

Clwyd Pension Fund - Control Risk Register

Governance Risks

Last Updated 12/03/2015

Risk no:	Risk	Strategic objective at risk (see key)	Risk category	Impact (see key)	Likelihood (see key)	Risk Status	Internal controls in place	Further Action?
1	Changes in Pension Fund Committee membership resulting in loss of continuity and potentially diminishing knowledge and understanding and impact on decision making.	Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.	Resource/Skill	3	2		Induction training programme in place for new Committee members which covers CIPFA Knowledge and Skills requirements and can be delivered quickly. Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed.	
2	Changes in key officers resulting in loss of continuity and potentially diminishing knowledge and understanding	Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.	Resource/Skill	4	3		FCC Talent Assessment process to identify individuals who can potentially undertake key roles. Induction training programme for seniors officers as above. An organisation structure career development programme which recognises key man risk. Notice and succession planning.	Review people strategy for administration section during 2015/16
3	Ineffective delegation of duties resulting in insufficient time spent on key matters	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	Resource/Skill	3	2		A delegation of duties to Officers by Pension Fund Committee which is documented and approved by Committee. The aim is the Committee to concentrate on strategic decisions with implementation delegated to officers after taking appropriate advice. The Committee agenda is agreed by the Advisory Panel. The Committee Agenda cross referenced to Committee Constitution, Risk Register, Business Plan and objectives in strategies and policies..	
4	Poor presentation of Pension Fund Committee items which leads to omissions, lack of understanding, decisions made without the appropriate due diligence, poor time management.	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	Resource/Skill	2	2		Committee members asked for their views on whether the Committee reports are fit for purpose. Verbal reports kept to a minimum and only in exceptional circumstances. Draft reports shared within Advisory Panel. Reports presented by Senior Officer or relevant advisor. Enough time allowed for questions by Committee members.	
5	Poor attendance at formal meetings by Committee Members resulting poor standard of decision making or monitoring.	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	Reputational	3	2		Committee Constitution includes a quorum. Attendance is reported in the Fund's Annual Report.	
6	Poor attendance at meetings by Advisory Panel Members resulting poor due diligence throughout the decision making process	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	Reputational	2	1		Meeting schedules planned in advance. Alternates are allowed to attend. Meeting attendance expectations included in contract specification.	

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7	Poor attendance or a lack of engagement in training by Committee Members, Pension Board and senior officers resulting in poor decision making, monitoring or advice, particularly with greater focus on knowledge by TPR and national guidance	Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.	Resource/Skill	3	2		Documented Training Policy approved by Committee. Documented Training Plan approved by Committee. Discuss training delivery at Advisory Panel includes who, where and how. Build workshops around Committee where possible. Membership of and attendance by Committee members and/or officers at CIPFA Pensions Network events, NAPF events and LAPFF events and attend LGC Conferences. Training and forthcoming events included within Committee agenda	
8	Conflicts of interest not being appropriately managed by	Act in the best interests of the Fund's members and employers	Reputational	3	2		Declarations of interest a standard item Committee Agenda. Conflicts of interest Policy documented and approved by Committee.	
9	Governance structure does not continue to meet best practice standards of DCLG, Scheme Advisory Board, CIPFA or Pensions Regulator	Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance	Regulatory/Compliance	2	1		The Governance Policy and Compliance Statement will be reviewed every three years as part of the Business Plan or sooner if matters merit..	
10	Governance Structure unable to adapt to change either through national governance change (separation) or all Wales working together including a CIV.	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Regulatory/Compliance	3	3		Monitor and participate into consultation on national governance changes. Participate in developing governance around a potential Wales CIV.	
11	Governance structure considered to be expensive, advice is poor and not providing value for money	Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	Reputational	2	2		Governance budget included in the Business Plan. Annual Meeting with Employers and union representatives to explain complexity of the Fund, risks being managed with an opportunity to ask questions. The Committee includes representatives from scheme members and most employers in the Fund. Advisers appointed via Council's contract procedure rules (fixed term contracts with possible extensions). Fund's Framework agreement to be maintained for now but National Framework agreements considered as current contracts expire. Independent annual review. Ongoing monitoring of costs against tender and ongoing feedback against performance.	
12	Ineffective review of the of the Governance arrangements	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	Regulatory/Compliance	3	1		An annual review by the Independent Adviser which is reported to Committee and published in the Annual Report. The Governance and Compliance Statement is filed with DCLG in line with Regulations. The Governance of the Fund is considered by external and internal audit and audit reports are reported to Committee. Likely oversight at a national level and self review by officers and other advisers.	
13	Conflict on policy and strategy decisions between Committee and Local Board.	Act in the best interests of the Fund's members and employers	Reputational	3	2		Clear Terms of Reference for the Committee and Local Board and training on roles (in accordance with Training Policy). Guidance from tPR and Scheme Advisory Board.	
14	Lack of understanding of the impact of LGR on the Fund and its stakeholders (e.g. employer costs or split up of fund and impact on strategy)	Act in the best interests of the Fund's members and employers	Employer	4	4		Monitoring via the Advisory Panel agenda and engage at a senior level within the Council and employers	

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15	The Fund's risks are not understood, managed and monitored	Understand and monitor risk	Resource/Skill	3	2		A risk register is documented and reported to Committee. The risks are monitored by the Advisory Panel and actions required included in the Business Plan. Risks are a regular item at staff meetings.	
16	Unable to properly (and within timescales) establish, fill posts and train new Pension Boards	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	Regulatory/Compliance	4	3		Plan in place for recruitment, training planned, communications already taken place at employer forum, training policy, conflict policy	
17	Failure to meet legal and internal policy requirements in relation to procurement of services	Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance	Regulatory/Compliance	3	1		Officers appropriately trained, use of advisers in procurement (who have themselves been subject to procurement appointment)	

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Funding & Investment Risks (includes accounting and audit)

Last Updated 12/03/2015

Risk no:	Risk	Strategic objective at risk (see key)	Risk category	Impact (see key)	Likelihood (see key)	Risk Status	Internal controls in place	Further Action?
1	Investment markets perform below actuarial assumptions resulting in reduced assets, reduced solvency levels and increased employer contributions	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Asset/Investment	4	2		Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. Monthly monitoring of funding position versus flightpath targets and agreed action ranges. Along with more formal periodic reviews (usually annually) will allow consideration of the continued appropriateness of the funding and investment strategies by the Pensions Advisory Panel and Committee.	This risk will be considered and quantified in more detail as part of the 2015 funding review (see service plan).
2	Market yields and/or inflation moves at variance with actuarial assumptions resulting in increases in liabilities, reduced solvency levels and increased employer contributions	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Liability	4	2		LDI strategy in place to control/limit interest and inflation risks. Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. Monthly monitoring of funding and hedge ratio position versus flightpath targets and agreed action ranges. More formal periodic reviews (usually annually) will allow consideration of the continued appropriateness of the funding and investment strategies by the Pensions Advisory Panel and Committee.	This risk will be considered and quantified in more detail as part of the 2015 funding review (see service plan).
3	Investment managers fail to achieve performance targets (i.e. ensure funding target assumptions are consistent with funding objectives) or switch investments at appropriate Trigger Level, which reduces solvency levels and increases required in employers' contributions	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Asset/Investment	4	2		Diversified investment structure and increase hedging at appropriate market levels. Frequent monitoring against targets and triggers with periodic reviews of the appropriateness of the performance to these objectives.	
4	Mortality rates continue to improve, in excess of the allowances built into the evidence-based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Liability	2	2		Regular monitoring of mortality experience factors being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. National cost management model could mitigate some of this cost impact if the LGPS as a whole exhibited the same trends.	
5	Frequency of early retirements increases to levels in excess of the actuarial assumptions adopted resulting in increases required in employers' contributions	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Liability	2	2		Employers required to pay capital sums to fund costs for non-ill health cases. Regular monitoring of early retirement (including on the grounds of ill health) experience being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. Ensure that employers are made aware of consequences of their decisions and that they are financially responsible for consequences of their decisions.	
6	Pay inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Liability	3	2		At each triennial actuarial valuation an analysis is carried out to ensure that the assumptions adopted are appropriate and monitor actual experience. Discussions with employers over expected progression of pay in line with their own internal budgeting and national pay restraint.	
7	Not recognising opportunities from changing market, economic or other circumstances (e.g. further de-risking or strengthening of covenant)	Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters	Asset/Investment	4	1		Flightpath in place to exploit these opportunities in appropriate market conditions. The flightpath is reviewed periodically at least annually. Review of covenant and any ways to improve for certain employers is done as part of the valuation.	
8	Take-up of 50:50 option is lower than the actuarial assumption of an average of 5% of the membership adopted resulting in changes required in employers' contributions	Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant with the aim being to maintain as predictable an employer contribution requirement as possible	Employer	2	4		Regular monitoring of take-up levels being exhibited by the Fund members by Fund Actuary, and consequent variation of the actuarial assumptions based on evidential analysis.	

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9	Failure to differentiate the funding strategy of different fund employers by reference to their own circumstances and covenant	Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant with the aim being to maintain as predictable an employer contribution requirement as possible	Employer	3	2	Yellow	At each triennial actuarial valuation a formal consideration of employer circumstances in relation to covenant and reasonable affordability of employer contributions. Open dialogue with employers as part of the valuation consultation process and via AJCM.	
10	Potential for significant increases in contributions to levels which are unaffordable. Ultimate risk is the possibility of the employers defaulting on their contributions	Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant with the aim being to maintain as predictable an employer contribution requirement as possible	Employer	4	2	Orange	At each triennial actuarial valuation a formal consideration of employer circumstances in relation to covenant and reasonable affordability of employer contributions. Open dialogue with employers as part of the triennial actuarial valuation process and via AJCM in terms of formal funding reviews (next due 2015).	
11	Adverse changes to LGPS regulations resulting in increases required in employers' contributions or Fund cashflow requirements.	Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant with the aim being to maintain as predictable an employer contribution requirement as possible	Regulatory/Compliance	3	1	Green	Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	
12	Adverse changes to other legislation, tax rules, etc. resulting in increases required in employers' contributions (or potentially funding/investment strategy)	Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant with the aim being to maintain as predictable an employer contribution requirement as possible	Regulatory/Compliance	3	2	Yellow	Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	
13	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning that the individual employer's contribution level becomes inappropriate requiring review and increase	Manage employers' liabilities effectively through the adoption of employer specific funding objectives	Employer	2	4	Orange	Unanticipated changes in membership formally considered as part of the valuation process. Ensure that employers are reminded of their responsibilities through this monitoring and reminders of Fund policies. New employers will be informed of this on entry and existing employers periodically through forums such as the AJCM and fund website/mailshots.	Discussion with admin team re quarterly monitoring at employer level
14	Failure to ensure appropriate bulk transfer amounts are paid to protect the solvency of the Fund and equivalent rights are acquired for transferring members in accordance with the regulations.	Manage employers' liabilities effectively through the adoption of employer specific funding objectives	Employer	2	1	Green	Implement an approach to bulk transfers which firstly protects the Fund's interests (standardising the approach where possible taking into account the practicality of quick resolution with the other pension scheme). Fund Actuary will advise on appropriate transfer amount on a case-by-case basis.	
15	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due resulting in unanticipated investment costs.	Ensure net cash outgoings can be met as/when required	Asset/Investment	2	1	Green	Holding liquid assets and maintain positive cashflows. Reviews performed to monitor cashflow requirements	
16	Unanticipated onset of cash-flow negative position, potentially requiring ad hoc repositioning of assets	Ensure net cash outgoings can be met as/when required	Asset/Investment	2	2	Green	Holding liquid assets and maintain positive cashflows. Reviews performed to monitor cashflow requirements	Inform major employers of the requirement to notify Fund of any significant restructuring exercises. (Need to consider controls currently in place).
17	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. In the absence of all of these, the shortfall will be attributed to the Fund as a whole with increases being required in all other employers' contributions	Minimise unrecoverable debt on employer termination	Employer	3	2	Yellow	Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. When setting terms of new admissions require a guarantee or bond. Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. Identify any deterioration and take action as appropriate through discussion with the employer.	

Clwyd Pension Fund - Control Risk Register

Administration & Communication Risks

Last Updated 16/03/2015

Risk no:	Risk	Strategic objective at risk (see key)	Risk category	Impact (see key)	Likelihood (see key)	Risk Status	Internal controls in place	Further Action?
1	Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness.	Deliver a high quality, friendly and professional service to all employers.	Resource/Skill	4	5		Continually monitor staffing levels, providing training and external resource to assist. Multi-skilled staff to avoid too much reliance on key staff members. Internal review of staff responsibilities to provide adequate cover in the short term.	Consider People Strategy during 2014/15
2	Significant increase in the number of employing bodies causes strain on day to day delivery.	Deliver a high quality, friendly and professional service to all employers.	Resource/Skill	3	2		Continually monitor the impact of managing the volume of employers admitted to the fund.	
3	Incorrect calculation of members' benefits resulting in inaccurate costs (to employer), through for example, inadequate testing of systems.	Deliver a high quality, friendly and professional service to all employers.	Employer	2	1		Data accuracy checks performed by senior officers. Liaise with employers to ensure timely and accurate submission of data. Routine testing of system updates following releases from software provider. Perform regular checks of software updates in our TEST environment before signing off to be updated in our LIVE environment. Continuous staff training.	Ongoing pressure on system provider to update system and aim to remove use of manual calculations
4	Failure for employers to provide accurate and timely information resulting in incomplete and inaccurate records, which could lead to incorrect valuation results and incorrect benefit, which in turn could lead to complaints.	Deliver a high quality, friendly and professional service to all employers.	Liability	4	4		Data accuracy checks performed by senior officers. Training policy (for staff training)Liaise with employers to ensure timely and accurate submission of data. Validation checks undertaken by Actuary at valuation. Current project to clear data and backlog. Use of electronic interface to reduce the need for manual updates. Complaints managed by senior officers and referred to Pension Admin Manager if appropriate resulting in a low level of IDRPs.	Implement I-Connect. Ensure SLA is detailed enough and employers are provided with info (such as LGA guides).
5	Failure to administer scheme in line with regulations and policies e.g. LGPS 2014.	Deliver a high quality, friendly and professional service to all members	Regulatory/Compliance	2	1		Complete Altair system checks to ensure compliance with regulations. Attend network groups (SPOG, Welsh POG, Altair User Groups). Create online procedure manuals and the provision of training to all team members. Checking process. There may be short periods of time when turnaround times may be delayed. Attend user groups to keep fully up to date whilst also liaising with external contacts.	Create on-line procedure manual for staff (incorporating checking and sign off requirements)
6	Failure to administer scheme in line with regulations and policies e.g. LGPS 2014 due to delays in enhancement to software or regulation guidance (e.g. transfers).	Deliver a high quality, friendly and professional service to all members	Regulatory/Compliance	4	4		Manual calculations performed by staff members during the period of change. There may be short periods of time when turnaround times may be delayed. Transfers currently on hold. Collaboration with other funds and LGA to determine how to deal with things in the meantime.	

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7	Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors.	Deliver a high quality, friendly and professional service to all members	Regulatory/Compliance	3	2		Data accuracy checks performed by senior officers. Training policy (for staff training)Liaise with employers to ensure timely and accurate submission of data. Validation checks undertaken by Actuary at valuation. Current project to clear data and backlog. Use of electronic interface to reduce the need for manual updates.	Implement I-Connect. Ensure SLA is detailed enough and employers are provided with info (such as LGA guides).
8	Fraud by staff	Deliver a high quality, friendly and professional service	Administration	3	1		Checking in place, for example, secure log-ins, controlled access levels to Altair system, locked records for pension staff, audit checks / reports.	Review documentation of controls to ensure clarity of requirements
9	Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier.	Deliver a high quality, friendly and professional service to all members	Administration	3	1		Test data sent to supplier and thorough checks performed before actual ABS distributed to members. Feedback from other users shared at the All Wales Group.	
10	Unable to deliver a service to pension members due to system unavailability or failure.	Deliver a high quality, friendly and professional service to all pensioner members	Regulatory/Compliance	5	2		Disaster recovery procedure in place within the administration section but no disaster recovery testing completed by IT.	Disaster recovery testing to be completed
11	Fraud by pensioners/beneficiaries or overpayment of pension	Deliver a high quality, friendly and professional service to all pensioner members	Administration	1	1		Payments to bank account, national fraud initiative participation and use of 'life' certificates	
12	Issuing incorrect or inaccurate communications.	To be forward thinking, responsive, pro-active and professional when communicating with all our customers.	Regulatory/Compliance	3	1		Sign off agreed with Principal Pension Officer and Pension administration Manager. Training of staff. Use of centrally created communications (LGA).	
13	Failure to maintain employer database leading to information not being sent to correct person.	Deliver a high quality, friendly and professional service to all employers.	Employer	3	1		Maintain master electronic list of employer contacts. Regular communication will identify any changes.	
14	Lack of clear communication to scheme members and pensioners	Deliver information in a way that suits all customers.	Employer	3	2		Various types of communication tools developed, e.g. booklets, website, drop-in sessions and pre-retirement courses. Late notification of regulations can delay update of publications and website. Communications strategy and plan. Dedicated communication officer in place.	Update website and develop self-service facility for scheme members
15	Lack of clear communication to employers	Deliver information in a way that suits all customers.	Administration	3	1		Regular employer bulletins issued. Regular training sessions with employers. Annual employer meetings held. Communications strategy and plan. Dedicated communication officer in place.	Update website and develop self-service facility for employers
16	Some members may not receive communications in their preferred format which may be perceived as discrimination and potentially not meet legal requirements.	Deliver information in a way that suits all customers.	Regulatory/Compliance	3	2		Communication material is available in multiple forms e.g., braille, large print, video DVD and audiotape on request. Most communication material is bilingual. Dedicated communication officer in place.	Ongoing work on ensuring all communications are bilingual
17	Failure to include all required information in documents issued under the disclosure regs and in timescales required.	To be forward thinking, responsive, pro-active and professional when communicating with all our customers.	Regulatory/Compliance	3	1		Annual check of disclosure regulation requirements / staff training. Dedicated communication officer in place.	