

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	2.5 Failure to take account of RI factors in investment decisions	Failure to integrate Climate change and the transition to low carbon economy into the investment portfolio.	12	LAPFF, LGPS Central and fund managers liaise directly with companies on climate change issues	Member of LAPFF, Managers reports, officers member of PAF RI working group, LGPS Central Investment Director for RI (Hermes) Shareholders	6
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Risk that the operating costs of the pool are too high and impact on the return of the Fund	9	Budgets for operating costs are in place, monitored and there is a cost sharing mechanism in place.	Shareholders approve annual budget. Practitioners advisory forum of the pool monitor spend against budgets quarterly.	9
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Risk that the forecast savings from pooling do not materialise, impacting the performance of the fund.	16	Transition plans are in place, senior management team of LGPS central will monitor fees and have processes in place. SPF input via shareholders forum, LGPS central joint committee and practitioners advisory forum. Cost savings model is used for monitoring.	Shareholders forum, LGPS central joint committee and practitioners advisory forum. Savings are reported. CEM are in place for Benchmarking, use of transition advisor and transition manager.	16
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Ongoing employer structure changes which may impact on the sections service delivery capability	12	Identify priorities and schedule work as appropriate. Staff recruitment, consider bulk projects	Actuarial and legal advice, appropriate funding arrangements, staff are aware of changes	9
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Detrimental impact on workloads following cessation of JLT contract and work returning inhouse. Implementation of HEAT. Additional resources will need to be allocated to cover the processes going forward, due to current key person risk.	16	workflow monitoring throughput reports, MPC and 121 conversations, KPI's	KPIs	12
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Failure of scheme employers to correctly use the i-Connect monthly upload or system failure of i-Connect	12	Resource accordingly, continue to work with hymans to ensure appropriate data capture	Hymans ongoing data checks and comparison against valuation and employer data submissions	4
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to adequately test System changes.	8	i-Connect self tests data before submission accepted. The Pensions Section will also carries out tolerance checks on data received. System failure is covered by the potential to reverse and retro load data if required.	Audit, inbuilt controls and tolerance checking.	4
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to comply with TPR CoP 14 and actuarial data quality requirements resulting in data issues at the 2019 scheme valuation	12	Aquila Heywood release guides and Housekeeping schedules. Internal sign off. SCC ICT change process compliance	Audit (ICT)	8
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to adequately test System changes.	16	The section uses Heywoods (software provider) and Hymans (Actuary) data quality monitoring systems. A project in place on the run up to the 2019 scheme valuation to ensure scheme data is compliant in all areas.	High TPR compliance score demonstrated by evaluation software, working group established, Data improvement plan in place.	6

3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	3.6 Failure to identify, monitor and reflect the unique characteristics of employer's liabilities for example maturity in setting contribution rates including those employing bodies getting close to having no active members	Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.	16	Covenant monitoring processes to be put in place for higher risk employers.	annual review of employer covenants, Actuary, triennial valuation, employer profiling report	16
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	4.4 Failure to comply with regulatory codes of practice and legislation.	LGPS regulation changes in relation to Valuation cycle, exit cap, fair deal, McCloud. Processing and funding issues (see duplicated on funding tab)	20	Systems updated and adequate staff resource and training in place	KPIs maintained at previous levels	15
3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term	3.1 Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term	LGPS regulation changes in relation to Valuation cycle, exit cap, fair deal, McCloud. Processing and funding issues (see duplicated on Admin tab)	20	Factored in actuarial valuation	Actuarial valuation, HEAT	10
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	Failure to procure an Actuary to carry out an independent valuation of the Fund in accordance with regulations	15	Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.	Actuarial report produced by independent actuary, Pension Board	6
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Failure to have appropriate transition arrangements in place to ensure the continued security of assets and efficient and cost effective transfer of assets into LGPS Central.	20	Transition manager is appointed by LGPS central on behalf of partner funds, and transition advisor in place.	Procurement through LGPS transition framework. Custody records and investment team reconciliations and LGPS Central Custodian	12
2.1 The <u>actual</u> return of the Funds 'neutral' and / or 'tactical' Strategic Asset Allocation is capable of exceeding the return assumption (i.e. the Discount Rate / AOA) of the Actuary used in the triennial valuation.	2.1 Failure of the Strategic Asset Allocation (SAA) to meet the level of return underpinning the setting of contribution rates as determined in the valuation OR to take more risk than the level of risk assumed by the Actuary in setting contribution rates	Failure of the investment consultant to take account of the Actuarial assumptions in advising on the Strategic Asset Allocation	15	Strategic Asset Allocation review is being carried out in tandem with the funding strategy review to ensure the consistency of assumptions used by the actuary in setting contribution rates. Ensuring the Actuary and Investment Consultant understand each others assumptions and ensure they are consistent. Using stochastic modelling to show a range of outcomes and reporting and consulting on the assumption through the Funding Strategy	Pensions Committee receive report from consultant to demonstrate consistency and outcome from modelling. Additional paper produced by Hymans justifying asset outperformance assumption. No issues from Regulation 13 report, GAD. SAA review with investment consultant.	8
3.4 It is desirable that contributions are as stable as possible	3.4 Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency)	Failure to use stochastic modelling (or other smoothing methodology) to set contribution rates that are relatively stable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates	16	Use stochastic models to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers;	12
Brex	Brex	Potential implications on fund and market valuation, assets available for investment, regulation, overseas pensioner payments.	???	SAA is long term, ongoing monitoring of latest information and advice, monitoring of market conditions, potential for tactical asset allocation.	Actuary, Pensions Panel, investment advisers.	???