

Risk Register: SCOTTISH BORDERS COUNCIL PENSION FUND ITEM NO 6

No.	RISK Threat to achievement of business objective	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) Assume No Controls in Place			Risk Control Measures in Place	Are all Controls Operational?	Assessment of Residual Risk (likelihood x impact) With Control Measures			Proposed Additional Control Measures	Assessment of Residual Risk (likelihood x impact) With Control Measures		
			Likelihood	Impact	Risk Score			Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score
			1	Failure to process pension payments and lump sums on time	Retiring staff will be paid late which may have implications for their own finances. Reputational risk for the Fund and a financial cost to the employers if interest has to be paid to members.			4	4	16		Robust maintenance and update of Pensions Administration System and Resourcelink. Revised staffing structure post implementation of HR Shared Services increases coverage of staff.	Y	2
2	Failure to collect and account for contributions from employers and employees on time.	Adverse audit opinion for failure to collect contributions on time, cash flow implications for Fund; potential delays to employer's FRS17 year-end accounting reports	4	4	16	Robust maintenance and update of Pensions Administration System and Resourcelink. Revised staffing structure post implementation of HR Shared Services increases coverage of staff.	Y	2	2	4	Robust maintenance and update of Pensions Administration System and Resourcelink. Revised staffing structure post implementation of HR Shared Services increases coverage of staff.	2	2	4
3	Insufficient funds to meet liabilities as they fall due to changes to active employment levels	Fund Matures more quickly than currently anticipated and this will require a complete review and potential change to the investment strategy and employers contribution levels.	4	5	20	Funding Strategy Statement, Statement of Investment Principles and Triennial Valuation all work together to identify funding requirements and how these are met. Use of an Investment Consultant and Actuarial services as and when required.	Y	2	4	8	Funding Strategy Statement, Statement of Investment Principles and Triennial Valuation all work together to identify funding requirements and how these are met. Use of an Investment Consultant and Actuarial services as and when required.	2	4	8
4	Inability to keep service going to loss of main office, computer system or staff - major operational disruption	Temporary loss of ability to provide service.	3	4	12	Robust business continuity processes in place across the Council around key business processes, including a disaster recovery IT site.	Y	3	2	6	Robust business continuity processes in place across the Council around key business processes, including a disaster recovery IT site.	3	2	6
5	Loss of funds through fraud or misappropriation by employee or employer within the Fund.	Financial loss to the Fund	4	5	20	Robust segregation of duties and other internal controls to mitigate against this risk. Internal & External Audit programme also picks up the monitoring of this risk.	Y	3	2	6	Robust segregation of duties and other internal controls to mitigate against this risk. Internal & External Audit programme also picks up the monitoring of this risk.	3	2	6
5	Loss of funds through fraud or misappropriation by an investment manager, custodian or other agent of the Fund.	Financial loss to the Fund	4	5	20	Fund Managers provide copies of annual Internal Controls report from their External Auditors. They are also required to operate to stringent FSA standards of operation. Legal recourse within contracts to Fund Managers	Y	3	4	12	Tolerate Risk. Enhance oversight role of pension by council officers.	3	4	12
6	Employers can no longer afford to participate in the scheme	Adverse impact on cash flow and Funding Levels, Fund reaches maturity more quickly.	4	3	12	Full actuarial valuation undertaken on Triennial Valuation. Low number of admitted and scheduled bodies and any new admitted bodies are carefully considered before admission.	Y	3	2	6		3	2	6

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			7	Poor/negative Investment Returns	Poor/negative investment returns leading to increased employer contribution rates. Significant rises in the employer contributions due to poor/negative investment returns. Cost involved in implementing changes to investment strategy			4	4	16		Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation. Scrutiny of Investment Manager performance by PFSC.	Y	3
8	Failure of global custodian	Financial loss to the Fund; loss of information	2	4	8	Monitor custodian performance and credit rating. Covered by legal contract. Regulated by FSA, assets not on custodian balance sheet. Careful procurement selection processes.	Y	2	3	6		2	3	6
9	Failure of investment manager	Financial loss to the Fund	3	3	9	Robust procurement processes around the managers placed on short lists. Diversification of investment managers. Continual monitoring of investment performance, engagement with Investment Adviser in relation to monitoring external environment in respect of the individual investment managers. Scrutiny of Investment Manager performance by PFSC. Monitoring of financial media.	Y	2	3	6		2	3	6
10	Equity risk	Financial loss to the Fund due to market sector falling substantially.	5	4	20	Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation. Diversification of asset classes and investment managers. Scrutiny of Strategic Asset Allocation and Investment performance by PFSC.	Y	4	4	16	Tolerate Risk. Long term view of investment growth is required and will continue to use existing controls for the Pension Fund.	4	4	16
11	Active manager risk	Financial loss to the Fund due to investment manager underperformance.	4	3	12	Robust procurement processes around the managers placed on short lists. Diversification of investment managers. Continual monitoring of investment performance against benchmark, targets and tolerance, engagement with Investment Adviser in relation to monitoring external environment in respect of the individual investment managers. Scrutiny of Investment Manager performance by PFSC. Monitoring of financial media.	Y	3	3	9				0
12	Failure to comply with LGPS and other regulations	Wrong pension payments made or estimates given, breach of regulations leading to prosecution	3	2	6	Compliance with new accounting standards and pension fund regulations are subject to robust internal and external audit review and reporting. Participation in the active CIPFA networks	Y	2	2	4				0
13	Failure to hold personal data securely	Data lost or compromised; reputational risk	3	2	6	Robust maintenance and update of Pensions Administration System and Resourcelink. Revised staffing structure post implementation of HR Shared Services increases coverage of staff. Corporate data security policy adhered to.	Y	2	2	4				0

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			14	Failure to keep pension records up to date and accurate	Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid			4	3	12		Robust maintenance and update of Pensions Administration System and Resourcelink. Revised staffing structure post implementation of HR Shared Services increases coverage of staff. Controls subject to Internal Audit review	Y	3
15	Lack of expertise on Superannuation Investment Sub-Committee or amongst officers	Detrimental decisions made in relation to the Fund	4	3	12	Members have access to Investment Managers, Investment Adviser and Council Officers to help advise and inform them in relation to decisions taken by the PFSC.	Y	2	2	4			0	
16	Over reliance on key officers	If an officer leaves or falls ill knowledge gap may be difficult to fill	4	3	12	Finance re-structure introduced additional resources into officer support. Use of external Investment Adviser provides additional resilience and resources.	Y	3	2	6			0	
17	Failure to communicate properly with stakeholders	Scheme members not aware of their rights resulting in bad decisions. Employers not aware of regulations, procedures, etc	3	3	9	Engagement in Scottish pension networks. Union and Admitted body representation on the PFSC. Publication of annual report via website and printed copies to all Scheduled and Admitted bodies.	Y	3	2	6			0	
18	Lack of Member training in Pension Fund Management	Poor decision making	4	2	8	Training opportunities are made available to members as these are identified. Members have access to Investment Managers, Investment Adviser and Council Officers to help advise and inform them in relation to decisions taken by the PFSC.	Y	4	2	8			0	
19	Legislation changes	Loss of independence; impact on Fund value and benefits	5	5	25	Active participation in Scottish pension investment and administration networks. Involvement with COSLA discussions on Pensions.	Y	4	4	16	Tolerate Risk. Seek to input into any of the legislative change through active membership of COSLA.	4	4	16
20	Changes in composition of Pension Fund membership i.e. active/deferred/pensioners	Fund Matures more quickly than currently anticipated and this will require a complete review and potential change to the investment strategy and employers contribution levels.	5	4	20	Limited measures in place	N	5	4	20	Treat Risk. New pensions administration strategy will incorporate an action plan to address aspects such as communication and auto enrolment requirements from May 2013. Close monitoring of early retiral decisions and quantification of impact on pension fund to be included as part of the Council report.	4	4	16
21	Inflation increases - Funds assets do not keep pace	Funding levels fall, SBC pay more contributions into Fund	5	4	20	Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation.	Y	4	3	12	Treat Risk. Regular dialogue with Fund Actuary. Attendance at Pension Fund Sub-Committee on an annual basis between triennial valuations.	3	3	9

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			22	Currency Management risk	Impacts on value and inability to meet future liability - negative impact on cash flow			5	3	15		Passive Currency hedge in place for Equity investments on major currencies. Monthly review of hedge levels.	Y	4
23	Poor investment Advice	Wrong decisions - poor return as a result of Investment Consultant advice	4	5	20	Robust procurement processes around the recruitment and appointment process. Continual review of Investment Adviser performance. Benchmark performance against other LAs. Use other information sources to validate advice and performance of Fund. Use independent Performance monitoring company.	Y	3	4	12	Treat Risk. Regular benchmarking and cross verification of advice with other local authorities through the CIPFA Scottish Pensions Network. Ongoing training for elected members of the PFSC. Utilise independent performance monitoring service to provide an independent annual review/health check to the PFSC.	3	3	9
24	Employees can no longer afford to participate in the scheme	Reduced income into Fund	4	4	16	Limited measures in place. National negotiations on minimising employee contribution increases.	N	4	4	16	Treat Risk. Ensure regular information is issued to employees setting out the continued benefits of scheme membership e.g. tax relief on contributions/employers contribution. Build into the Pension Administration Strategy the requirement to enhance the Communication Strategy in relation to this.	4	4	16