

NEW																		
Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Direction of travel	Owner
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I001	Investment and funding risk	Asset / liability mismatch	Assets insufficient to fund liabilities	Inability to make benefit payments, meaning cash injections required from employers	4	2	8	M/H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	1	4	M/L	Liability paper presented to Investment Panel without success further work on-going with Panel	On-going	Dec-14	→	Chief Investment Officer
I002	Investment and funding risk	Inflation risk	Increases in commodity prices push up the level of inflation	Inflation increases pension payments but assets do not grow at required level	3	1	3	M/L	Hold some index linked assets	3	1	3	M/L	Inclusion of assets which counter inflation. Monitor inflation position.	On-going	Dec-14	■	Chief Investment Officer
I003	Investment and funding risk	Concentration of assets	Over reliance of assets in one particular area	A significant allocation in a particular type asset will lead to an over exposure in that area and therefore vulnerability to significant changes.	2	2	4	M/L	New investment strategy is moving away from a large investment in equities. Amount of the fund in particular assets in governed by the pension fund regulations. Monthly monitoring of asset allocations by Investment Panel.	2	1	2	L	Implementation of new investment strategy.	On-going	Dec-14	→	Chief Investment Officer
I004	Investment and funding risk	Falling share prices and therefore asset value	Actions of companies in who the pension fund invests (fraud, poor corporate governance)	Falling share prices and therefore a decrease in the assets held by the fund.	4	4	16	H	Investment portfolio is diverse in order to minimise such risks. Member of LAPFF and PIRC to promote engagement.	4	3	12	H	Continual monitoring and membership of LAPFF / PIRC. Equity strategy combining defensive and growth holdings. Panel considering hedging	On-going	Dec-14	→	Chief Investment Officer
I005	Investment and funding risk	Under performance by fund managers	Fund managers not meeting required returns	Returns achieved lower than those anticipated in funding strategy leading to a greater funding gap	3	3	9	M/H	Mixture of active and passive managers, monitoring of investment manager performance, new investment strategy moving to a greater reliance on the internal team.	3	2	6	M/H	Implementation of new investment strategy. Panel considering hedging strategy.	On-going	Dec-14	→	Chief Investment Officer

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I006	Investment and funding risk	Liability risk: Discount rate	Market conditions between valuation dates produces a lower discount rate than expected by the actuary	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	4	16	H	On-going, liability paper presented to Investment Panel without agreement so far but further work on-going. Some risks have materialised, forward rates declining and liabilities increasing	On-going	Dec-14	■	Chief Investment Officer
I007	Investment and funding risk	Liability risk: Inflation rate	Assumed inflation rate within liability valuation applied to future pension increases and salary rises is lower than actual rate	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	4	16	H	On-going, liability paper presented to Investment Panel without agreement so far but further work on-going. Some risks have materialised, forward rates declining and liabilities increasing	On-going	Dec-14	■	Chief Investment Officer
I008	Investment and funding risk	Liability risk: salary increase	Salary increases higher than expected (and maybe linked to inflation expectations)	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	2	8	M/H	Provision for employers to top-up contributions to offset the increasing liabilities.	3	2	6	M/H	On-going, liability paper presented to Investment Panel without agreement so far but further work on-going. Some risks have materialised, forward rates declining and liabilities increasing	On-going	Dec-14	→	Chief Investment Officer
I009	Investment and funding risk	Liability risk: longevity	The assumptions of future life expectancy and improvements in life expectancy may be lower than actual. Members may live longer and benefits may be paid for longer	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	4	16	H		4	4	16	H	On-going, liability paper presented to Investment Panel without agreement so far but further work on-going. Some risks have materialised, forward rates declining and liabilities increasing	On-going	Dec-14	■	Chief Investment Officer
I010	Investment and funding risk	Liability risk: early retirement/ ill-health retirement	Members retiring earlier than normal retirement age with no reduction in benefit will require employers to make greater contributions	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	2	8	M/H	Provision for employers to top-up contributions to offset the increasing liabilities.	3	2	6	M/H	Provision for employers to top-up contributions to offset the increasing liabilities.	On-going	Dec-14	→	Head of Your Pension Service

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I011	Investment and funding risk	Liability risk: Diversification	Diversification of asset portfolio less than expected	Assets move in unpredictable directions, potentially increasing the funding gap between assets and liabilities	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	3	12	H	On-going, liability paper presented to Investment Panel without agreement so far but further work on-going. Some risks have materialised, forward rates declining and liabilities increasing	On-going	Dec-14	→	Chief Investment Officer
I012	Investment and funding risk	Liability risk: LGPS regulations	Pension benefits are governed by statute, and any changes will impact on the fund's liabilities causing them to either increase or decrease	Liabilities are affected by statutory changes to LGPS	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio. Lobbying of Government.	4	3	12	H	On-going, new scheme announced, analysis under way	On-going	Dec-14	→	Chief Investment Officer
I013	Investment and funding risk	Custody risk	Custodian does not adequately meet the requirements of their contract	Problems with custodian leading to missed dividends or corporate actions.	2	2	4	M/L	Subscribe to services of Thomas Murray as custodian monitor.	2	1	2	L	Continued monitoring of custodian services	On-going	Dec-14	→	Head of Investment Compliance
I014	Investment and funding risk	Investment returns below peer groups	Investment managers do not meet the required returns	Reputational risk, increasing gap between assets and liabilities	2	2	4	M/L	Regular monitoring and review	2	1	2	L	Increasing emphasis on internal management of funds	On-going	Dec-14	→	Chief Investment Officer
I015	Investment and funding risk	Missed investment opportunities	Lack of awareness or slow decision making	Missed investment opportunities could result in reduced returns for the fund	2	3	6	M/H	Maintain a good relationship with investment managers and build strength in the internal team. Awareness of timetables and protocols	2	1	2	L	Monitoring of investment deadlines in relation to internal deadlines and workloads. Current arrangements working well	On-going	Apr-15	→	Investment Management Team
I016	Investment and funding risk	Mismatch of funding plan and investment strategy	Incorrect assumptions made regarding assets and liabilities	Incorrect contribution rates could be set	3	2	6	M/H	Funding strategy and investment strategy to be linked to triennial reviews	3	1	3	M/L	Contribution rates to be reviewed following the results of recent triennial review	On-going	Dec-14	→	Chief Investment Officer
I017	Investment and funding risk	Insufficient cash available to meet requirements	Poor management of liquidity	If liquidity is not managed, assets may need to be sold quickly meaning the best price is not achieved	2	3	6	M/H	Implement effective cash management strategies	2	2	4	M/L	Cash position is monitored on a regular basis by the accounting team. Weekly meetings are held with Investment Management Team so cash requirements are known	On-going	Dec-14	→	Head of Financial Accounting

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I018	Investment and funding risk	Transition risk of the new investment strategy	Unforeseen events	Incurring unexpected costs while moving the assets and investment drag	2	3	6	M/H	Specialist transition manager has been appointed to oversee this process on behalf of the pension fund.	2	2	4	M/L	Majority of transition complete, proceeds in short term bonds while longer term options sourced and evaluated	On-going	Dec-14	→	Head of Public Markets
I019 NEW	Investment and funding risk	Potential changes to LGPS Investment Regulations as a result of Structural Reform Process	Possibility of mandatory use of passive investment equity strategy and collective investment vehicles.	Unintended change to LCPF investment strategy which could affect performance and deficit reduction.	4	3	12	H	No mitigation possible	4	2	8	M/H	LCPF response submitted, major changes appear less likely following consultation	On-going	Apr-15	■	Chief investment Officer
E001	Employer Risk	Inability of an employer to meet its contribution requirements due to legislative or actuarial changes.	Increased level of contributions required from employer	Overall fund faces increasing liabilities	2	3	6	M/H	Monitor risk picture of the employers, particularly with reference to the size of their liability	2	3	6	M/H	Review financial standing of the employers in the scheme with reference to the size of their liabilities. Differential asset allocations	On-going	On-going review	■	Deputy County Treasurer
E002	Employer Risk	Employer ceasing to exist	Employer closes	If there is insufficient funding, bond of guarantee in place any shortfall will be attributed to the whole fund, thereby increasing the level of liabilities	2	3	6	M/H	Monitor employers risk profiles and ensure bonds are sufficient	2	2	4	M/L	Review financial standing of the employers in the scheme with reference to the size of their liabilities, anticipate employers with potential financial difficulties and discuss with them potential future options	On-going	On-going review	→	Deputy County Treasurer
S001	Skill and Resource risk	Key person risk	Someone leaving the organisation and only a limited market from which to seek their replacement	Knowledge gap which it may be difficult to fill	3	3	9	M/H	Maintain a system of staff cover; succession planning and development	3	3	9	M/L	Internal restructure on-going, increasing approaches by headhunters	On-going	Apr-15	→	Chief Investment Officer
S002	Skill and Resource risk	Lack of expertise / resources of officers involved in the Pension Fund	Insufficient training or continuous development	Either inappropriate staffing or insufficient resources in a particular area meaning that the fund cannot be managed or administered properly and mistakes are made.	3	3	9	M/H	Regular performance appraisals and training plans in place. On the job training.	3	3	9	M/H	Attendance at regular conferences and courses. On the job training.	On-going	Sep-14	→	Chief Investment Officer

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S003	Skill and Resource risk	Insufficient knowledge of pension fund committee members	Insufficient training or continuous development	Inappropriate decisions taken at committee meetings or inability to make decisions through lack of understanding	4	2	8	M/H	Implement training for new members. Have an on-going training requirement for members and officers to ensure knowledge remains up to date. Mixture of in-house and external sessions. Officer expert advice.	3	2	6	M/H	Implementation of training programme for members following their appointment to the Pension Fund Committee. Ongoing assessment of any development needs. Use of KSF toolkit.	On-going	Dec-14	→	Head of Investment Compliance
S004	Skill and Resource risk	Insufficient external expertise	Failure to employ specialist advisers when their skills are required	Under performance of fund	3	2	6	M/H	Employ specialists where appropriate from consultancy bench and develop in-house expertise	3	1	3	M/L	Increasing moves to develop internal expertise. Refresh consultant bench to ensure breadth of expertise, procurement to commence Oct 14	On-going	Dec-14	→	Chief Investment Officer
S005	Skill and Resource risk	Inappropriate decision making	Production of poor or inappropriate performance management information	Incorrect decisions being taken due to the reliance on this information	4	2	8	M/H	Use of independent Custodian. Implement regular monitoring in an agreed format. Regular monitoring of performance information and on-line access to NT Passport system.	4	1	4	M/L	Decision making protocols documented are in place to ensure each decision is adequately considered and approved.	On-going	Dec-14	→	Chief Investment Officer
G001	Governance and compliance risk	Non compliance with LGPS regulations	Lack of technical expertise / staffing to research any regulation changes	Non compliance with legislation change could result in penalties or sanctions leading to financial loss	3	3	9	M/H	Monitor legislative changes, engage in consultations, attend pension update briefings / courses.	3	2	6	M/H	Attendance at conference and regular review of work practices	On-going	Sep-14	→	Head of Investment Compliance
G002	Governance and compliance risk	Non compliance with investment policies	Lack of understanding of investment policies	Non compliance with investment policies could increase the risk profile of the fund.	3	3	9	M/H	Periodic monitoring of investment types against regulations. Individual investments checked in advance of commitment as part of internal Due diligence.	3	2	6	M/H	Compliance monitoring to be incorporated into monthly performance dashboard.	On-going	Dec-14	→	Head of Investment Compliance

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G003	Governance and compliance risk	Production of incorrect financial statements	Production of misleading information and misleading stakeholders	Misunderstanding or wrong decisions	2	2	4	ML	Review and sign off process in place.	2	1	2	L	Implementation of closure timetable, which includes regular management reviews of progress and figures	On-going	Dec-14	→	Head of Financial Accounting
G004	Governance and compliance risk	Failure to adhere to Officer and Member Codes of Conduct	Officers or members fail to declare a personal or pecuniary interest and/or the receipt of gifts and hospitality	Inappropriate decisions being taken which are not in the best interests of the fund	2	2	4	ML	Training on what constitutes a conflict and ensuring register of interests/ gift and hospitality entries are made where appropriate.	2	1	2	L	Officers and Pension Fund Committee members encouraged to make all appropriate declarations on the respective registers and at meetings	On-going	Nov-14	→	Principal Committee Support Officer
G005	Governance and compliance risk	Failure to minute meetings correctly	Important decisions are not documented and then there is no record of them when evidence of the decision is required.	Unable to prove that a decision has been taken	2	2	4	ML	All meetings to be minuted and agreed by members	2	1	2	L	All meetings containing key investment decisions are minuted by Democratic Services	On-going	Nov-14	→	Principal Committee Support Officer
G006	Governance and compliance risk	Failure to implement an proper monitoring system	Performance of the fund cannot be monitored over time	Incorrect decisions are taken	3	2	6	ML	Implement a regular monitoring system	3	1	3	M/L	Performance of the fund is monitored on a monthly basis and reported to Investment Panel and to the Pension Fund Committee at its meetings	On-going	Dec-14	→	Head of Investment Compliance
G007	Governance and compliance risk	Information loss (intellectual property and confidential information)	Sensitive information could be lost damaging the reputation of the fund and putting the fund members at risk	Damaged reputation / litigation risk	3	3	9	M/H	Ensure confidential information is secure	3	1	3	M/L	Information asset audit undertaken and any resulting actions carried out. Confidential information is held in secure filing cabinets or Deed Room. Clear desk policy.	On-going	Dec-14	→	Head of Investment Compliance/ Chief Investment Officer
G008	Governance and compliance risk	Information governance	Loss of information which means that the fund is unable to operate	Unable to undertake day to day functions	3	2	6	M/H	Back up of ICT network. Use of Northern Trust web-based Passport system.	3	1	3	M/L	Back up of ICT network and continued use of NT Passport.	On-going	Dec-14	→	Head of Investment Compliance
G009	Governance and compliance risk	Non-existent assets	The risk that assets purchased by the pension fund do not exist, or fund managers are not bona fide.	Misrepresentation of assets held. Reputational damage.	4	3	12	H	Due diligence undertaken as part of investment review process either by Fund officers or investment consultants.	4	2	8	M/H	Robust policy of meeting managers in situ in advance of commitment. Physical inspection of assets by Fund.	On-going, paper going to Panel suggesting tighter on-going due diligence	Sep-14	→	Chief Investment Officer

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G010 NEW	Governance and compliance risk	Regulation change - LGPS fund governance	Requirement for Pension Board to established by April 2015.	Non compliance with legislation change could result in penalties and poor governance	3	3	9	M/H	Senior officer working party considering draft changes to regulations.	3	2	6	M/H	Engagement of consultancy to assist in the implementation of required governance changes.	31-Mar-15	Sep-14	→	Deputy County Treasurer
R001	Reputational risk	Actions damage the perception of the fund	Reputation of the fund will be damaged which may impact on participation rates and investment strategies		3	3	9	M/H	Good governance, open communication. Use of PIRC/ LAPFF to engage with shareholder companies to encourage good governance.	3	2	6	M/H	Employ good corporate governance systems within the organisation. Stronger ESG policy.	On-going, paper going to Panel suggesting tighter on-going due diligence	Dec-14	→	Chief Investment Officer/ Head of Investment Compliance
A001	Administration risk	Failure to process and pay pension payments and lump sums on time	Unavailability of IT / staff, or errors	Maintenance of IT, staff cover and training	4	2	8	M/H	Testing of system including audit. Business continuity arrangements.	2	1	2	L	Ensure adequate back-up procedures are in place	On-going	Dec-14	→	Head of Your Pension Service
A002	Administration risk	Failure to collect contributions from employers and employees	Unavailability of IT / staff, or errors or poor communication	Maintenance of IT, staff cover and training	3	2	6	M/H	Robust back-up systems in place	2	1	2	L	Robust back-up systems in place	On-going	Dec-14	→	Head of Your Pension Service
A003	Administration risk	Inability to provide service due to loss of facilities	Fire, flood etc	Unable to provide service	4	2	8	M/H	Business continuity	4	1	4	M/L	Testing of business continuity plans.	On-going	Dec-14	→	Head of Your Pension Service
A004	Administration risk	Loss of funds through fraud	Fraud or misappropriation of funds	Financial loss to fund	4	2	8	M/H	Internal controls – separation of duties. Internal and external audit reviews.	2	1	2	L		On-going	Dec-14	→	Head of Your Pension Service
A005	Administration risk	Failure to hold personal data securely	Poor procedures for data transfer, data retention and back up	Data is lost or compromised	4	2	8	M/H	Internal ICT controls. Information governance awareness.	4	1	4	M/L	Further work to improve the security of data interchange with employers through improvements in technology	On-going	Dec-14	→	Head of Your Pension Service
A006	Administration risk	Failure to keep records up to date	Poor, late or non-existent notification of monthly date from employers. Failure of employers to understand Scheme regulatory requirements. Lack of YPS resource	Incorrect records held and therefore incorrect pensions paid	4	4	16	H	Documented internal controls. Robust training. Regular monitoring. Employer training and support. Conferences and on-line employer guide	2	2	4	M/L		On-going	Dec-14	→	Head of Your Pension Service