



Falkirk Council

Corporate & Housing 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
- 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.

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 possible within a 5 year cycle
5	Unlikely within the next 12 months, but possible 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

Leading 20 Pension Fund Risks (highest risk first)

Risk Ranking	Risk	Mitigated Risk Rating
1	Funding position affected by falling asset values or falling bonds yields	35
2	Investment Strategy is inappropriate	35
3	Failure to meet statutory deadlines (e.g. benefit statements)	35
4	Members' confidential data is lost or made public. Breach of Data Protection Act	35
5	Investment Risk (equity, interest rate, currency and credit risk) has not been adequately assessed.	30
6	Incomplete Member records (e.g. service, contributions, pay)	28
7	Failure to migrate the pensioner payroll to new platform	24
8	Manager under performs or performance monitoring is ineffective	24
9	Committee and Board members have inadequate knowledge and understanding	24
10	Asset Values affected by Political uncertainty	24
11	Under funding leading to pressure on employer contributions	20
12	Failure of IT Systems	20
13	Recruitment and retention of key staff	20
14	Investment Managers may not have appropriate control framework in place	20
15	Staff error or inability to carry out duties in compliance with scheme rules	18
16	The collapse of an Employer body member, leading to pressure on other employers	16
17	Business continuity issues (accommodation, pandemics, etc)	16
18	Decisions influenced by possible conflicts of interest or not in the best interests of stakeholders	15
19	Contributions to the Fund are not received, processed or recorded completely and accurately	12
20	Scheme benefits incorrectly claimed following a pensioner death	12

Falkirk Council Pension Fund Risk Register

1st February 2016

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
A	General	Existing controls not operating effectively	5	7	35	Pensions Manager	<ul style="list-style-type: none"> Risk register used to record risks and document controls Disclosure of risk management activities in annual report Internal controls developed to mitigate identified risk 	3	4	12	<ul style="list-style-type: none"> Risk updates provided to Pensions Committee and Board 	31-Mar-2018
B	Funding	Under funding leading to pressure on employer contributions	7	6	42	Pensions Manager	<ul style="list-style-type: none"> Regular actuarial valuations & inter valuation monitoring Stabilisation strategy in place Contribution flow monitored by Officers Biggest risk lies with smallest employers 	5	4	20	<ul style="list-style-type: none"> Contribution rates set until 2018 	31-Mar-2018
C	Funding	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 Strong engagement with employers Some Guarantees/Bonds in place 	4	4	16	<ul style="list-style-type: none"> There has been no exit by an employer from the Fund in the past 30 years without an exit payment being made 	31-Mar-2018
D	Funding	Contributions to the Fund are not received, processed or recorded completely and accurately	7	5	35	Pension Fund Accountant	<ul style="list-style-type: none"> Monthly monitoring of contributions Annual Contribution Reconciliation and Validation with member records Internal/External audit overview Threat of employer being reported to Regulator 	4	3	12	<ul style="list-style-type: none"> No comment 	31-Mar-2018
E	Funding	Funding position affected by falling asset values or falling bonds yields	7	7	49	Pensions Manager	<ul style="list-style-type: none"> Diversification of assets incl. alternatives Review of Investment Strategy Bond yields already low Fund is not a forced seller of assets Regular funding valuations De-risking to dampen volatility 	7	5	35	<ul style="list-style-type: none"> No comment 	31-Mar-2018
F	Operational	Scheme benefits incorrectly claimed following a pensioner death	8	3	24	Pensions Manager and Pensions Officers	<ul style="list-style-type: none"> National Fraud initiative Pensioner ages analysed for oddities Investigation of returned payments 	4	3	12	<ul style="list-style-type: none"> No comment 	31-Mar-2018

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
G	Operational	Fraud/theft of Fund assets by internal staff members	5	4	20	Pensions Manager and Pensions Officers	<ul style="list-style-type: none"> Segregation/Rotation of duties Input and Authorisation separate Code of Conduct Documented Procedures Internal and external audit overview 	3	3	9	<ul style="list-style-type: none"> No comment 	31-Mar-2018
H	Operational	Incomplete Member records (e.g. service, contributions, pay)	9	6	54	Pensions Manager	<ul style="list-style-type: none"> Admin performance in Annual Report Employer training events Employer Communications Staff Training 	7	4	28	<ul style="list-style-type: none"> No comment 	31-Mar-2018
I	Operational	Failure to complete Annual Accounts on time (June)	4	7	28	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 	2	5	10	<ul style="list-style-type: none"> Fund accountant appointed Feb 2016 	31-Mar-2018
J	Operational	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 	5	7	35	<ul style="list-style-type: none"> DPA Training to be reinforced 	31-Dec-2016
K	Operational	Staff error or inability to carry out duties in compliance with scheme rules	8	5	40	Pensions Manager and Pensions Officers	<ul style="list-style-type: none"> Supervisor checks Critical activities under joint control Procedures manual Decision making underpinned by IT systems Internal and external audit Staff training on new Admin system ongoing 	6	3	18	<ul style="list-style-type: none"> Maintain procedures manual Further round of staff training to be arranged 	31-Mar-2018
L	Operational	Failure of IT systems	7	7	49	Pensions Manager	<ul style="list-style-type: none"> Data backed-up daily Back up Servers in place Contingency arrangements tested Liaison with Systems Account managers 	5	4	20	<ul style="list-style-type: none"> Mobile and Flexible working will impact on platform 	31-Mar-2018
M	Operational	Recruitment and retention of key staff	8	7	56	Pensions Manager	<ul style="list-style-type: none"> Staff training provided regularly Key man risk reduced through rotation of duties Trainee has been appointed Shared Service Platform with Lothian 	5	4	20	<ul style="list-style-type: none"> No comment 	31-Dec-2016
N	Operational	Business continuity issues (accommodation, pandemics, etc)	7	6	42	Pensions Manager	<ul style="list-style-type: none"> Business Continuity Plans in place Remote working available 	4	4	16	<ul style="list-style-type: none"> Decision awaited about accommodation Mobile and flexible working arrangements to be introduced 	31-Mar-2017

No.	Category	Risk	L	I	Risk Score	Assigned to	Mitigating Controls in Place	L	I	Current Risk	Comment	Review by
O	Operational	Failure to meet statutory deadlines (e.g. benefit statements)	8	5	40	Pensions Manager	<ul style="list-style-type: none"> Temporary staff recruited from re-deployment pool Engagement with employers regarding statutory obligations 	7	5	35	<ul style="list-style-type: none"> Based on assessment of workload from new scheme and new admin system 	31-Dec-2016
P	Operational	Failure to migrate the pensioner payroll to new platform	7	8	56	Pensions Manager	<ul style="list-style-type: none"> Experienced IT Provider Parallel running to be undertaken Dry run from transfer of Police/Fire data Part of Internal Audit Review Plan 	3	8	24	<ul style="list-style-type: none"> No comment 	31-Dec-2016
Q	Governance	Committee and Board members have inadequate knowledge and understanding	8	5	40	Pensions Manager	<ul style="list-style-type: none"> Training Events held on regular basis External audit presence at Committee LGPS regulations restrict actions Access to wide variety of advice Committee Minutes maintained and subject to approval 	6	4	24	<ul style="list-style-type: none"> Undertake Training Needs Assessment Schedule new training events 	31-Dec-2016
R	Governance	Decisions influenced by possible conflicts of interest or not in the best interests of stakeholders	4	6	24	Pensions Manager	<ul style="list-style-type: none"> Declarations of interest included as an opening agenda item for trustee meetings and minuted accordingly. Advisers attend most formal meetings Committee contains Union, Employer and Council reps Committee overseen by Board 	3	5	15	<ul style="list-style-type: none"> Register of interests to be maintained Awaiting legal pronouncements on fiduciary duty 	31-Dec-2016
S	Investment	Manager under performs or performance monitoring is ineffective	8	7	56	Pensions Manager	<ul style="list-style-type: none"> Secondment arrangement in place with Lothian Pension Fund Regular dialogue with managers Fund assets reviewed and reported on quarterly basis Poor performance highlighted at Committee and actions agreed 	6	4	24	<ul style="list-style-type: none"> Continued training of staff and members Seek to de-risk if deficit reduces 	31-Mar-2018
T	Investment	Investment Managers may not have appropriate control framework in place	6	7	42	Pensions Manager	<ul style="list-style-type: none"> Complete and authorised Investment Management Agreements in place Managers required to manage portfolios in accordance with the Statement of Investment Principles Regular dialogue with managers Manager resilience queried at Committee Compliance reports issued by Managers 	4	5	20	<ul style="list-style-type: none"> Training sessions for staff and members 	31-Mar-2018
U	Investment	Pension Fund investments not accurately valued	5	5	25	Pension Fund Accountant	<ul style="list-style-type: none"> Manager valuations are compared to the Custodian valuations and 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"> Explore available systems for improved recording of private equity 	31-Mar-2018

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V	Investment	Custody arrangements may not be sufficient to safeguard Pension Fund's assets	4	9	36	Pension Fund Accountant	<ul style="list-style-type: none"> Agreements are in place with external custodian Compliance reports obtained from Custodian Monthly reconciliation of custodian/manager records 	2	9	18	<ul style="list-style-type: none"> Continue monitoring and reviewing existing arrangements 	31-Mar-2018
W	Investment	Investment Strategy is inappropriate	7	8	56	Pensions Manager	<ul style="list-style-type: none"> Regular dialogue with investment adviser Access to specialist information through Lothian secondment arrangement Periodic formal reviews of strategy 	5	7	35	<ul style="list-style-type: none"> No comment 	31-Mar-2018
X	Investment	Investment Risk (equity, interest rate, currency and credit risk) has not been adequately assessed.	7	7	49	Pensions Manager	<ul style="list-style-type: none"> Strategy is supported by investment adviser and through the Lothian secondment arrangement Annual Accounts contain significant disclosure of nature and extent of investment risk 	5	6	30	<ul style="list-style-type: none"> No comment 	31-Mar-2018
Y	Investment	Asset Values affected by political uncertainty	8	7	56	Pensions Manager	<ul style="list-style-type: none"> Diversified Portfolio Long Term Investment time horizons Experienced Managers 	6	4	24	<ul style="list-style-type: none"> Current risk from possible BREXIT 	31-Dec-2018