

STAFFORDSHIRE PENSION FUND - RISK REGISTER - EMERGING RISKS

| Objective | High Level Risk | Detailed Risk | Pre-control Risk Score | Controls | Source of Assurance | Post-control Risk Score | Review Date | Actions Description | Outcome of Review /Changes made | Owner |
|--|--|--|------------------------|--|--|-------------------------|------------------------------------|--|---------------------------------|--------------------------|
| 1.1 To ensure the Fund has an appropriate governance structure | 1.1 Failure to have an appropriate Governance structure in place including appropriate policies e.g. Conflicts of Interest | Failure to review Governance standards against suitable benchmark (Government guidance e.g. Code of practice 14) | 16 | Officers monitor and are aware of various governance standards and changes within them. | MHCLG, tPR, SAB, LGA, | 9 | Sep-21 | Review following tPR revision of code of practice (from 15 codes to 1) and consider internal/external review. | 0 | All |
| 1.3 To ensure the Fund has appropriate financial, investment and actuarial advice | 1.3 Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisors | Failure to have appropriate advisors including avoidance of reliance on a sole advisor | 16 | Several advisors are procured, they are appropriately qualified (Actuarial, FCA) | Several advisors are in place and regularly attend Committee/Panel/meetings with officers and Pensions Board meetings as required. Hymans always provide a second back up advisor for actuarial and investment advice. | 9 | Contractual review date (March 21) | CMA review requires objective setting and possible FCA regulation for independent advisers, tenders for investment consultant and independents need to be done in 2020/21. | 0 | |
| 1.6 To comply with all legislation relating to Local Government Pensions. | 1.6 Failure to adhere to relevant statutory regulations including updates to LGPS | Failure to know about legislative change | 20 | Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisors | Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds | 20 | Ongoing | Review impact of McCloud, £95k exit cap, compensation regulation changes, deferred employer status, changes to employer exit arrangements, cost cap, tax relief and fair deal. | 0 | MS SJ JW |
| 1.6 To comply with all legislation relating to Local Government Pensions. | 1.6 Failure to adhere to relevant statutory regulations including updates to LGPS | Failure to implement changes to systems, processes and to document such as required by legislative change | 16 | Ensure any changes are implemented through changes to documents and procedures as required | Pension Board, Altair updates, communications working groups | 16 | Ongoing | Urgent software updates required to assist implementation of regulation changes, manual calculations-impact on resources | | MS SJ JW |
| 1.6 To comply with all legislation relating to Local Government Pensions. | 1.6 Failure to adhere to relevant statutory regulations including updates to LGPS | Failure to train staff as required by the legislative change | 16 | Ensure staff are trained in changes as required, MPCs | Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training | 12 | Ongoing | Need to train staff on impact and practical implementation of significant regulatory change | | MS SJ JW |
| 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). Carbon Risk Metrics (MSCI) and Climate Scenario Analysis (Mercers) offered by LGPS Central | 6 | Ongoing | Review climate risk reporting output from LGPS central | | TB/ Pensions Panel |
| 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 | 16 | 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. | 16 | Dec-20 | | | Shareholders Forum & PAF |

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| 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 | | 2020 Budget increase will impact on forecast savings - need to maintain watching brief. | | Shareholders Forum |
| 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. Assistance of Transition Advisor. Custody records and investment team reconciliations and LGPS Central Custodian. PDLG | 12 | Ongoing | | 0 | Joint committee, PAF, TB team |
| 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 | Regulatory Changes in relation to asset pooling impacting LGPS Central or SPF | 10 | Regulatory change is monitored and consultations are responded to. | MHCLG, Pensions Committee, Hymans, cross pool working groups. | 10 | ongoing | Review as a result of MHCLG formal consultation and statutory guidance | | Pensions Committee |
| 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 process to be put in place for higher risk employers. | annual review of employer covenants, Actuary, triennial valuation, employer profiling report | 16 | Mar-21 | Employer profiling reports and actuarial valuation results to be used to determine most risky employers. External provider e.g. Deloitte to be contacted re review of financial covenants. Trial of Actuarial funding risk tool online. Need to consider risk of COVID 19 on all employers. | | MS/JW |
| 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 to monitor workloads, or backlogs or benchmark staff numbers | 20 | Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers | Review of KPIs by Pensions Committee / Board, Review of published benchmark returns | 16 | Ongoing, Jan 21 | Significant amount of regulatory change and the need to implement such, may impact wider service delivery, increased further by delays in software updates and systems, leading to increased manual calculations. | | SJ/JW |

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| 4.2 To maintain sufficient levels of data integrity, security, and to ensure business continuity | 4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times | Failure to provide a robust and reliable administration system to facilitate the delivery of performance standards | 16 | Using Aquilla Heywood AXIS / Altair system and bespoke SCC calculation software, developed over many years on a collaborative basis with other LGPS schemes; regular updates; input to national developments; tendered from time to time | ICT audit reviews, period contract re let and market testing | 16 | Jun-21 | Anticipate new and updated software will not be in place to keep up to date with significant regulatory changes in early 2021. | | SJ/JW |
| | | Failure of scheme employers to correctly use the i-Connect monthly upload or system failure of i-Connect | 16 | 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. | 12 | Jun-21 | Consider how employer data is checked as more employers use, consider employer training options. Increase internal resource to ensure employer compliance. | | JW |
| 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 of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes. | 16 | Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement. | Software reporting. | 16 | Jan-21 | Project team to be set up, software to be developed. | | JW/SJ/MS |
| 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 of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes. | 20 | Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement. | Software reporting. | 16 | Jan-21 | Project team to be set up, software to be developed. | | JW/SJ/MS |
| | | 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 | Dec-20 | Review and monitor legislative changes | | SJ/JW |
| 4.4 Ensure administration compliance with regulatory codes of practice and legislation. | 4.4 Failure to comply with regulatory codes of practice and legislation. | 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. | | ongoing | Once details of brexit are fully known and understood, detailed implications can be reviewed. | | Pensions Committee |
| | | Potential implications on fund and market valuation, assets available for investment, regulation, employer security, staffing resources etc. | | Virtual meetings and remote working. 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. | | ongoing | Initial changes made to allow BAU to continue. Longer terms plans to be considered. | | Pensions Committee |