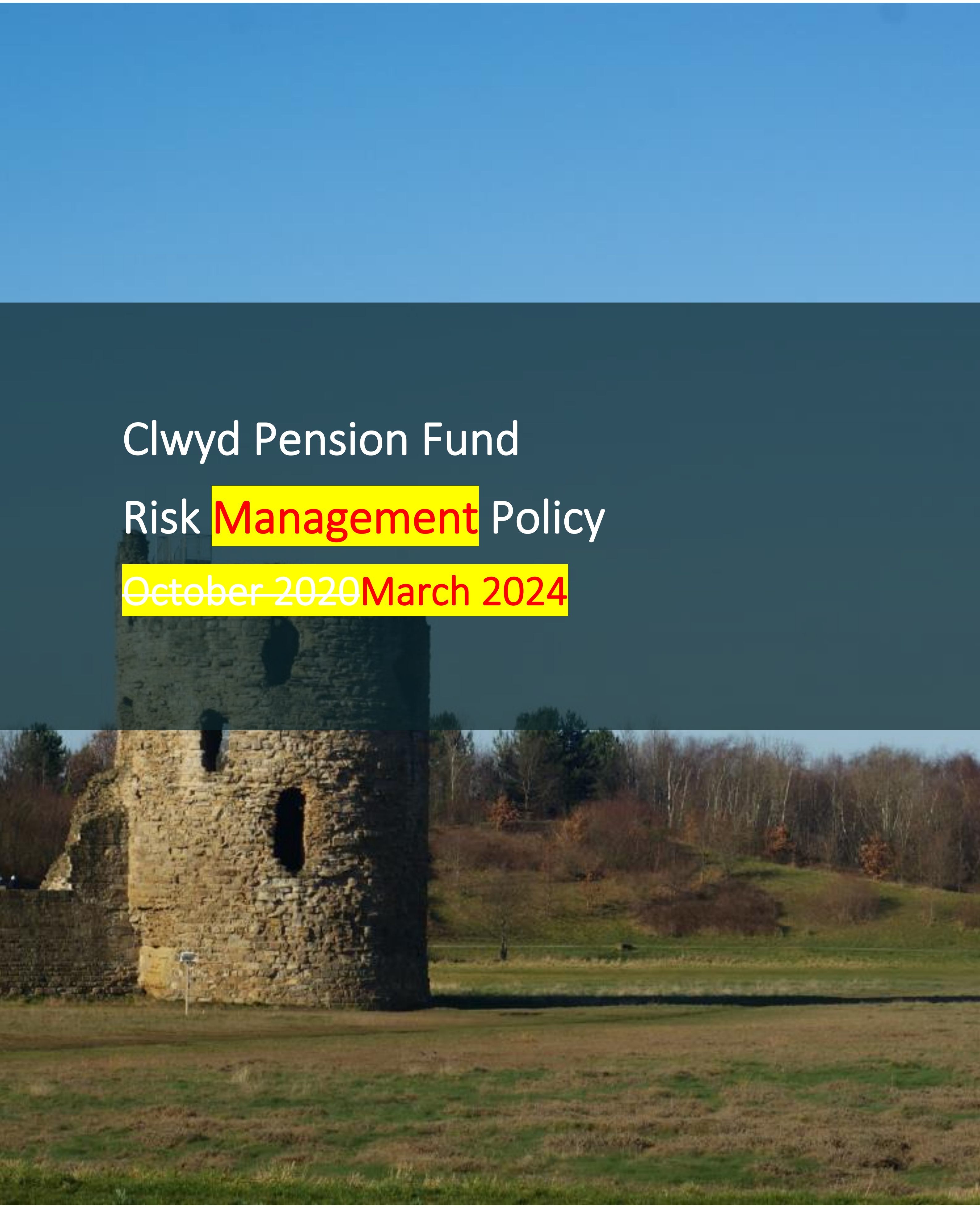


Clwyd Pension Fund

Risk Management Policy

~~October 2020~~March 2024

Contents

Introduction

This is the Risk Management Policy of the Clwyd Pension Fund ("the Fund"), which is part of the Local Government Pension Scheme (“LGPS”) managed and administered by Flintshire County Council[1]. The Policy details the risk management strategy for the Clwyd Pension Fund, including

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the risk management process.

~~Flintshire County Council (“we”), as Administering Authority for the Fund~~ We recognise that effective risk management is an essential element of good governance ~~in the Local Government Pension Scheme ("the LGPS)~~. By identifying and managing risks through an effective policy and risk management strategy, we can:

- demonstrate best practice in governance
- ensure high quality administration
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

We adopt best practice risk management, which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Clwyd Pension Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Management Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all those in the Flintshire County Council Pension Fund Management Team (Head of Clwyd Pension Fund, Deputy Head of Clwyd Pension Fund, Pensions Administration Manager), the Chief Finance Officer (Section 151 Officer) and the Chief Executive (from here on in collectively referred to as the senior officers of the Fund).

Other officers involved in the daily management of the Pension Fund are also integral to managing risk for the Clwyd Pension Fund and will be required to have appropriate

[1] When we refer to Flintshire County Council in its role as the manager of the Fund, we may use the term “Administering Authority”; “Scheme Manager” or “Governing Body” as these all appear in Regulations or guidance.

understanding of risk management relating to their roles, which will be determined and managed by the Head of Clwyd Pension Fund and his/her team.

Advisers to the Clwyd Pension Fund are also expected to be aware of this Policy, and assist senior officers, Committee members and Board members as required, in meeting the objectives of this Policy. More information on the roles and responsibilities relating to the management of this Policy is included in the section below.

Aims and Objectives

We recognise the significance of our role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 50,040~~49,700~~ current and former members of the Fund, and their dependants
- around 52~~49~~ employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
- We will work effectively with partners, being solution focused with a 'can do' approach.

One of our key governance objectives is to understand and monitor risk. In doing so, we will aim to:

- integrate risk management, including having robust internal controls, into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Clwyd Pension Fund we will aim to comply with:

- the CIPFA Managing Risk publication
- the managing risk elements in the CIPFA Investment Pooling Governance Principles guidance and
- the managing risk elements of the Pensions Act 2004 and the Pensions Regulator's General Code of Practice for Public Service Pension Schemes ~~(or the expected Single Modular Code when it is in place)~~.

As Flintshire County Council is responsible for managing the Fund, we will also have regard to the Flintshire County Council Risk Management Framework and, in particular, ensure that the Fund's risks are scored in a consistent manner with that Framework.

What is Risk and Risk Management?

Our Policy is based around the following definitions of risk and risk management, which have been derived from Flintshire County Council's Risk Management Framework:

What is Risk?

Risk is defined as the **possibility that events will occur and affect the achievement of strategy and business objectives.** A 'risk' is made up of an event, which if left untreated and with no controls in place, will have an impact on the Fund and service delivery to our stakeholders.

What is Risk Management?

Risk management is the process of identifying risks, evaluating the potential impact, and mitigating them, where appropriate. The aim is to minimise the severity of their impact and likelihood of occurring where possible. Risk management is invaluable to the Fund and should form part of our day-to-day management activities.

Our Philosophy about Risk Management

We recognise that it is not possible or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of our risk management strategy for Clwyd Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, we will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable us to anticipate and respond positively to change
- minimise loss and damage to the Clwyd Pension Fund and us, and to other stakeholders who are dependent on the benefits and services provided
- make sure that when we embark upon new areas of activity (new investment strategies, updating administration and communications approaches, implementing national changes ~~joint-working, framework agreements etc~~), the risks they present are fully understood and taken into account in making decisions.

We also recognise that risk management is not an end in itself; nor will it remove risk from the Fund or us as the Administering Authority. However, it is a sound management technique that is an essential part of how we manage the Fund.

The benefits of a sound risk management approach include:

- better decision-making
- improved performance and delivery of services to our stakeholders
- more effective use of resources and
- the protection of reputation.

The Pensions Act, ~~and~~ The Pensions Regulator and CIPFA Requirements

The Pensions Act Internal Controls Requirements

Section 249B of the Pensions Act 2004 includes the following requirement to have internal controls in public service pension schemes (which includes the LGPS)

- The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
  - in accordance with the scheme rules and
  - in accordance with the requirements of the law.

Section 249A of the Pensions Act 2004 defines internal controls as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management and
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Accordingly, internal controls are a critical element of risk management.

The Pension Regulator's General Code of Practice

Section 90A of the Pensions Act 2004:

- permits the Pensions Regulator to issue codes of practice containing practical guidance relating to the exercise of functions under relevant pensions legislation and
- requires the Pensions Regulator to issue a code of practice relating to a number of areas, one of which is internal controls.

The Pensions Regulator General Code of Practice includes the following modules relating to risk management which either apply (due to underlying legal requirements) or are good practice for public service pension schemes:

- identifying, evaluating, and recording risks
- internal controls
- assurance reports on internal controls
- scheme continuity planning
- conflicts of interest
- own risk assessment

The Code sets out requirements in relation to how the governing body[2] of a public service pension scheme should:

- Identify, record (in a risk register), regularly review and evaluate risks (with detailed requirements against each of these areas set out in the Code)
- Have processes in place that establish ownership and the responsible person(s) for monitoring risk and issues between meetings of the governing body
- Determine which risks require internal controls to reduce their incidence and impact
- Design internal controls to ensure the scheme is administered and managed in accordance with legal requirements, including scheme rules
- Document and regularly review (at least annually) internal controls, and ensure they are also reviewed when there are substantial scheme changes including to scheme personnel, providers and IT systems
- Use assurance reporting (by both internal and external parties) to assess whether the scheme or service providers meet legal requirements relating to internal controls
- Develop and implement continuity plans to ensure scheme operations can be maintained in the event of a disruption to scheme activities
- Take conflicts of interest into consideration when identifying and evaluating risks
- Consider carrying out a regular risk assessment of how effective the key elements of the systems of governance are.

[2] In the Code, governing body of a public service pension scheme is defined as the scheme manager (which for Clwyd Pension Fund is Flintshire County Council, albeit the responsibilities have been mainly delegated to the Pension Fund Committee).

~~The Pension Regulator's Code of Practice~~

~~The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.~~

~~"249B Requirement for internal controls: public service pension schemes~~

~~(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:~~

~~(a) in accordance with the scheme rules, and~~

~~(b) in accordance with the requirements of the law.~~

~~(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.~~

~~(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."~~

~~Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities) to employ a risk based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.~~

~~The Pensions Regulator's code of practice guidance on internal controls require scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:~~

- ~~setting the objectives of the scheme~~
- ~~determining the various functions and activities carried out in the running of the scheme, and~~
- ~~identifying the main risks associated with those objectives, functions and activities.~~

~~Schemes should then consider the likelihood of risks arising and the effect if they do arise as well as what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.~~

~~The code states risk assessment is a continual process and should take account of a changing environment and new and emerging risks including significant changes in or affecting the scheme and employers who participate in the scheme. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:~~

- ~~mitigating risks~~
- ~~supporting longer-term strategic aims, for example relating to investments~~

- ~~identifying success (or otherwise) in achieving agreed objectives, and~~
- ~~providing a framework against which compliance with the scheme regulations and legislation can be monitored.~~

~~Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.~~

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities

CIPFA has published guidance on investment pooling and the different risks this introduces for LGPS administering authorities. It also highlights how investment pooling potentially changes the magnitude of existing risks and how administering authorities might respond to them through appropriate internal controls.

Application to the Clwyd Pension Fund

We adopt the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's General Code of Practice in relation to Clwyd Pension Fund. This Risk Management Policy highlights how we will strive to achieve those principles through use of risk management processes incorporating regular monitoring and reporting. When carrying out risk management for the Fund, those responsible must refer to CIPFA's Managing Risk in the LGPS and the Pension Regulator's General Code of Practice for more detailed requirements and guidance.

~~The Pension Regulators Code of Practice for Public Service Pension Schemes is expected to be replaced by a new Single Modular Code in 2021 (where the Pensions Regulator is merging their codes into one interactive code). It is expected to include updated guidance on risk management and internal controls. It is envisaged that we will follow that updated guidance and this Policy will be updated in due course to reflect the updated guidance.~~

Roles and Responsibilities ~~Responsibility~~

As the Administering Authority for the Clwyd Pension Fund, we must be satisfied that risks are appropriately managed. For this purpose, the Head of Clwyd Pension Fund is the designated individual for ensuring adherence to the process outlined below ~~is carried out subject to the oversight of the Pension Fund Committee~~.

~~However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.~~

However, in practice, effective management of risk involves a number of individuals. The table below explains the key roles and responsibilities to ensure risk management is effective in relation to the Fund. This complements the roles and responsibilities outlined in the Flintshire County Council Risk Management Framework for the Council as a whole:

Governance Arrangements, Members and Officer Roles	Description of Roles and Responsibilities
Pension Fund Committee	• Approving changes to this Policy • Ensuring that the Fund's risks and opportunities are managed effectively, and robust risk management procedures are in place to monitor the management of significant strategic risks • Setting the appropriate level of risk appetite for the Fund • Reviewing the Fund's full risk register at each regular meeting (i.e. at least quarterly) • Ensuring that all strategic decisions have been fully considered and consulted upon (risks and opportunities) • Having oversight and responsibility of the Fund's risk and opportunities
Pension Board	• Reviewing the Fund's full risk register at each regular Pension Board • Providing oversight and challenge on the effectiveness of the Fund's Risk Management framework, processes, and systems • Providing oversight and challenge on escalated and deteriorating risks • Providing oversight and challenge on the detail of individual risks
Advisory Panel	• Reviewing all high-level risks (red and increasing) for assurance and monitoring • Advising on management of those risks escalated for review
Head of Clwyd Pension Fund	The Head of Clwyd Pension Fund is ultimately responsible for ensuring the requirements of this Policy are adhered to including:

	• Ensuring the necessary information is provided to the other persons named in this section so they may carry out their responsibilities • Ensuring the management of risks is discussed as required to meet the objectives of this Policy at Committee, Board, Advisory Panel and Management Team meetings • Ensuring robust risk management in line with this Policy is integrated into all aspects of the management of the Fund on a day-to-day basis • Receiving regular risk updates from Clwyd Pension Fund Management Team and escalating risks in line with this Policy where considered appropriate • Reviewing all changes to the Fund's risk registers • Ensuring this Policy is regularly reviewed (at least three yearly) and kept up to date
Clwyd Pension Fund Management Team	The managers of each area of the Fund are personally responsible for the management of risks in accordance with this Policy in relation to their respective areas (whether they are the risk owner or not) including: • Identifying risks and assessing risk levels • Ensuring appropriate controls and actions relating to those risks are identified, documented, implemented and regularly reviewed • At least annually reviewing that the controls and actions and robust and effective • Monitoring and reviewing, on a monthly basis, the risks within their respective areas, including liaising with the risk owners (where not them) • Ensuring their respective areas of the Fund's risk registers are updated and reported in accordance with this Policy • Ensuring risk management is considered in relation to all initiatives, projects, and national or Fund-specific changes as well as day to day operations • Ensuring more detailed operational risk registers are created and maintained where appropriate • Ensuring a robust audit trail of all changes (and reasoning for changes) to risk registers is maintained • Sharing relevant information regarding risks with colleagues in other Fund areas • Ensuring robust business continuity planning • Ensuring the wider implications of identified risks are considered and actioned including the recording and reporting of breaches of the law • Seeking advice and guidance from advisers and suppliers as required for the management of risks

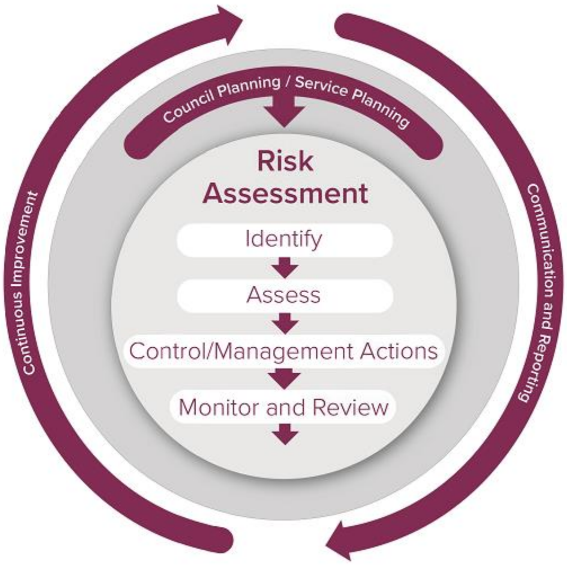
	• Seek assurance from advisers and suppliers about the management of internal controls within their organisations
Risk Owners	• Managing and monitoring specific risks allocated to them on risk registers • Ensuring that appropriate resources and importance are allocated to the risks they own • Confirming the existence and effectiveness of existing controls and ensuring that any further actions are implemented • Reviewing risks with their manager (if not a manager) • Providing ongoing assurance that the risks for which they are the risk owner are being effectively managed • Escalating any concerns or issues relating to risks to their manager (if not a manager)
Advisers	• Providing ongoing advice in relation to the identification and management of Fund risks, including: ▪ Alerting Fund officers to new or evolving risks ▪ Highlighting areas in risk registers or other papers where risk is not appropriately reflected • Provide assurance on request about how they meet standards for internal controls within their own organisations
Independent Adviser	• Recommending changes to this Policy • Providing annual commentary on whether objectives of this Policy are being achieved and effectiveness of risk management
Internal Audit Team	• Carrying out periodic reviews of the Fund's risks

The Clwyd Pension Fund Risk Management Process

Our risk management process is the approach used by Flintshire County Council and is in line with that recommended by CIPFA. It ~~and~~ is a continuous approach and is often done in a sequence of four key stages:

1. Identify
2. Assess
3. Control / Management Actions
4. Monitor and Review

which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



Risk identification

Our risk identification process is both a proactive and reactive one, looking forward i.e. horizon scanning for potential risks and looking back, by learning lessons from reviewing how existing controls have manifested in risks to the organisation. Risk identification is undertaken as part of Business Planning, Project Management, business as usual or when something changes.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Clwyd Pension Fund Advisory Panel
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- ~~informal~~ other meetings of senior officers or other staff involved in the management of the Pension Fund with and without the Fund's advisers
- liaison with other organisations, regional and national associations, professional groups, etc
- consideration of risk areas identified in the Pension Regulator's General Code of Practice, CIPFA's Managing Risk in the LGPS and Flintshire County Council's Risk Management Framework
- legal determinations including those of the Pensions Ombudsman, the Pensions Regulator and court cases
- business planning or strategic workshops
- business or service continuity planning~~s developed by us~~

Once identified, risks will be documented on the Fund's main risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks. Operational level risk registers will also be maintained where appropriate including for major projects and for more detailed funding and investment risk management.

New risks can emerge at any time and risk identification should include allocation of sufficient time and resource identifying these, and should therefore be integral to the day-to-day management of the Fund.

When identifying risks, the following statement will be considered and recorded:

> This (**event**) could happen due to (**cause**) which may result in the following (**impact**) to our objectives.

Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood will be multiplied by the score for impact to have an overall score that determines the current risk rating. ~~determine the current risk rating.~~

Impact

How severe would the outcomes be if the risk occurred

Likelihood – How likely will the risk happening	**1 Negligible**	**2 Moderate**	**3 Significant**	**4 Major**	**5 Catastrophic**
5 Almost Certain	Amber 5	Amber 10	Red 15	Red 20	Red 25
4 Likely	Yellow 4	Amber 8	Red 12	Red 16	Red 20
3 Possible	Yellow 3	Amber 6	Amber 9	Red 12	Red 15
2 Unlikely	Green 2	Yellow 4	Amber 6	Amber 8	Amber 10
1 Rare	Green 1	Green 2	Yellow 3	Yellow 4	Amber 5

Impact Severity	**Unlikely (5%)**	**Very Low (15%)**	**Low (30%)**	**Significant (50%)**	**Very High (65%)**	**Extremely High (80%)**
Catastrophic	Yellow	Amber	Red	Red	Black	Black
Critical	Yellow	Amber	Amber	Red	Red	Red
Marginal	Green	Yellow	Amber	Amber	Amber	Red
Negligible	Green	Green	Yellow	Yellow	Amber	Amber

Likelihood & Percentage of risk happening

Criteria for assessing likelihood and impact are included at Appendix A to help promote consistent risk evaluation across Fund matters as well as integration with Flintshire County Council's risk management.

When considering the risk rating, we will have regard to the existing controls in place and these will be summarised on the risk register.

The resulting scores are interpreted as follows:

Colour	Score	Approach	Action
Green	1-2	Accept	Risks within the Fund's risk appetite.
Yellow	3-4	Adequate	Risks within the Fund's risk appetite which need to be monitored by Senior Management, if risk deteriorates
Amber	5-10	Tolerable	Risks within the Fund's risk appetite but not at a level which is acceptable.
Red	12-25	Unacceptable	Risks outside of the Fund's risk appetite

~~Risk Exposure~~	~~Impact/ Likelihood~~	~~Risk Appetite/ Control~~
~~Black~~	~~Catastrophic consequences, almost certain to happen~~	~~Unacceptable level of risk exposure which requires immediate corrective action to be taken. Regular monitoring required, at least monthly.~~
~~Red~~	~~Major consequences, likely to happen~~	~~Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures to be put in place to reduce exposure.~~
~~Amber~~	~~Moderate consequences, possible occurrence~~	~~Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.~~
~~Yellow~~	~~Minor consequences, unlikely to happen~~	~~Acceptable level of risk subject to regular passive monitoring measures, at least half yearly.~~
~~Green~~	~~Insignificant consequences, almost very unlikely to happen~~	~~Acceptable level of risk subject to periodic passive monitoring measures, at least annually.~~

Risk control

Risk registers will also show what we consider to be the target risk score for each of the risks shown. This will help us determine whether any further action is required to control the risk which in turn may reduce the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Risk control actions, often referred to as internal controls, could comprise taking steps to avoid, transfer and/or mitigate risk. It is a legal requirement for us to establish and operate internal controls which are adequate for the purpose of securing that the Fund is administered and managed in accordance with scheme rules and the law.

Before any such action can proceed, it may require Pension Fund Committee approval where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

A key determinant in selecting the action to be taken will be its potential impact on the Fund's objectives in the light of our risk appetite. Equally important is striking a balance between the cost of risk control actions against the possible result of the risk occurring. We recognise that it is not possible to eliminate all risks; accepting and actively managing risk is therefore a key part of our risk management strategy.

The Fund's risk registers detail:

- all further action in relation to a risk
- the owner for that action
- the date from which the risk did not meet the target score
- the expected date for being back to the target score
- the next review date and
- the overall owner for the risk.

Where necessary we will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

Risk monitoring

Risk monitoring is the final part of the risk management cycle ~~and will be the responsibility of the Clwyd Pension Fund Advisory Panel~~. The Fund's Senior Management Team will monitor risks on a monthly basis with further involvement, as outlined in the roles and responsibilities table above, by the Head of Clwyd Pension Fund, the Advisory Panel, the Pension Fund Committee and Pension Board, with input from the Fund's advisers. In monitoring risk management activity, we will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate

- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to learn for the future assessment and management of risks.

Reporting

The Clwyd Pension Fund Committee have a responsibility for ensuring robust risk management arrangements are in place. In addition, Scheme Advisory Board (England and Wales) guidance on the creation and operation of local pension boards in the LGPS suggests that the Pension Board could review the risk register as it relates to the scheme manager function of the authority.

Progress in managing strategic risks will be monitored and recorded on the Fund's main risk register and key information relating to that will be provided on a quarterly basis to the Clwyd Pension Fund Committee and the Pension Board as part of the regular update reports on governance, investments and funding, and administration and communications. This reporting information will include as a minimum:

- a summarised version of the risk register
- a summary of the main changes since the previous report
- the Fund's risk dashboard showing the score of all existing risks and any changes in a pictorial fashion.

Other reporting and sharing of information relating to risks will be carried out in accordance the roles and responsibilities table above and the escalation process below.

Risk Escalation

Escalation of new or existing risks that have a very high level of likelihood and impact is necessary to ensure the Head of Clwyd Pension Fund, and where appropriate, the Advisory Panel and/or Pension Fund Committee, are aware of these serious situations and have an opportunity to contribute to how they are being managed. The escalation process also ensures regular updates in relation to an escalated risk.

A risk needs to be escalated when a risk is considered unacceptable (i.e. a red risk with a score of 12 or more) and the risk target level is breached. This is likely to mean that the risk could result in:

- The Fund's Business Plan or a strategic priority is compromised and/or
- Fund operations or performance will be seriously compromised and/or
- The financial, legal, or reputational position of the Fund might be compromised and/or

- An emergency situation might develop.

In this situation the risk should be escalated as follows:

Risk Owner

Responsible for escalating risks to Head of CPF* as soon as risk is identified as meeting criteria for escalation. Information to be shared with rest of CPF Management Team.

CPF* Management Team member

Responsible for providing regular updates (at least monthly) on all escalated risks to Head of CPF.

→

Head of CPF

Responsible for escalating to Advisory Panel if the risk cannot immediately be mitigated or its rating managed / lowered, and ensuring regular (at least monthly) updates on escalated risks are provided to Advisory Panel.

*Clwyd Pension Fund

Where the risk is rated at 15 or more as summarised below, the risk will also be further escalated as shown in the diagram below:

Likelihood

How likely will the risk happening

	3 Significant	**4 Major**	**5 Catastrophic**
5 Almost Certain	Red 15	Red 20	Red 25
4 Likely		Red 16	Red 20
3 Possible			Red 15

Head of CPF

Responsible for escalating risk to Chair of Pension Fund Committee and Flintshire County Council's Chief Executive.

Chair of Pension Fund Committee

Responsible for agreeing with Head of CPF when and how escalated risk should be shared with Pension Fund Committee and Pension Board where they believe the risk in its current state / predicted state is of significance to the management of the Fund.

Monitoring of this Policy

In order to identify whether we are meeting the objectives of this policy the Independent Governance Adviser will ~~be commissioned to~~ provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day-to-day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or Pension Fund Advisory Panel and/or Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks
- Those responsible for delivering this Risk Policy do not carry out their roles and responsibilities as out in the Policy resulting in the objectives of the Policy not being delivered

- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately.

Costs

All costs related to the operation and implementation this Risk Management Policy are met directly by Clwyd Pension Fund.

Approval, Review and Consultation

This Risk Management Policy was initially approved at the Clwyd Pension Fund Committee meeting on 24 May 2016, and has been subject to various amendments since then. ~~amendments approved using officer delegations in September 2017 and September 2018 and further amendments~~ This version was approved by Clwyd Pension Fund Committee on 20 March 2024. ~~7 October 2020.~~ It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

Philip Latham, Head of Clwyd Pension Fund, Flintshire County Council

Email: Philip.latham@flintshire.gov.uk

Telephone: 01352 702264

Appendix A: Criteria for assessing impact and likelihood

Criteria for assessing likelihood

Likelihood of Risk Occurring		
1 Rare	Less than 5% chance	May only occur in exceptional circumstances
2 Unlikely		Could occur but unlikely
3 Possible	50% chance	A change it might occur
4 Likely		Will probably occur
5 Almost Certain	More than 95% chance	Very likely to occur

~~Description~~	~~% of risk happening~~	~~OR~~	~~potential timescale~~
~~Unlikely~~	~~5%~~	~~-~~	~~Once in 20 or more years~~
~~Very Low~~	~~15%~~	~~-~~	~~Once in 10 to less than 20 years~~
~~Low~~	~~30%~~	~~-~~	~~Once in 5 to less than 10 years~~
~~Significant~~	~~50%~~	~~-~~	~~Once in 3 to less than 5 years~~
~~Very High~~	~~65%~~	~~-~~	~~Once in 1 to less than 3 years~~
~~Extremely High~~	~~80%~~	~~-~~	~~At least once in a year~~

Criteria for assessing impact

Description	Service Delivery	Financial[3]	Reputation	Legal
Catastrophic	Unable to deliver most key strategic outcomes or priorities / statutory duties not delivered • Major impact on workforce impacting more than half of CPF teams or more than 50% of staff • Consistently missing both legal and Fund's agreed delivery timescales (greater than 50% of monitored timescales being missed) • Incorrect actual benefit calculations affecting more than 500 members • Incorrect general/estimate information being communicated that could impact 25%+ A, D or P members (categories separate or merged) • Delay in paying pensioners by more than 3 working days	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are fully exhausted and future benefits/contractual obligations cannot be paid • Reduction in funding level (e.g. 30% or more since the last valuation) and/or expected returns outlook versus inflation (e.g. -1% per annum or more versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in unaffordable employer contributions which materially affect public services • A shift in the demographic profile of the Fund which would result in ~~unexpected costs and materially~~ unaffordable employer contributions which affect public services • A material number of employers (including one or more of the major Councils) become insolvent and cannot pay required contributions which subsequently affects other employers in the Fund	Public Inquiry or adverse national media attention Formal DLUHC/TPR/SAB or other regulatory intervention/exercise of their powers	Legal action almost certain, unable to defend Multiple IDPRs and/or Pension Ombudsman expected (100+), almost certain unable to defend

[3] A sub-risk register in relation to funding and investments will be maintained and have further metrics and categories to determine the overall risk level.

Description	Service Delivery	Financial	Reputation	Legal
Major	Severe service disruption on a service level with many key strategic outcomes or proprieties delayed or not delivered • Serious impact on workforce impacting at least two CPF teams (but less than half) or more than 20% to 50% of staff • Missing some legal and Fund's agreed delivery timescales (20% to 50% of monitored timescales being missed) • Incorrect actual benefit calculations affecting 250-500 members • Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members (categories separate or merged) • Delay in paying pensioners by 1 or 2 working days	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are 20% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a major impact • Reduction in funding level (e.g. 20-30% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.75%-1% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in major increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in a major increase in contributions which affect public services • The majority of large (non-Council) employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Intense public and media scrutiny Engagement from DLUHC/TPR/SAB relating to the situation (but not formal intervention/powers being exercised)	Legal action almost certain and difficult to defend Some IDRPs and/or Pension Ombudsman expected (20 to 100)

Description	Service Delivery	Financial	Reputation	Legal
Significant	Disruption to one or more services / a number of key strategic outcomes or priorities would be delayed or not delivered • Some impact on workforce impacting one CPF team or 10% to 20% of staff • Missing some legal and Fund's agreed delivery timescales (10% to 20% of monitored timescales being missed) • Incorrect actual benefit calculations affecting 100-250 members • Incorrect general/estimate information being communicated that could impact 5%-10% A, D or P members (categories separate or merged)	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are 40% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a significant impact • Reduction in funding level (e.g. 15-20% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.5%-0.75% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in a significant increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in unexpected costs and a significant increase in contributions which affect public services • A significant number of large employers (non-Council) become insolvent and cannot pay required contributions which then impact on other remaining employers	Local media interest. Scrutiny by external committee or body Negative national level interest (e.g. outlier on LGPS league tables)	Legal action expected Some IDRPs and/or Pension Ombudsman expected (5 to 20)

Description	Service Delivery	Financial	Reputation	Legal
Moderate	Some temporary disruption to a single service areas / delay in delivery or one of the Council's key strategic outcomes or priorities • Manageable impact on workforce impacting 5% to 10% of CPF staff • Missing some legal and Fund's agreed delivery timescales (5% to 10% of monitored timescales being missed) • Incorrect actual benefit calculations affecting 50-100 members • Incorrect general/estimate information being communicated that could impact 2%-5% A, D or P members (categories separate or merged)	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are 60% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a moderate impact • Reduction in funding level (e.g. -5%-15% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.25%-0.5% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in a moderate increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in unexpected costs and a moderate increase in contributions which affect public services • A number of smaller employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Internal scrutiny required to prevent escalation Negative regional level information (e.g. outlier on Welsh league tables)	Legal action possible but unlikely and defendable Some IDRPs and/or Pension Ombudsman expected (up to 5) but mainly informal complaints

Description	Service Delivery	Financial	Reputation	Legal
Negligible	No Noticeable Impact • Little impact on workforce involving less than 5% of CPF staff • Missing some legal and Fund's agreed delivery timescales (less than 5% of monitored timescales being missed) • Incorrect actual benefit calculations affecting less than 50 members • Incorrect general/estimate information being communicated that could impact less than 2% A, D or P members (categories separate or merged)	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are >60% as a proportion of total assets and the ability not to pay future benefits/contractual obligations is negligible • Reduction in funding level (e.g. 0%-5% since the last valuation) and/or expected returns outlook versus inflation (e.g. - 0%-0.25% per annum since the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in a negligible increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in unexpected costs and a negligible increase in contributions which affect public services • A low number of smaller employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Internal review	Legal action very unlikely and defendable Very small number of informal complaints (under 10) and unlikely to be any IDRP or Pensions Ombudsman claims

~~Description~~	~~FCC Examples (apply to CPF where relevant)~~	~~Additional CPF examples~~
~~Catastrophic~~	• ~~No confidence in Senior Management / Leadership~~ • ~~Formal WG intervention/exercise of their powers~~ • ~~Multiple fatalities~~ • ~~Complete/critical service failure~~ • ~~Exceedingly negative national publicity~~ • ~~Serious impact on workforce across more than one Portfolio~~ • ~~Legal action almost certain, unable to defend~~ • ~~Serious financial impact to budget, not manageable within existing funds and may impact on reserves~~ • ~~Non-compliance with law resulting in imprisonment~~	• ~~Incorrect actual benefit calculations affecting more than 500 members~~ • ~~Incorrect general/estimate information being communicated that could impact 80% A, D or P members~~ • ~~Delay in paying pensioners by more than 3 working days~~ • ~~Consistently missing both legal and Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by more than 20% over a one month period~~ • ~~Formal DCLG/TPR/SAB or other regulatory intervention/exercise of their powers~~ • ~~Serious impact on workforce impacting more than one area of CPF team~~
~~Critical~~	• ~~Limited confidence in Senior Management / Leadership~~ • ~~Significant service failure~~ • ~~Negative national publicity~~ • ~~Impact on workforce across more than one Portfolio~~ • ~~Legal action almost certain and difficult to defend~~ • ~~Serious financial impact to budget, manageable across the authority~~	• ~~Incorrect actual benefit calculations affecting 100-500 members~~ • ~~Incorrect general/estimate information being communicated that could impact 25-80% A, D or P members~~ • ~~Delay in paying pensioners by 2 working days~~ • ~~Missing some legal and regularly missing Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by 10-20% over a one month period~~

	• ~~Negative external regulatory reports impacting on Corporate Governance~~ • ~~Single fatality~~	• ~~Informal DCLG/TPR/SAB or other intervention~~ • ~~Negative national level information (e.g. outlier on league tables)~~ • ~~Serious impact on workforce impacting one area of CPF team~~
~~Marginal~~	• ~~Significant service under performance~~ • ~~Negative local publicity~~ • ~~Expected impact on workforce, but manageable within Portfolio contingency arrangements~~ • ~~Legal action expected~~ • ~~Expected financial impact to budget, manageable within Portfolio~~ • ~~Non-compliance with law resulting in fines~~ • ~~Negative external regulatory reports~~ • ~~Extensive, permanent/long term injury or long-term sickness~~	• ~~Incorrect actual benefit calculations affecting 50-100 members~~ • ~~Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members~~ • ~~Delay in paying pensioners by 1 working day~~ • ~~Meeting the majority of legal but missing some Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by 5-10% over a one month period~~ • ~~Negative regional level information (e.g. outlier on Welsh or County league tables)~~ • ~~Expected, but manageable, impact on workforce impacting one area or more areas of CPF team~~

~~Negligible~~	• ~~Some risk to normal service delivery but manageable within contingency arrangements~~ • ~~Legal action possible but unlikely and defendable~~ • ~~Possible financial impact to budget, manageable within service~~ • ~~Non-compliance with regulations / standards or local procedures resulting in disciplinary action~~	• ~~Incorrect actual benefit calculations affecting up to 50 members~~ • ~~Incorrect general/estimate information being communicated that could impact up to 10% A, D or P members~~ • ~~Delay in paying pensioners by less than 1 working day~~

	• ~~First Aid or medical treatment required~~ • ~~Previous risk mitigated by completed action plan~~	• ~~Meeting the majority of legal and Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by up to 5% over a one month period~~

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