REPORT TO:	**PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD– 26 JUNE 2023**
REPORT ON:	**TAYSIDE PENSION FUND RISK MANAGEMENT POLICY & STRATEGY**
REPORT BY:	**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**
REPORT NO:	**195-2023**

1 PURPOSE OF REPORT

This report reviews the Risk Policy and Strategy of Tayside Pension Fund.

2 RECOMMENDATIONS

The Sub-Committee is asked to approve the Risk Management Policy & Strategy, noting no changes.

3 FINANCIAL IMPLICATIONS

There are no financial implications.

4 BACKGROUND

Tayside Pension Fund's risk management practices are well established. The Fund has maintained a risk register since 2011, and following recommendations in a report by Internal Audit, review of the Risk Register has been reported on a quarterly basis since March 2014.

The Pension Sub-committee of the Policy and Resources Committee and Pension Board approved the current Risk Policy & Strategy on 8th March 2021 (Article V of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee & Pension Board of 8 March 2021, Report No 69-2021 refers) which largely reflects existing practices, and also draws on guidance from the CIPFA publication Managing Risk in the Local Government Pension Scheme and from the Pensions Regulator's code of practice for public service pension schemes.

Following an internal audit review of Risk Management and Regulatory Compliance Review, the Policy and Strategy were revised and approved (Article VII of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee & Pension Board of 27 June 2022, Report No179-2022 refers).

5 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **27 JUNE 2023**

RISK POLICY & STRATEGY

2023-2024

Executive Director of Corporate Services

Dundee City Council, Administering Authority

June 2023

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1. Introduction

Dundee City Council is the administering authority for the Tayside Pension Fund (TPF). The Council delegates this responsibility to the Pension Sub-Committee of the Policy & Resources Committee. In recognition of their fiduciary duties and responsibilities towards pension scheme members, participating employers and local taxpayers, this document sets out Tayside Pension Fund's Risk Management Policy, Strategy and Risk Appetite, describing the approach to risk which the Sub-Committee adopts in light of their fiduciary duties.

The purpose of the Policy and Strategy is to effectively mitigate risks which may otherwise impact on achievement of the Fund's objectives, by implementing comprehensive risk management arrangements. These arrangements include, among others: development and maintenance of comprehensive risk registers; setting out of responsibilities for the management and escalation of risks; and responsibility for regular review and updating of Policy and Strategy.

The Policy and Strategy of Tayside Pension Fund have been framed in line with that of the administering authority, in that the recognition of the requirements for effective corporate governance and the benefits of risk management as an organisational management tool. It will assist the Fund in ensuring that risks which may impact on the achievement of objectives are effectively managed.

2. Background

Risk can be defined as the combination of the likelihood of an event occurring and the level of impact on the Pension Fund's ability to achieve its objectives if it does occur. Pension funds exist in order to pay future pension benefits. No organisation can completely eliminate risk due to the inherent uncertainties of the global economic environment, and there is therefore a risk that the investment assets of pension funds will be less or more than the pension liabilities. This Risk Policy & Strategy sets out a common basis for risk management.

3. Risk Areas & Types

The principal risk areas facing Tayside Pension Fund are summarised as:

- Governance
- Funding
- Operational
- Pensions Administration
- Transitional

The principal types of risk facing Tayside Pension Fund can be summarised as:

- liability risk
- investment risk
- administrative risk
- employer risk
- resource and skill risk
- regulatory and compliance risk and
- reputational risk

A more detailed description of each of the above are included in Appendices A and B.

4. Risk Policy

Risk should be eliminated, transferred or controlled as far as possible. To achieve this Tayside Pension Fund will ensure that risk management is integral to the governance and management of the Fund at both strategic and operational levels. The aim is to integrate risk awareness and management into both the processes and the culture of Tayside Pension Fund to help ensure that the Fund's objectives are met. This policy will be subject to annual review.

5. Risk Management Objectives

Tayside Pension Fund's principal risk management objectives are to:

- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk;

- ensure consistent application of the risk management methodology across all activities; and
- minimise the cost of risk.

How this is achieved will vary depending on the type of risk and the activity involved. In relation to pension fund administration, the objective is to eliminate risk as far as possible; whereas the objective is to balance risk and return in relation to pension fund investment.

6. Risk Management Strategy

The risk management process should be a continuous cycle. This is illustrated below:

6.1. Identifying Risks

This is the process of recognising risks and opportunities that may impact upon the Fund's objectives. The process is both proactive and reactive. Principal sources for identification of risks are:

- the existing Tayside Pension Fund risk register
- internal and external audit reports
- advice from actuarial, investment and legal consultants
- performance monitoring and review
- publications from
  - The Pensions Regulator
  - Scheme Advisory Board
  - Local Government Pensions Committee
  - CIPFA Pensions Panel
- participation in industry networks
  - Scottish Pensions Liaison Group (Pension Administration)
  - SLGPS Investment & Governance Group

Identifying risks is an integral part of the development of any new strategy or investment proposal. Once identified, risks will be recorded on the risk register which is the primary control document for the subsequent analysis, control and monitoring of risks.

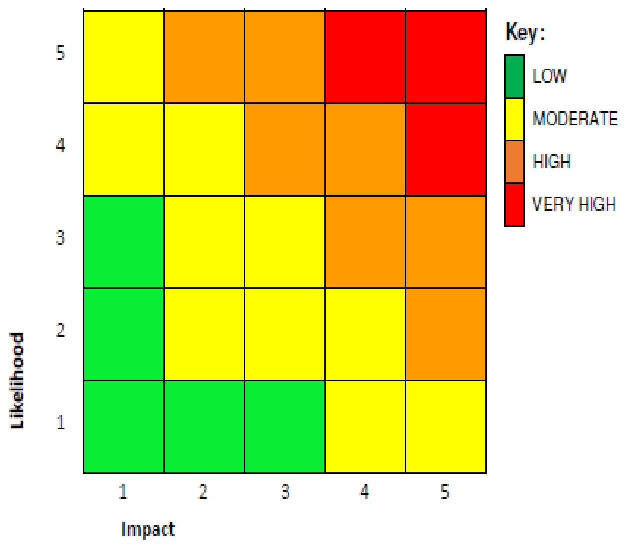
6.2. Risk Assessment

For this Tayside Pension Fund uses a standard methodology and template:

- each risk is scored from 1 to 5 for probability
- each risk is scored from 1 to 5 for impact

The product of these scores provides a risk ranking which is recorded in the Risk Register which provides a simple, systematic and consistent basis for analysis, understanding, communication, control, and monitoring of risks.

RISK ASSESSMENT MATRIX



The table above shows the Fund's standard risk assessment matrix, which provides a graphic representation of where risk sits. The underlying suite of risk assessments are required to be completed in Pentana, which is the Dundee City Council risk management system that the Fund utilises. The assessment process is straightforward and intuitive with the assessments and 'scoring' matrix utilised by the Council used as the core assessment tool, as well as advice from the Council's Risk Management service. The Fund uses this matrix in conjunction with the bespoke scoring matrix in Appendix C.

6.3. Controlling Risk (Treat or Avoid)

Risk control describes actions taken to reduce the likelihood and adverse consequences of a risk event occurring. Control mechanisms will vary depending on the type of risk and the activity involved. Key mechanisms include:

- governance and decision making structures as outlined in the Annual Governance Statement and Governance Compliance Statement (these are contained in the annual accounts).
- systemic procedures and controls
- resource allocation and management (internal and external)
- segregation of duties

6.4. Monitoring & Reviewing Risk

Regular review of the risk register is central to risk monitoring. The register is reviewed quarterly by:

- the officers of the Fund
- the Pensions Sub-Committee and Board

As part of the review consideration will be given to whether:

- the nature of the risk has changed
- the control environment has changed
- the probability of the risk occurring has changed
- the impact of the risk occurring has changed
- any new or emerging risks need to be considered.

The objective is to ensure that risk control remains effective and that risk management evolves and improves over time as far as possible.

Consideration of risk also forms part of the established investment, administration and funding monitoring arrangements.

7. **Risk Appetite**

Whilst the need to minimise risks and to effectively control excessive exposure to the types of risks noted is of prime importance, the Fund is prepared to accept risk where this enables opportunities to be taken, where these risks can be adequately managed by the deployment of effective control measures.

The Risk Appetite of Tayside Pension Fund is detailed in Appendix B.

APPENDIX A

SUMMARY OF RISK TYPES

Funding/Liability Risk
Tayside Pension Fund's overall objective is to pay pensions. The obligation to scheme members represents the Fund's principal liability. The amount of this liability is uncertain. Current estimates and eventual payments are dependent on factors including:

- interest rates
- salary inflation
- wage inflation and
- life expectancy

Each of these represents a risk that liabilities will be greater or less than anticipated.

Investment Risk
Future investment returns are uncertain and may be more or less than anticipated. Specific risk areas include:

- appropriateness of strategy
- manager and asset performance
- individual and systemic market risk
- security of assets
- counterparty failure
- concentration, credit, contract, currency, duration, macroeconomic

Administrative Risk
As administering authority, the council has a statutory responsibility to other participating councils, employers and scheme members. This entails particular exposure to risks in areas including

- IT system and facility dependency
- business continuity
- service provision
- communications
- process management
- financial management

Employer Risk
The administering authority is dependent on its employers fulfilling their statutory duties, in particular:

- deduction and submission of contributions
- data management
- process management
- member engagement

There is also a risk of orphaned liabilities through employer default.

Resource and Skill Risk
The pension fund is a relatively specialist function operating on a very large scale in terms of process and asset values and volumes. This requires significant resources and specialist skills and expertise.

Regulatory and Compliance Risk
Occupational pensions are heavily regulated and governed by general and LGPS-specific legislation.

Reputational Risk
Public service pensions attract intense scrutiny and commentary. There is also an opportunity to enhance organisational reputation through demonstrable good practice.

APPENDIX B

TAYSIDE PENSION FUND RISK APPETITE STATEMENT

Introduction

Risk management is an integral part of good governance and corporate management mechanisms. Tayside Pension Fund (TPF) acknowledges that the Fund cannot be inherently risk averse and be successful. Therefore, effective and meaningful risk management involves taking a balanced view of risk and opportunity in delivering our objectives.

This Risk Appetite Statement articulates the Fund's attitude to taking managed risks in support of strategic objectives. This statement will be reviewed annually in line with the Fund's Risk Policy.

Purpose

The purpose of the document is to outline the areas of principal risk to which the Fund is exposed, and set out an optimal and tolerable risk position. In doing this, this Risk Appetite Statement will:

- Set the parameters by which the Tayside Pension Fund officers will manage risk within the organisation.
- Inform resource allocation, balancing the need for effective risk management against the need to ensure value for money.

Areas of principal risk

The principal risk areas facing TPF are set out below:

- Governance: Risks associated with the policies, principles, processes, and resources used to govern the Fund.
- Funding: Risks of TPF having insufficient financial resources (assets) to pay its liabilities as they fall due.
- Operational: Risks associated with operational processes of TPF to achieve its operational objectives and desired operational results.
- Pensions Administration: Risks associated with TPF's interactions with members and employers, including record keeping.
- Transitional: Risks associated with short-term projects, likely to last for less than one year.

Definition of risk appetite

Tayside Pension Fund's risk appetite is described by setting an optimal and tolerable risk position, which are defined as follows:

- Optimal position: the level of risk at which the Fund aims to operate. Achieving an optimal position does not imply that TPF looks favourably on the risk. Risks at the optimal position may still represent a threat, however the controls currently in place are considered sufficient to reduce the risk to an appropriate level. Additional risk controls are not considered necessary for risks at the optimal position.
- Tolerable position: the level of risk within which TPF is willing to operate. Risks within the tolerance range may require further risk controls where suitable controls are available at a justifiable cost. Risks that are outside of tolerance represent the highest priority for further action.

In order to provide consistency across the TPF's activities, we consider risk appetite on the following scale:

Risk Appetite	Optimal position	Tolerable position	Description
Averse	Nil	Low	Avoidance of risk and uncertainty in achievement of deliverables or initiatives is the most important objective. We seek to remove any risks that could jeopardise our objectives. Residual risks will be tolerated only if they carry a "low" risk rating. Where necessary, significant cost can be justified in the interest of ensuring that the residual risk remains "low".
Minimalist	Low	Moderate (where unavoidable)	We seek to reduce our exposure to these risks as much as possible within the constraints of the organisation. Residual risks are considered optimal if they are rated as "low". Where multiple

			approaches are available, we have a strong preference for options that have a low degree of risk. The potential for benefit/return is not a key driver, and increased costs are justifiable in the interest of reducing risk. We will tolerate risks rated as “moderate” only where no reasonable controls are available.
Cautious	Low	Moderate (where opportunity exists, cost unjustifiable, or unavoidable)	We seek lower risk options, especially where the opportunity for upside is limited or the cost of lowering risk levels is acceptable. We are willing to tolerate residual risks rated as “moderate” where there is the opportunity for significant benefit, where the cost of reducing the level of risk is unjustifiable, or where no reasonable controls are available.
Open	Moderate	High (where opportunity is substantial)	We consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. We are comfortable accepting “moderate” risks in recognition of the potential benefits available. We are willing to tolerate activities that carry, or contribute to, a high degree of residual risk where the opportunity for benefit is substantial.
Eager	Moderate	High	We are eager to be innovative and to choose options based on maximising opportunities and potential higher benefit, even where this results in increased risk. The level of residual risk resulting from activities is less important in the decision-making process than the opportunities available. A very high degree of residual risk can be tolerated.

Risk Appetite Statement

Tayside Pension Fund’s Appetite for each area of principal risk is set out below.

- **Governance**

  The Fund have adopted a minimalist stance for governance risks. We recognise that effective decision-making processes and internal controls are essential for the long-term success of TPF. Reductions in governance risks have a role in optimising positive outcomes for the Fund. TPF ensure that the Pensions Sub-Committee, Pensions Board and Fund Officers receive sufficient support to carry out their duties effectively. Compliance with all relevant legislation, regulation, and codes of practice is crucial, and ensure all statutory requirements are met. The Pension Sub-Committee & Pension Board receive quarterly performance reports to provide assurance that compliance monitoring is in place so that compliance risks are promptly identified and mitigated where required.

- **Funding**

  We have adopted a varied stance on funding risks. Funding risks are central to the operation of a defined benefit pension scheme, and we note the wide range of risks captured by this category. We recognise the need for balance between the requirement to secure the solvency of the pension fund and the long-term cost efficiency of the Scheme.

  Within this category:

  - We have adopted an open stance on investment risk. We recognise that investing in assets that target a higher level of return can lead to improved outcomes for the Fund and lower contributions for employers, but also higher potential losses. We aim to optimise returns subject to an acceptable level of risk. Our Statement of Investment Principles and Investment Beliefs set out our investment objectives and the investment strategy we follow in order to achieve them. We report investment performance on a quarterly basis, and have regular engagement with investment managers and advisors to ensure that the investment strategy remains appropriate to achieve the level of returns required. We also undertake quarterly funding level monitoring.
  - We have adopted a cautious stance on environmental, social, and governance (ESG) risk. Investments which exploit the environment or otherwise give rise to risk arising from poor or unsustainable business practices are not consistent with the investment goals of the Fund. We seek to reduce ESG risks primarily through engagement via the activities of our delegated investment

managers. Our Environmental, Social & Corporate Governance Policy sets out our approach to managing these risks in more detail.

- We have adopted a cautious stance on employer-related risks. The employer-related risk is that individual employers are unable remain in the Fund and make payments in respect of their staff and their organisation, which could ultimately result in other employers needing to pay more. We seek to reduce this risk where possible, whilst seeking to ensure that contributions remain affordable for employers. Where there are circumstances which make it likely that a Scheme employer will have to exit the Fund, we will prioritise the solvency of the Fund above the affordability of employer contributions, however we will take all available efforts to ensure that the payment of liabilities to the Fund are affordable. The Fund utilises specialist services identify, assess, and manage all aspects of covenant risk.
- We have adopted an averse stance on liquidity risk. It is essential that TPF maintains sufficient liquid assets to pay benefits as they fall due. The Fund will not tolerate any risks that could jeopardise the ability to access funds to pay benefits. TPF has a defined Treasury Management Policy & Strategy, as well as effective operational cashflow management.

- **Operational**

We have adopted a minimalist stance on operational risks. We recognise that operational risks (including asset security, data protection, business continuity, and cyber security) could threaten TPF's ability to pay benefits as they fall due. We therefore seek to reduce our exposure to these risks as much as possible. These risks are managed on a day-to-day basis primarily through the activities of third parties (including our custodian, appointed investment managers, and system providers) as well as in-house services provided by Dundee City Council as administering authority. TPF maintain regular oversight of both in-house and third parties to ensure that operational risks managed appropriately.

- **Pensions Administration**

We have adopted a minimalist stance on pension administration risks. We recognise that pension administration risks (including the risk of poor data quality, incorrect benefit calculations, and poor-quality service and communications) could negatively affect members, employers, and regulatory compliance. These risks could also be detrimental to the reputation of TPF.

Day-to-day pensions administration is carried out in-house. The Fund Officers maintain daily oversight of Fund administration, with TPF Pension Sub-Committee and Board maintaining regular oversight of TPF to ensure that pensions administration risks are managed appropriately. We seek to ensure that benefits are administered to a high standard on our behalf, with a preference for processes and systems that reduce pensions administration risks as much as possible within the constraints of the organisation.

- **Transitional**

TPF have adopted a varied stance on transitional risks (i.e. temporary and largely short-term in nature). These risks can result from events initiated by TPF or our service providers (for example, projects to improve systems or processes), or from external factors out-with the Fund's direct control (e.g. changes to legislation or the Covid-19 pandemic).

Within this category:

- We have adopted a cautious stance on events initiated by TPF as we recognise the benefits to the Fund of improving systems and processes, and as such, can tolerate moderate risks where significant opportunities are identified.
- We have adopted a minimalist stance on projects in response to external influences. We recognise that we have little control over the emergence of these risks and our focus is therefore on reducing their impact as much as is possible.

APPENDIX C

RISK ASSESSMENT MATRIX

Impact Domain	1 None / Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
Political / Reputational	No media coverage / no impact on staff morale Little or no reputational impact	Local media short term / minor impact on staff morale and / or Some impact on reputation with principal stakeholders	Local media longer term / clear impact on staff morale and / or Reputational damage with principal stakeholders (distrust resulting in close monitoring)	National media (<3 days) / public confidence undermined / service usage affected and / or Loss of trust of principal stakeholders (seeking external advice)	National media (3+ days) MP / MSP concern – questions asked in parliament and / or Fundamental change in relationships with principal stakeholders
Economic / Financial (Unanticipated Financial Loss)	< £10m	£10m to £50m	£50m to £100m	£100m to £500m	>£500m
Strategy	Minor impact on functional objectives, but no impact on overall strategy	Major impact on 1 or more functional objectives, but no impact on overall strategy	Major impact on 1 or more functional objectives, but some limited impact on overall strategy	Significant impact on ability to deliver strategic objectives	Unable to meet multiple strategic objectives
Technological / Operational Business or Service Interruption	No or negligible interruption (1-2 working days)	Some impact but only minor interruption (3-5 working days)	Noticeable interruption and client inconvenience (6-8 working days)	Sustained service interruption and serious client impact – major contingency plans invoked (9-15 working days)	Loss of core service / facility, significant 'knock-on' effect / inability to achieve key objectives (> 15 days)
Legal / Statutory Obligations	No / negligible or marginal deviation / breach / non-compliance No regulatory interest (not material)	Minor deviation / breach / non-compliance Regulator report – Regulators require explanation and update (informal)	Moderate Deviation / breach / non-compliance Regulator report – Formal investigation (i.e. written request)	Major Deviation / breach / non-compliance Regulator launches formal investigation, with potential for fine	Catastrophic Deviation / breach / non-compliance reported to regulatory authority. Potential for significant fine and changes to operating model mandated by Regulator

Organisational / Staffing & Competence	Staff turnover / absence higher than expected with little or no impact on operations/ objectives Service unaffected with minimal disruption	Staff turnover / absence significant with minor impact on operations / objectives Minimal service disruption, with potential for minor training related errors	Limited loss of key individuals (1-2 people) Noticeable impact on objectives / noticeable service disruption Ongoing staffing level problems / late delivery of key objective(s) / compliance / moderate training related errors	Loss of multiple skills or loss of mission critical individual Significant impact on objectives / considerable service disruption Significant reduction in ability to meet objectives / compliance. Lack of staff / uncertain delivery of key objective / major training related errors	Irrecoverable loss of key skills Unable to meet objectives / extended loss of service Inability to meet objectives, serious reputational damage Critical training related errors

Risk Likelihood Assessment

	1 Remote	**2 Unlikely**	**3 Possible**	**4 Likely**	**5 Almost Certain**
Probability	Will only occur in exceptional circumstances	Unlikely to occur, but definite potential exists	Reasonable chance of occurring – has happened before within DCC or elsewhere	Likely to occur – strong possibility	The event will occur in most circumstances

APPENDIX D

RISK REGISTER

The following provides the revised list of risks that are assessed and reported on a quarterly basis:

Risk Title	Causes	Impact	Consequence
1. Failure to process pension payments and lump sums on time	• Non-availability of pension / payroll systems • Resource unavailable • New staff undertaking duties • Increased workload • Failure to gain relevant information from employers to enable processing	• Processing delays • Processing errors • Retiring members will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
2. Failure to collect and account for contributions from employers and employees on time	• Non-availability of financial system (Fund and employer) • Resource unavailable • New staff undertaking duties • Failure to communicate with employers effectively • Failure of employer to provide required information • Failure of employer to make financial settlement	• Adverse audit opinion • Breach of statutory requirements • Knock on effect on reporting requirements • Financial impact as insufficient cashflow to meet monthly pension payments without unplanned sale of assets	• Requirement for report of regulatory breach & subsequent action if required • Potential delays to employers' FRS17 year-end accounting reports • Loss of stakeholder confidence • Recovery / legal action required • Opportunity cost of lost investment income
3. Insufficient funds to meet liabilities as they fall due	• Contribution levels are inadequate • Contributions • Investment strategy fails to deliver adequate returns • Significant changes in member profile (i.e. rapid maturing of fund liabilities) • Significant increases in actuarial assumptions (i.e. longevity.	• Rise in employer contribution rate required • Unplanned asset sales required to meet • Revision of Funding and Investment strategies required	• Inability to meet overall strategic objectives • Immediate cash injections would be required from employers by means of contributions • Reduced funding levels • Lost investment income from unplanned asset sales • Transaction costs associated with changing strategies

Risk Title	Causes	Impact	Consequence
4. Inability to maintain service due to loss of main office, computer system or staff	• Fire, bomb, flood, etc. • Staff unable to access office (i.e. public health restrictions) • IT system / network outage	• Temporary loss of service provision. • Delayed payments & processing • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
5. Loss of funds through fraud or misappropriation	• Fraud or misappropriation of funds by staff/employer/3rd party service provider	• Financial loss to the fund • Reputational risk for the Fund • Adverse audit opinion • Breach of statutory requirements • Enforcement action	• Requirement for report to regulator & subsequent action if required • Criminal investigation • Loss of stakeholder confidence • Recovery / legal action required
6. Employers unable to participate in scheme	• Employer liabilities increase disproportionately as a result of changed member profiling • Employer liabilities increase disproportionately as a result of external factors (i.e. change in bond yields) • Reduced asset values in relation to liabilities due to external factors	• Employers unable to maintain contributions • Employers exit from fund • Employer cannot meet liabilities on exit	• Inability to meet overall strategic objectives • Financial loss to fund, triggering asset sales to meet pension payments • Fund profile changed as a result of employer exit • Insolvency of employer • Recovery of liabilities in liquidation
7. Significant rises in employer contributions due to poor/negative investment returns	• Poor economic conditions • Inappropriate investment strategy • Poor selection / performance of investment managers	• Financial impact as a result of poor/negative investment returns • Revision of investment strategy required • Dismissal of investment managers	• Inability to meet overall strategic objectives • Reduced funding level • Increased contributions required • Transaction costs on change of strategy or investment manager
8. Failure of global custodian	• Financial collapse of global custodian or failure to safeguard assets or records	• Financial loss to the fund. • Loss of information required for statutory and accounting purpose	• Inability to meet overall strategic objectives • Severe service disruption as a result of recovery action • Statutory breaches
9. Failure of Investment Manager	• Substantial decline of global financial market • Economic factors impacting on asset class • Under performance of investment manager	• Financial loss to the fund • Reduced asset returns • Investment outflows from investment manager portfolio • Termination of mandate with investment manager	• Inability to meet overall strategic objectives • Reduced funding level • Increased employer contribution levels • Required appointment of alternative investment manager

Risk Title	Causes	Impact	Consequence
			• Transaction costs associated with change
10. Equity Risk	• Market sector falls substantially as a result of global economic factors	• Financial loss to the fund	• Inability to meet overall strategic objectives • Reduced funding level • Increased employer contribution levels
11. Failure to comply with changes to LGPS regulations and other new regulations / legislation Specifically: • GMP • McCloud • Pensions Dashboard	• Significant changes to scheme & regulations which staff are unfamiliar with • Failure in readiness for changes • Lack of technical expertise / training • Inadequate procedures / process • Lack of resources • Error in interpreting requirements • IT systems not updated to reflect changed requirements	• Incorrect calculations • Delays in processing • Statutory breaches • Reputational risk	• Financial implications for members. • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
12. Failure to comply with governance best practice Specifically: • TPR New Draft Code of Practice • TPR Good Governance project outcomes	• Failure to implement requirements • Inadequate processes / procedures • Inadequate training as to changed requirements	• Breach of statutory requirements • Sub-standard service to members and employers • Reputational risk for the Fund	• Regulatory action • Loss of stakeholder confidence
13. Failure to provide quality service to members	• Inadequate administration & communication policies • Lack of resources • Lack of staff skills / knowledge • Lack of training • Ineffective processes & procedures • Poor communication documentation • Unanticipated workloads	• Reputational risk for the Fund • Processing delays & errors • Late payments • Sub-optimal decision making • Reputational risk for the Fund	• Financial implications to members • Loss of stakeholder confidence
14. Failure to hold personal data securely	• Insufficient system abilities re security of data	• Data lost or compromised • Incorrect member records	• Financial impact to members • Loss of stakeholder confidence.

Risk Title	Causes	Impact	Consequence
	• Sub-standard retention processes & procedures • Inadequate data retention policy, backup and recovery procedures • Change of retention requirements	• Processing delays & errors • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial cost to the fund if interest has to be paid to members. • Regulatory action
15. Cybercrime	• Inadequate system abilities re security of data • Inadequate controls and security protocol	• Data lost or compromised • Incorrect member records • Processing delays & errors • Retiring staff will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial impact to members • Loss of stakeholder confidence. • Financial cost to the fund if interest has to be paid to members. • Regulatory action
16. Failure to keep pension records up-to-date and accurate	• Non-availability of pension / payroll systems • Resource unavailable • New staff undertaking duties • Increased workload • Failure to gain relevant information from employers to enable processing	• Processing delays • Processing errors • Retiring members will be paid late • Reputational risk for the Fund • Breach of statutory requirements	• Financial implications for members • Loss of stakeholder confidence • Financial cost to the fund if interest has to be paid to members • Regulatory action
17. Lack of expertise on Pension Committee, Pension Board or amongst officers	• Lack of training & continuous professional development • Loss of key individuals	• Detrimental decision making • Reputational risk for the Fund • Breach of statutory requirements • Failure to meet objectives	• Financial loss • Inability to meet overall strategic objectives • Increase in employer contribution requirements • Regulatory action • Loss of stakeholder confidence
18. Over reliance on key officers	• Loss of key individuals • Inability to recruit individuals with specialist skills & experience • Inadequate governance arrangements • Lack of specialist advisors to support	• Detrimental decision making • Reputational risk for the Fund • Breach of statutory requirements • Failure to meet objectives	• Financial loss • Inability to meet overall strategic objectives • Increase in employer contribution requirements • Regulatory action • Loss of stakeholder confidence

Risk Title	Causes	Impact	Consequence
19. Failure to communicate adequately with stakeholders	• Inadequate communication policy • Inadequate processes & protocols with employers and scheme members	• Scheme members not aware of their rights • Employers not aware of regulations, procedures, etc. • Reputational risk • Breach of statutory requirements	• Sub-optimal decision making resulting to financial detriment of members • Errors in members calculations • Loss of stakeholder confidence • Regulatory action
20. Employer Covenant Risk	• Change in employer actuarial profile which has resulted in significant increase in liability • Unsuitable guarantee / financial health of employer	• Employers unable to financially provide for exit liability	• Inability to meet overall strategic objectives • Financial impact on overall funding level • Remaining employers required to accommodate the shortfall via increased contribution
21. Risks in relation to use of 3rd party service providers	• Inadequate policy • Poor due diligence and selection processes • Poor contract management	• Poor decision making • Failure of supplier adhering to contractual agreement • Reputational risk	• Financial detriment to the fund • Loss of stakeholder confidence
22. Failure to implement ESG Policy (specifically in relation to Climate Change and incoming requirements of TCFD)	• Inadequate policy & practices • Failing to understand incoming requirements • Failing to plan and implement changes required • Lack of knowledge & skills	• Poor decision making • Non-compliant actions being taken • Statutory breach • Reputational risk	• Failing to meet strategic objectives • Regulatory action • Loss of stakeholder confidence