

# APPENDIX 1

## Suffolk Pension Fund Risk Register

| Risk ID | Risk  | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures   |
|---------|---|--------------|--------------|------------|-------------|---|
| SPF01   | <p><b>Employer</b><br/>County Council failing to commission the Fund Actuary to carry out a cessation valuation for a departing Admission Body and losing the opportunity to call in a debt.</p> <p><u>Consequence</u><br/>The financial burden would have to be picked up by the rest of the employers in the Pension Fund.</p>  | Minor (2)    | Unlikely (2) | 4          | Low         | <p>The Admission agreement signed by each employer requires employers to inform the Pension Fund of forthcoming changes to its membership position.</p> <p>The Pension Fund officers to annually review the funding position of each employer and the securities in place in case of cessation.</p> <p>The risk is further mitigated by:</p> <p>Vetting prospective employers in regards to financial security of funding streams.</p> <p>Seeking a funding guarantee or indemnity from the former scheme employer.</p> |
| SPF02   | <p><b>Employer</b><br/>Employers' failure to carry out their responsibilities for providing scheme administration data.</p> <p><u>Consequence</u><br/>The Pension Fund is unaware of structural changes in an employers membership (e.g. large fall in employee members, large number of retirements, fund is closed to new entrants)</p> <p>Not having correct membership data could result in scheme benefits being incorrectly calculated.</p> <p>Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole.</p> | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>The Administration Strategy sets out employer responsibilities.</p> <p>Employers are required to fill out an annual return by 21 April each year - non compliance is addressed.</p> <p>The Pension Fund monitors membership movements by updating the Heywood system and reconciling the data.</p> <p>The Actuary can be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations.</p>                       |

| Risk ID | Risk   | Impact    | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|--|-----------|--------------|------------|-------------|--|
| SPF03   | <p><b>Employer</b><br/>Increase in early retirements</p> <p><u>Consequence</u><br/>Could increase the liability strain for the employer making the scheme unaffordable.</p>  | Minor (2) | Unlikely (2) | 4          | Low         | <p>Employers are charged the capital cost of redundancy early retirements.</p> <p>Ill health retirements are monitored, any cost in excess of the allowance in the contribution rate if applicable is charged to the employer.</p> <p>Smaller employers are encouraged to take out an insurance policy to cover the cost of ill health early retirements.</p>  |
| SPF04   | <p><b>Employer</b><br/>Failure to communicate or engage with Pension Fund stakeholders.</p> <p><u>Consequence</u><br/>Leading to non compliance with legislation and best practice.<br/>Inability to determine policy and effective decisions.<br/>Damaging to reputation.</p> | Minor (2) | Unlikely (2) | 4          | Low         | <p>Maintenance of a communication strategy, governance strategy and governance compliance statement which are subject to regular review.</p> <p>Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings.</p> <p>Regular meetings are held by the Pension Fund committee and Pension Board with the papers published within statutory deadlines.</p> <p>A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website.</p> |

| Risk ID | Risk   | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures   |
|---------|--|--------------|--------------|------------|-------------|---|
| SPF05   | <p><b>Actuarial</b><br/>The actuarial assumptions used in the triennial valuation are significantly different to the experience</p> <p><u>Consequence</u><br/>Could lead to an increase in employers contribution rate which could effect the employers affordability to be part of the Fund leading to a loss of employers and members which will reduce income to the Fund.</p> <p>Could increase the liability strain on the Pension Fund valuation leading to an increase in contribution rates for employers.</p> | Minor (2)    | Possible (3) | 9          | Medium      | <p>Additional work is commissioned to validate the assumptions used in the valuation process.</p> <p>Mortality assumptions are set with an allowance for future increases in life expectancy.</p> <p>Some investment in growth and inflation linked assets helps to mitigate pay and price inflation risk as their valuation should rise as inflation rises.</p>  |
| SPF06   | <p><b>Actuarial</b><br/>Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.</p> <p><u>Consequence</u><br/>Could increase the liability strain on the Pension Fund valuation leading to an increase in contribution rates for employers.</p>   | Moderate (3) | Possible (3) | 9          | Medium      | <p>Regular reporting of the funding position.</p> <p>Toleration of risk in the expectation of higher real returns from riskier assets (equities, property and alternatives).</p> <p>Some investment in bonds helps to mitigate this risk.</p>   |
| SPF07   | <p><b>Actuarial</b><br/>Failure of the investment strategy to produce the long-term returns assumed in the Funding Strategy.</p> <p><u>Consequence</u><br/>Could have a negative affect on the Pension Fund valuation leading to an increase in contribution rates for employers.</p>  | Major (4)    | Possible (3) | 12         | High        | <p>The investment Strategy is fully reviewed at least every 3 years by the Pension Fund Committee in line with the results of the triennial valuation.</p> <p>Regular reporting of the funding position and the performance of the investments of the Pension Fund.</p> <p>A high level review is undertaken annually to assess whether the objectives of the strategy still meet with the Fund's current objectives.</p> |

| Risk ID | Risk  | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|---|--------------|--------------|------------|-------------|--|
| SPF08   | <p><b>Governance</b><br/>Pension Fund Committee members do not have the appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.</p> <p><u>Consequence</u><br/>Could lead to inappropriate decisions being made which could increase the liability strain on the Pension Fund valuation leading to an increase in contribution rates for employers. Reputational risk to the Suffolk Pension Fund.</p> | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Committee approves a formal two year training plan which is designed to cover the Committee's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>New Committee members and substitutes are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Committee, as required.</p> |
| SPF09   | <p><b>Governance</b><br/>Pension Board members do not have the appropriate skills or knowledge to discharge their responsibility.</p> <p><u>Consequence</u><br/>The Board does not discharge their duties to oversee the governance of the Pension Fund.</p> <p>Reputational risk to the Suffolk Pension Fund.</p>  | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Board approves a formal training plan annually which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Board as required.</p>                                      |

| Risk ID | Risk  | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|---|--------------|--------------|------------|-------------|--|
| SPF10   | <p><b>Governance</b><br/>Pension Fund officers do not have the appropriate skills or knowledge to complete statutory duties or advise the Pension Fund appropriately.</p> <p><u>Consequence</u><br/>Could lead to inappropriate decisions being made which could increase the liability strain on the Pension Fund valuation leading to an increase in contribution rates for employers. Reputational risk to the Suffolk Pension Fund.</p> | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>Pension Fund officers attend seminars, conferences and training events laid on by the professional bodies involved with the LGPS.</p> <p>Staff are recruited with the necessary skills to undertake the relevant duties.</p> <p>Training and development needs are identified through the personal development review (PDR) process</p> |
| SPF11   | <p><b>Governance</b><br/>Failure by a provider of Additional Voluntary Contributions (AVC) services to the Pension Fund.</p> <p><u>Consequence</u><br/>Could lead to a financial loss for the employee. Reputational risk to the Suffolk Pension Fund.</p>  | Minor (2)    | Unlikely (2) | 4          | Low         | <p>Three AVC providers are currently available to scheme members (Clerical Medical, Standard Life, Equitable Life).</p> <p>Performance of AVC providers are monitored by Pension Fund officers on an annual basis.</p>   |
| SPF12   | <p><b>Governance</b><br/>Breach of data protection legislation.</p> <p><u>Consequence</u><br/>Could lead to the loss of data. Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p>   | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>County Council data security protocols are understood and adhered to.</p> <p>The document imaging system improves the security of retained documentation negating the need for paper records.</p> <p>Use of secure means for data transfer when necessary.</p>  |

| Risk ID | Risk   | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|--|--------------|--------------|------------|-------------|--|
| SPF13   | <p><b>Governance</b><br/>Failure to ensure adequate systems, procedures and processes are in place to manage and safeguard the Pensions data</p> <p><u>Consequence</u><br/>Cyber threats or data breaches could lead to the loss of sensitive personal data resulting in financial loss and financial penalties.</p> <p>Reputational risk to the Suffolk Pension Fund and Suffolk County Council</p> | Minor (2)    | Unlikely (2) | 4          | Low         | <p>There are comprehensive policies, procedures and guidance in place which are reviewed and updated regularly.</p> <p>There are processes in place to learn from potential security incidents and data breaches.</p> <p>Hosted services have appropriate security accreditation in place</p>  |
| SPF14   | <p><b>Investment</b><br/>Failure of investment markets (long-term failure in return generation) in generating investment returns.</p> <p><u>Consequence</u><br/>Could increase the liability strain on the Pension Fund valuation leading to an increase in contribution rates for employers.</p>  | Major (4)    | Possible (3) | 12         | High        | <p>Regular reporting of the funding position.</p> <p>Regular reporting and monitoring arrangements for investment performance.</p> <p>Diversification of asset classes minimises the impact of a single asset class underperforming.</p> <p>Some allocations have been made to absolute return mandates to reduce reliance on market returns.</p> <p>Review of assets against the strategic benchmark with rebalancing carried out as necessary.</p> |
| SPF15   | <p><b>Investment</b><br/>Failure in investment performance by individual investment managers leading to a shortfall in investment return.</p> <p><u>Consequence</u><br/>Could have a negative affect on the Pension Fund valuation leading to an increase in contribution rates for employers.</p>   | Moderate (3) | Possible (3) | 9          | Medium      | <p>Regular meetings with investment managers to discuss investment performance.</p> <p>Regular reporting and monitoring arrangements for investment performance for each manager against benchmark.</p> <p>Diversification of asset classes and investment manager structure minimises the impact of a single manager underperforming.</p>   |

| Risk ID | Risk  | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|---|--------------|--------------|------------|-------------|--|
| SPF16   | <p><b>Investment</b><br/>Counterparty default in securities lending programme.</p> <p><u>Consequence</u><br/>Financial loss if all or part of an asset is irrecoverable.<br/>Reputational risk of the Pension Fund.</p>   | Minor (2)    | Unlikely (2) | 4          | Low         | <p>The securities lending programme is managed by an experienced third party, HSBC the Pension Fund custodian.</p> <p>The Pension Fund is indemnified within the security lending programme.</p> <p>All securities in the programme are over-collateralised (by 5%) by government bonds.</p>   |
| SPF17   | <p><b>Investment</b><br/>Negligence, fraud or default by individual investment manager leading to a loss of investments.</p> <p><u>Consequence</u><br/>Financial loss if all or part of an asset is irrecoverable.<br/>Reputational risk to the Pension Fund.</p>   | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>Legal requirements on fund managers set out in investment management agreements.</p> <p>FCA regulated and review of internal control report to ensure compliance.</p> <p>Separation of investment management arrangements from custody of assets through use of global custodian.</p> <p>Reconciliation of custodian data against investment manager reported positions.</p> <p>Regular reporting and monitoring of stability of investment organisation.</p> |
| SPF18   | <p><b>Investment</b><br/>Failure of custodian leading to loss of investments or control of investments or incomplete or incorrect information leading to misreporting of financial position.</p> <p><u>Consequence</u><br/>Financial loss if all or part of an asset is irrecoverable.<br/>Incorrect decisions made on misreported information.</p> | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>Regular review of custodian performance against SLA's.</p> <p>FCA regulated and review of internal control report to ensure compliance.</p> <p>Reconciliation of custodian data against investment manager reported positions.</p> <p>All Pension Fund assets held by the custodian are in ring-fenced nominee holdings and not on the custodian's balance sheet.</p>   |

| Risk ID | Risk   | Impact    | Prob         | Risk Score | Risk Rating | Risk Control Measures   |
|---------|--|-----------|--------------|------------|-------------|---|
| SPF19   | <p><b>Investment</b><br/>Insufficient liquid assets to meet liabilities.</p> <p><u>Consequence</u><br/>The Fund cannot meet its immediate liabilities because it has insufficient liquid assets leading to additional costs associated with borrowing to meet the cash flow.</p> | Minor (2) | Unlikely (2) | 4          | Low         | <p>Valuation modelling of the Fund has identified a net positive cash flow over the medium term.</p> <p>The cash flow is monitored and reconciled on a daily basis with a review of cash flow trends to anticipate need.</p> <p>Regular reporting of cash flow to Pension Fund committee.</p> |

|       |   |              |              |   |        |   |
|-------|---|--------------|--------------|---|--------|---|
| SPF20 | <p><b>Regulatory</b><br/>Changes to regulations or legislation not being adhered to.</p> <p><u>Consequence</u><br/>Could result in an increase in the cost of the scheme or increased administration time to correct.<br/>Reputational risk to the Suffolk Pension Fund.</p>  | Moderate (3) | Unlikely (2) | 6 | Medium | <p>The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by the Department of Communities and Local Government (DCLG).</p> <p>Pension Fund officers contribute to discussions with DCLG through the professional bodies the Fund are members of (e.g. CIPFA).</p> <p>Pension Fund officers attend conferences and seminars to ensure the consequences of legislative changes are understood and implemented.</p>  |
| SPF21 | <p><b>Regulatory</b><br/>Progress in pooling the assets of the Suffolk Pension Fund in the ACCESS pool does not meet Government expectations.</p> <p><u>Consequence</u><br/>The Government has introduced back stop legislation to ensure compliance and so will assign an asset pool for the Pension Fund to join.</p> <p>The pool assigned to the Pension Fund may not be one most aligned to its own principles.</p> | Moderate (3) | Unlikely (2) | 6 | Medium | <p>The Pension Fund Committee is kept fully briefed and the chairman is fully engaged with the Joint Governance Committee to ensure decisions required to progress the project are made on a timely basis.</p> <p>The Pension Fund committee and Board have been kept informed of the Government's requirements and the various asset pool proposals being formed.</p> <p>The Pension Fund officers actively participate within the ACCESS asset pool to contribute to the resource pool which enables work to be carried out in a timely manner.</p> <p>Progress on the Asset pool set up will be reported to Government as per DLGC requirements.</p> |



| Risk ID | Risk   | Impact       | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|--|--------------|--------------|------------|-------------|--|
| SPF22   | <p><b>Operational</b><br/>Failure of payroll and pensions administration IT systems.</p> <p><u>Consequence</u><br/>Pension benefits are not paid on time.<br/>Failure to meet statutory requirements.<br/>Inability to deal with enquiries effectively.<br/>Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p>              | Moderate (3) | Possible (3) | 9          | Medium      | <p>Suffolk County Council has a business disaster recovery plan which includes the key tasks within the Pension Fund functions.</p> <p>The Pension Fund administration system is hosted by its supplier, Heywoods.</p> <p>Some staff have access to laptops which enables them to access systems remotely if required, the rest of the team will be migrated onto laptops during 2016.</p> <p>Systems are backed up nightly.</p> |
| SPF23   | <p><b>Operational</b><br/>Loss of pension fund microfiche records.</p> <p><u>Consequence</u><br/>Loss of historic data regarding employee payment records.<br/>Incorrect benefits calculated.<br/>Incorrect pension benefits paid.<br/>Reputational risk to the Suffolk Pension Fund.</p>  | Major (4)    | Unlikely (2) | 8          | Medium      | <p>All documents received from January 2014 have been scanned using a document image process which can be remotely accessed.</p> <p>There are two copies of each microfiche, one is a working copy which is locked in a secure cupboard each night, the other copy is permanently stored in a fireproof safe.</p> <p>The project to back scan all of the microfiche records is underway and will be completed in 2017.</p>       |
| SPF24   | <p><b>Operational</b><br/>Failure to comply with LGPS pensions benefits regulations.</p> <p><u>Consequence</u><br/>Could result in incorrect benefit calculations.<br/>Incorrect data being held.<br/>Additional administration time required to correct any errors.<br/>Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p> | Moderate (3) | Unlikely (2) | 6          | Medium      | <p>The Pensions Administration team adhere to the stringent procedures required to comply to the benefits regulations.</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>Calculations are independently checked and verified.</p> <p>Internal and external audit review the internal control arrangements in place.</p>                   |

| Risk ID | Risk  | Impact    | Prob         | Risk Score | Risk Rating | Risk Control Measures  |
|---------|---|-----------|--------------|------------|-------------|--|
| SPF25   | <p><b>Operational</b><br/>Staff fraud/theft/negligence</p> <p><u>Consequence</u><br/>Effect on the cash flow position to pay benefits.<br/>Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p>  | Minor (2) | Unlikely (2) | 4          | Low         | <p>There are systems controls in place to prevent individuals from committing theft and fraud.</p> <p>All financial transactions are independently checked and verified, with further scrutiny undertaken when authorised.</p> <p>Internal and external audit undertake scrutiny of the internal control arrangements.</p> |
| SPF26   | <p><b>Operational</b><br/>Failure to collect and account for full receipt of contributions and deficit payments received from employers in a timely manner.</p> <p><u>Consequence</u><br/>Effect on the cash flow position to pay benefits and liabilities.</p> | Minor (2) | Unlikely (2) | 4          | Low         | <p>Regular reconciliations are carried out to reconcile the receipts from employers against the rate they should have paid.</p> <p>Timeliness of receipts are monitored and reported quarterly to the Pension Board.</p> <p>Non compliance is addressed.</p>   |