



Falkirk Council

*Chief Executive Office
(Finance Services)*

Falkirk Council Pension Fund

Local Government Pension Scheme Risk Register

Falkirk Council Pension Fund - Risk Register

1. Objectives

The objectives of the Risk Register are to:-

- identify key risks that could prevent the achievement of the Fund's objectives (as set out in the Funding Strategy Statement and Statement of Investment Principles);
- evaluate the significance of the risks;
- identify any mitigating controls;
- identify the owner of each risk; and
- act as a basis by which the risks can be monitored and reported upon.

2. Risk Assessment

Identified risks are assessed separately and for each the following is determined:-

- the **likelihood** of the risk materialising; and
- the **impact**/potential consequences if it does occur.

3. Risk Evaluation

Risks are evaluated on a sliding scale of 1-10 with 10 the highest value i.e. highest likelihood / most severe impact / consequences.

The risk evaluation tables overleaf have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value to give the total score. The risk rating scores are then used to prioritise the risk rating which is shown in the register itself.

The risk register should be read in conjunction with the Statement of Investment Principles which comments in detail on Investor Risk.

Risk Evaluation Criteria

The Risk Evaluation Tables: Likelihood	
1	Has never happened to any funds
2	Negligible never happened to the Fund but is theoretically possible
3	Extremely unlikely within the next 3 years, but possible within a 10 year cycle
4	Extremely unlikely within the next 12 months, but probable within a 5 year cycle
5	Unlikely within the next 12 months, but expected within a 5 year cycle
6	Feasible within the next 12 months, and probable within a 3 year cycle
7	Feasible within the next 12 months
8	Probable within the next 12 months
9	Almost certainly expected within the next 12 months
10	Inevitable within the next 12 months

The Risk Evaluation Tables: Impact	
1	None
2	Negligible
3	Minor and easily contained
4	Noticeable short term impact
5	Disruptive for a short period but can be contained with support
6	Potentially significant – threat which could cause some damage in the short-term
7	Significant – potential to cause significant damage in the short and medium term without threatening the survival of the Fund
8	Could seriously threaten Fund reputation or weaken its capacity to survive
9	Significant threat to the survival of the Fund
10	Catastrophic

Summary and Prioritisation of Pension Fund Risks

Risk Ranking	Risk (Risk Number in brackets)	Mitigated Risk Rating
A	Funding position affected by falling asset values or falling bonds yields (10)	30
B	Failure to implement material changes to scheme rules (11)	30
C	Manager under performs or performance monitoring is ineffective (6)	24
D	Staff error or inability to carry out duties (13)	24
E	Failure to complete Annual Accounts on time (June/September) (14)	24
F	Members' confidential data is lost or made public. Breach of Data Protection Act. (15)	21
G	Recruitment and retention of appropriate key staff (12)	20
H	Investment Managers may not have appropriate control framework in place (9)	20
I	Custody arrangements may not be sufficient to safeguard Pension Fund's assets (7)	18
J	The collapse of an Employer body member, leading to pressure on other employers (2)	16
K	Employers take action without informing pension fund on its likely impact (4)	16
L	Business continuity issues (accommodation, pandemics, etc) (18)	16
M	Under funding leading to pressure on employer contributions (1)	15
N	Fraud/theft of Council/Pension Fund assets by scheme member (3)	12
O	Pension Fund investments not accurately valued (8)	12
P	Standing data and permanent records are not accurate or do not reflect changes in circumstance (16)	12
Q	Failure of IT systems leading to poor ICT responsiveness and cost implications (17)	12
R	Committee takes decisions against sound advice, on political grounds or due to lack of knowledge (11)	9
S	Contributions to the Fund are not received, processed or recorded completely and accurately (5)	6

Falkirk Council Pension Fund Risk Register

1st May 2013

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
1	Financial Management	Under funding leading to pressure on employer contributions	5	6	30	Pensions Manager	<ul style="list-style-type: none"> Regular actuarial valuations & inter valuation monitoring Stabilisation strategy in place Regular asset liability studies Frequent performance assessment by Pensions Panel & Committee 	3	5	15	<ul style="list-style-type: none"> Pensions Bill - potential for revision to LGPS governance, benefit and contributions structure Contribution rate stability until 2015 	31-Mar-2014
2	Financial Management	The collapse of an Employer body member, leading to pressure on other employers	6	6	36	Pensions Manager	<ul style="list-style-type: none"> Robust Admissions Policy including use of guarantees and indemnities Regular contact with existing employers to review on-going covenants Training provision for employers Some Guarantees/Bonds in place 	4	4	16	<ul style="list-style-type: none"> Employer covenants – institute formal review No exits from Fund without recompense in past 30 years 	31-Oct-2013
3	Financial Management	Fraud/theft of Council/Pension Fund assets by scheme members	7	4	28	Pensions Manager and Pensions Officer	<ul style="list-style-type: none"> Controls and segregation of duties Rotation of duties No input/authorising by same person allowed National Fraud initiative Dynamic procedures manual Internal and external audit Use of a third party custodian 	4	3	12	<ul style="list-style-type: none"> Code of Conduct Member Tracing Mortality Checking 	31-Mar-2014
4	Financial Management	Employers take action without informing pension fund on its likely impact (e.g. excessive pay awards)	6	5	30	Pensions Manager	<ul style="list-style-type: none"> Monitoring via actuarial valuation Employer training events Sound Employer Communications Individual employer cont. rates Funding Strategy Statement Staff Training. Take action when employer has a reducing number of members Employers represented on Panel 	4	4	16	<ul style="list-style-type: none"> Pensions Administration Strategy Ill Health Liability Insurance 	31-Mar-2014
5	Financial Management	Contributions to the Fund are not received, processed or recorded completely and accurately	6	4	24	Pensions Officer	<ul style="list-style-type: none"> Contribution rates system updated Monthly monitoring of contributions Annual Contribution Reconciliation and Validation with member records Internal/External audit 	2	3	6	<ul style="list-style-type: none"> Early Liaison with employers re 2012/13 Explore electronic transfer of information Auto enrolment may result in more pay adjustments due to opt outs 	31-Dec-2013

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
6	Financial Management	Manager under performs or performance monitoring is ineffective	8	7	56	Pensions Manager	<ul style="list-style-type: none"> Shared service agreement in place with Lothian Pension Fund Continuing dialogue with managers Fund assets are regularly reviewed and reported on quarterly Poor performance is highlighted and addressed at Panel and Committee 	6	4	24	<ul style="list-style-type: none"> Continued training of staff and members Seek to de-risk as deficit reduces Consider extending multi asset manager approach 	31-Mar-2014
7	Financial Management	Custody arrangements may not be sufficient to safeguard Pension Fund's assets	4	9	36	Pension Fund Accountant	<ul style="list-style-type: none"> Robust agreement are in place with external custodian Internal compliance and monitoring of custodian Monthly reconciliation of custodian/manager records 	2	9	18	<ul style="list-style-type: none"> Continue monitoring and reviewing existing arrangements 	31-Mar-2014
8	Financial Management	Pension Fund investments not accurately valued	5	5	25	Pension Fund Accountant	<ul style="list-style-type: none"> Reported valuations of the manager are compared to the custodian, where material differences occur values are checked against independent source. Portfolio valuations are reported on a quarterly basis. 	3	4	12	<ul style="list-style-type: none"> Current arrangements to be discussed with Lothian Fund Explore available systems for improved recording of private equity 	31-Mar-2014
9	Financial Management	Investment Managers may not have appropriate control framework in place	6	7	42	Pensions Manager	<ul style="list-style-type: none"> Complete and authorised agreements in place Portfolios are managed in accordance with Statement of Investment Principles Internal control compliance and monitoring of managers Monthly reconciliation of custodian/manager records 	4	5	20	<ul style="list-style-type: none"> training sessions for staff and members 	31-Mar-2014
10	Financial Management	Funding position affected by falling asset values or falling bonds yields	8	7	56	Pensions Manager	<ul style="list-style-type: none"> Diversification of assets Have a Diversified Growth portfolio Some Fund assets are uncorrelated Bond yields already low Fund has long term time horizon Scheme reforms heralded for 2015 	6	5	30	<ul style="list-style-type: none"> Review Investment Strategy Greater investment in uncorrelated assets Government may allow "smoothing" of yields 	30-Sept 2013
11	Financial Management	Failure to implement material changes to scheme rules	7	8	56	Pensions Manager	<ul style="list-style-type: none"> Early Strategic Planning Undertaken Early Liaison with ICT Attend SPLG meetings SPPA Circulars and LGE Bulletins Staff to attend Training Courses 	5	6	30	<ul style="list-style-type: none"> Uncertainty surrounding response to Public Service Pensions Act 2013 in Scotland Governance changes may be needed Staff in Pensions and ICT will be key to success 	30-Sept 2013

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
12	Governance	Committee takes decisions against professional advice, on political grounds or due to lack of knowledge	5	8	40	Pensions Manager	<ul style="list-style-type: none"> "Whistleblowing" by Officers Mandatory Training Events held on regular basis Internal and external audit review LGPS regulations restrict permitted actions Training using CIPFA training framework Access to wide variety of advice 	3	3	9	<ul style="list-style-type: none"> Consider independent observer on committee Schedule new training events 	31-Dec-2013
13	Human Resource Management	Recruitment and retention of appropriate key staff	7	7	49	Pensions Manager	<ul style="list-style-type: none"> Staff training and development policies Reduce key man risk through rotation of duties Staff have access to the "local authority pensions family" through national groups and web based forums Succession Planning Shared Service Platform with Lothian 	5	4	20	<ul style="list-style-type: none"> Developing individuals to provide cover Appoint trainee Improve rotation of duties 	31-Dec-2013
14	Human Resource Management	Staff error or inability to carry out duties	8	6	48	Pensions Manager and Pensions Officers	<ul style="list-style-type: none"> Supervisor checks Critical activities under joint control Up to date procedures manual Training needs assessed Decision making underpinned by systems Internal and external audit Robust staff selection procedures 	6	4	24	<ul style="list-style-type: none"> Appoint Trainee Maintain procedures manual 	31-Dec-2013
15	Financial Management	Failure to complete Annual Accounts on time (June)	8	6	48	Pension Fund Accountant	<ul style="list-style-type: none"> Agree Audit program timeously Attend CIPFA seminars Plan Timetable annually Use of qualified staff Appropriate Integra Training 	4	6	24	<ul style="list-style-type: none"> Review 2012/13 Timetable Fund accountant to be involved in new integra developments 	31-Sept 2013
16	Information Management	Members' confidential data is lost or made public. Breach of Data Protection Act.	7	7	49	Pensions Officers and Pensions Manager	<ul style="list-style-type: none"> Data Protection Act training Induction Training Waste paper disposal facilities available Data encrypted when sent/received IT systems password secure Secure FTP portal available 	3	7	21	<ul style="list-style-type: none"> FTP Portal to be upgraded DPA Training to be reinforced 	30 - Jun-2013
17	Information Management	Standing data and permanent records are not accurate or do not reflect changes in circumstance	9	4	36	Pensions Officers	<ul style="list-style-type: none"> Business processes are in place to identify changes in standing data Records are supported by appropriate documentation Employers trained in duties Employer Fund data comparisons 	4	3	12	<ul style="list-style-type: none"> Implement electronic data transfer 	31-Mar-2014

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
18	Information Management	Failure of IT systems leading to poor ICT responsiveness and cost implications	6	6	36	Pensions Project Officer	<ul style="list-style-type: none"> Data backed-up daily Back up Servers in place Contingency arrangements tested 	3	4	12	<ul style="list-style-type: none"> Regular renewal of hardware 	31-Mar-2014
19	Human Resource & Information Management	Business continuity issues (accommodation, pandemics, etc)	5	6	30	Pensions Project Officer	<ul style="list-style-type: none"> Business Continuity Plans in place Remote working available Flu Jags available 	4	4	16	<ul style="list-style-type: none"> Review business continuity plans Extend remote working arrangements 	31-Aug-2013