related functions could lead to increase in employer contributions</p>	<ul style="list-style-type: none"> • Segregation of duties • Clear roles and responsibilities and schemes of delegation • Internal/external audit • Regulatory control reports by external fund managers, custodians, fund administrators • FCA registration • Due diligence upon appointment 	High	Low	JD	2016/17	Green
<p>CCSPF8- Liquidity/cashflow risks – insufficient liquid assets</p>	<ul style="list-style-type: none"> • Weekly pension fund cash investments monitoring 	High	Low	JD	2016/17	Green

<p>with which to meet liabilities as they fall due</p> <p>If levels of liquidity are insufficient then pension payments may not be able to be met</p>	<ul style="list-style-type: none"> • SIP allocation to liquid assets 					
<p>CCSPF 9- Volatility in employer contribution rates due to decrease/increase in valuation of assets/liabilities</p>	<ul style="list-style-type: none"> • Engage with expert actuary to make appropriate assumptions and employ suitable mechanisms to mitigate unaffordable rises • Regular monitoring of investment manager performance • Diversified investment asset allocation 	High	Medium	JD	2016/17	Amber
<p>CCSPF10- Prolonged failure of investment managers to achieve their objective returns</p>	<ul style="list-style-type: none"> • Regular investment monitoring by officers • Regular presentation to pension fund committee • Ability to sack managers • Diversified investment strategy with a number of different managers 	Medium	Medium	JD	2016/17	Green/Amber
<p>CCSPF11- Price Risk- the volatility of the price of the quoted investments held exposes the fund to the risk of price movements in the market</p>	<ul style="list-style-type: none"> • A comprehensive diversified investment approach is adopted 	High	Low	JD	2016/17	Green
<p>CCSPF 12- Interest rate risk- The risk of exposure to significant interest rate rises</p>	<ul style="list-style-type: none"> • A comprehensive diversified investment approach is adopted 	Medium	Low	JD	2016/17	Green
<p>CCSPF 13 Discount Rate Risk- Volatility in the discount rate</p>	<ul style="list-style-type: none"> • Engage professionally qualified actuary who can mitigate the 	High	Medium	JD	2016/17	Amber

used inflates the level of liabilities to be paid	effects of abnormal discount rates					
CCSPF 14 Foreign Exchange Risk- The risk of fluctuation the value of foreign currencies (the fund holds foreign investments whilst its liabilities are payable in sterling)	<ul style="list-style-type: none"> • A comprehensive diversified investment approach is adopted • Good cashflow management 	High	Low	JD	2016/17	Green
CCSPF 15 – having suitably trained/experienced staff	<ul style="list-style-type: none"> • Training, development and succession planning 	High	Medium	JD/LM	2016/17	Amber
CCPF 16- Having suitably trained knowledgeable Pension Fund Committee Members/Local Pension Board Members	<ul style="list-style-type: none"> • CIPFA Knowledge and Skills framework • Training Plan • Professional Advisors/Officers advising 	High	Low	JD	2016/17	Green

