

Appendix 3

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score
Governance						
1.1 To ensure the Fund has an appropriate governance structure	1.1 Failure to have an appropriate Governance structure in place including appropriate polices 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.	DLUHC, tPR, SAB, LGA,	12
	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, Heywoods. Monthly reviews of LGA bulletins	15

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

Ensure staff are trained in changes as required.

Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training.

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Investment

2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure of SPF/LGPS Central to ensure managers in the same asset class are complimentary

Active managers in the same asset class are complimentary. Investment advisors review managers/funds in each asset class periodically.

Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee. Investment advisors produce a suitability report prior to investment. Performance measurer report. LGPSC 3 yearly reviews.

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2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure of SPF/LGPS Central to consider whether active managers can add value and whether the benchmark and target level of performance allows sufficient scope to deliver their target

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Active managers are appointed where it is clear they can add value and their benchmark and performance target allow them scope to deliver

Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee/Pensions Panel/Pensions Board. LGPSC 3 yearly reviews.

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2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.

2.3 Failure of active managers to deliver outperformance (net of fees)

Failure to report asset manager performance to the Pension Panel or to include annual (and longer term) performance in the Annual Report

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Asset manager performance is reported regularly to the Pension Panel and in the Annual Report

LGPS Central performance reports, Performance measurer, Pension Panel reports, Pension Board. Audit. Investment Consultants.

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2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other

2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.

Failure of SPF/LGPS Central to consider and address the impact of manager correlation

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Managers strategies are understood to ensure any strategy overlap is minimised

Manager fit is understood on appointment, Manager monitoring, Consultant comments, Performance measurement, Joint Committee, PAF-IWG, Investment advisors, 3 year review of LGPS central products

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<p>2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other</p>	<p>2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.</p>	<p>Failure to consider and address any systemic risk factors across the fund</p>	<p>20</p>	<p>Macroeconomic factors are understood, Manager awareness of global trends and potential risk areas, The fund has a long term investment strategy, diversification of investments</p>	<p>Quarterly strategic review, meetings with managers, Consultant comments, LGPS Central/Manager presentations to Pension Panel, Pension Board. PAF IWG.</p>	<p>12</p>
<p>2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.</p>	<p>2.5 Failure to take account of RI factors in investment decisions</p>	<p>Failure to comply with the FRC UK Stewardship Code</p>		<p>10</p>	<p>FRC UK Stewardship Code (Tier 1 signatory to 2016 code), as are all fund managers, working towards becoming signatory of 2020 revised code</p>	
<p>2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA</p>	<p>2.7 Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly</p>	<p>Impact of changes in inflation and its effect on liabilities is not taken into account when setting 'neutral' SAA</p>	<p>12</p>		<p>Cash flows of the fund are monitored quarterly and understood. The fund operates on a liability aware basis.</p>	<p>Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel. Considered as part of the SAA. Asset Liability Modelling. Regular strategy and</p>
<p>2.8 Ensure the efficient transfer of assets to and the running costs of LGPS Central</p>	<p>2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance</p>	<p>Risk of SPF/LGPS Central losing key personnel and knowledge.</p>		<p>16</p>	<p>Ensure other members of staff know how to do all roles and are aware of work on going, including within LGPS Central</p>	<p>planning meetings to schedule work and priorities, generic job descriptions, succession planning, PAF-IWG</p>

2.8 Ensure the efficient transfer of assets to and the running costs 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/SPF	Procurement through LGPS transition framework. Assistance of Transition Advisor if appointed. Custody records and investment team reconciliations and LGPS Central Custodian. PDLG. External and internal audit working group assurance of transitions.	12
2.8 Ensure the efficient transfer of assets to and the running costs 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.	DLUHC, Pensions Committee, Hymans, cross pool working groups.	10
Funding				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, GAD. Current Actuary appointed until 2024.	12
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			

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 monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities

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Consider monitoring funding position during the inter valuation period, on a desktop basis or commission interim valuation for certain employers. Actuary statement in Annual Accounts.

Report to Committee, Pension Board, Pension Fund Annual Accounts, External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Acces to hymans online funding tool and internal covenant monitoring system.

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Administration

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

Non payment of payroll, payrolls not updated correctly for annual revaluations. Potential impact on up to 40,000 pensioners

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Internal monthly process controls for Altair and BACS.

Internal and external audit

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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

Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers

Review of KPIs by Pensions Committee / Board, Review of published benchmark returns. Implementation of new management structure in Jan 23

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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 protect against increased physical or cyber threats

SCC and partner ICT policies and procedures, Mirror server operation, special environmental controls SCC ICT Policies, internal access controls and Altair security roles Firewall and anti virus controls. Business Contingency and DR Plans

ICT Audit, DR Testing reviews. GDPR Impact assesment statement for MPP, evidence of current security arrangements held by software provider and security certification levels. Cyber framework and policy being developed

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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.

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Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement.

Software reporting. Regulation amend and SAB guidance. Software changes for calculations developed by Heywoods to match relevant regulatory requirements as currently in place.

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Failure to appoint an intergrated service provider (ISP) and supply quality information to the National Pensions Dashboard Programme

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Data Quality checks, Actuarial assesment of data quality, software solution.

Club Vita, CIPFA Benchmarking, NFI

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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 fair deal, McCloud & Goodwin. Processing and funding issues (see duplicated on funding tab)

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Systems updated and adequate staff resouce and training in place

KPIs maintained at previous levels

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