

Pension Fund - Risk Register actions updates

| No. | Category | Risk | Risk Factor/Cause | Effect/Consequences | Proximity | Risk Owner | Controls | | Current Risk | | | Progress |
|------|--------------------|---|---|---|-----------|---|--|---------------------|--------------|------------|-------|---|
| | | | | | | | Current Controls | Control Assessment | Impact | Likelihood | Score | Actions as at 15/09/22 |
| 1.4 | Asset & Investment | Failure to take expert advice or risk of poor investment/actuarial advice may lead to the Fund's assets not being properly managed resulting in inappropriate investment decisions and poor returns and/or insufficient funding levels | Committee ignores advice provided by expert adviser. External adviser provides inappropriate/inaccurate/ insufficient advice to Committee/Officers. | Wrong or inappropriate decisions resulting in inadequate investment returns and/or insufficient funding levels potentially increasing employers contribution rates. | Ongoing | Pension Fund Committee/ Dir Finance & Corp Govern | Robust procurement processes around the recruitment and appointment process; Investment Adviser in place and performance reviewed annually Benchmark performance against other LAs; Regular benchmarking and cross verification of advice with other LAs through Local Govt. Pension Scheme(Scotland) Investment & Governance Group; Other info sources and discussions with non-Fund investment managers/advisers to validate advice and performance of Fund; Pension Fund Board provides scrutiny role TREAT Ongoing training for elected members of the Pension Board and Committee | Effective | 4 | 2 | 8 | Training plan for 2022/23 approved 26/6/22 based on skills and knowledge assessment. 3 external training events have been circulated, internal event held on 30/8/22 and 2 additional events currently being organised. |
| 1.9 | Asset & Investment | Investment Strategy is inconsistent with Funding Strategy may lead to the fund not being managed properly through setting employer contribution rates incorrectly resulting in the future liabilities of the Fund not being able to be covered by its assets and requiring employers to increase contribution rates to address any funding gap. | Investment Strategy for Fund set without appropriate consideration of the requirements of the Funding Strategy | future liabilities of the Fund not being able to be covered by its assets; Employers increase contribution rates to address any funding gap. | Ongoing | Pension Fund Committee/ Dir Finance & Corp Govern | Full actuarial valuation undertaken on Triennial basis. Funding Strategy Statement and Statement of Investment Principles updated and approved at the same time. Investment strategy completed post valuation. TREAT Implementation of asset strategy approved June 2021 | Effective | 2 | 2 | 4 | Valuation completed and approved March 21. Review of investment strategy approved 10/6/21. Good progress has been made with the implementation of strategy. All new portfolios approved, drawdown of funds commenced. |
| 1.12 | Asset & Investment | Increasing effect of climate change on global economy | Changing consumer demand patterns | Changing consumer demand patterns results in obsolescence, impairment or stranding of assets. Resulting in reduced investment returns. | Ongoing | Pension Fund Committee/ Dir Finance & Corp Govern | Responsible Investment Policy in place and monitored. Only invest with Fund Managers who have strong ESG credentials. Updated Responsible investment policy with agreed priorities TREAT Plan to be agreed and implemented for monitoring of responsible investment policy and climate data. | Partially Effective | 3 | 3 | 9 | Work has commenced with fund managers being contacted and training held for members on 30/08/22 |
| 2.2 | Employer | Adoption of either an inappropriately slow or rapid pace of funding rates for different employers may result in improper management of the Fund and result in inappropriate employer contribution rates and a possible shortfall in assets to cover the employer's liabilities. | Failure by employer to notify the fund of significant changes of membership. | Improper management of the Fund; Inappropriate employer contribution rates and a possible shortfall in assets to cover the employer's liabilities. | Ongoing | Pension Fund Committee/ Dir Finance & Corp Govern | Full actuarial valuation undertaken on Triennial basis, 2020 valuation commenced; Review Pooling arrangements at each Valuation and implement appropriate de-pooling e.g. SBHA, CGI & SOSE to reflect employer situations; Annual declaration made by each Employer for forthcoming changes Ensure full reporting of options are presented to the Committee and Board when employer circumstances change to ensure decision making fully informed. TREAT Monitoring of implementation of 2020 valuation rates Continued monitoring of SOSE and consider mid cycle valuation | Effective | 2 | 2 | 4 | Valuation results approved March 21. Employers notified of rates. Returns from Employers being monitored monthly |

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| 2.3 | Employer | Failure of a Scheme Employer may lead to a shortfall in the funding levels of whole Fund resulting in increases for all other employers contributions | Scheme employer ceasing to operate | Shortfall in fund as a whole with increases required in all other employers contributions | Ongoing | Pension Fund Committee/ Dir Finance & Corp Govern | <p>Full actuarial valuation undertaken on Triennial basis; Bonds in place for Amey and CGI, and Council agreement in place for Live Borders; Guarantee in place with SG for SOSE; Contribution rates based on open/closed status of employer; Updated Admission Agreement and formal consideration of support at initial set up now implemented; Movement to closed scheme requires actuarial review, results then implemented. Funding Strategy Statement revised to include cessation responsibilities</p> <p>TREAT Undertake review of admission agreements</p> | Effective | 3 | 2 | 6 | Pending access to the office in order to obtain copies of paper files |
| 2.5 | Employer | Loss of income for employer resulting in inability to fund contributions | Global pandemic resulting in closure of facilities Loss of income due to global economy crash | Failure of employer to pay contributions loss of cash flow to pay pensioners | ongoing | Dir Fin & Corp Govern/ Dir People, Perform & Change | <p>Annual Employers Liaison group established to improve two-way communication; Borders College and 2 Admitted Bodies representatives on Pension Board; Active involvement of actuary in projects affecting membership structures; Low number of admitted and scheduled bodies and any new admitted bodies are carefully considered before admission. Annual Declaration to include changes of scheme membership for current and future year.</p> <p>TREAT Undertake review of admission agreements and guarantees</p> | Partial Effective | 2 | 5 | 10 | Pending access to the office in order to obtain copies of paper files |
| 3.2 | Resources & skills | Failure to provide appropriate training and support and/or secure Board/Committee Member engagement in Training Programme may lead to ineffective management of the Fund as a result of poorly informed decision making. | Availability of members to attend training; Inappropriate training programme. | Ineffective management of the Fund as a result of poorly informed decision making. | Ongoing | Pension Fund Committee/ Dir Finance & Corp Govern | <p>Approved Training Policy; Training assessment informs the annual training plan; Training opportunities are made available to members of Board and Committee; Members have access to External Adviser and Council Officers to help advise and inform them in relation to decisions taken by the Committees; Access to the Pension Regulator's website; Participation in training is published in Annual Report. All new members required to complete Trustee Toolkit within 6 months of joining Committee or Board</p> <p>TREAT Annual monitoring and reporting of training undertaken</p> | Effective | 2 | 2 | 4 | Training plan for 2022/23 approved 26/6/22 based on skills and knowledge assessment. 3 external training events have been circulated, internal event held on 30/8/22 and 2 additional events currently being organised. |

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| 3.3 | Resources & skills | Over reliance on key Members of the Board or Committee may lead to lack of challenge and objectivity in decision making resulting in failure to manage the Fund effectively. | Knowledge and experience gap of new members. | Failure to manage the Fund effectively. | Ongoing | Pension Fund Committee/ Pension Fund Board Chairs | All Members of the Pension Fund Committee and Pension Board are actively involved in the discussions with External Advisers and have access to the same information and training opportunities; Clear scheme of administration and constitutions established for the Committee and Board providing clarity of roles and responsibilities; Training Policy sets out skills and knowledge responsibilities for members. Pension Fund Committee and nominated reps of Board are actively involved in discussions with investment managers. TREAT Annual monitoring and reporting of training undertaken | Effective | 2 | 2 | 4 | Training plan for 2022/23 approved 26/6/22 based on skills and knowledge assessment. 3 external training events have been circulated, internal event held on 30/8/22 and 2 additional events currently being organised. |
| 3.4 | Resources & skills | Lack of sufficient knowledge and expertise on Pension Fund Committee and Board members to discharge their duties could lead to failure to manage the Fund effectively as a result of poorly considered decision making. | Knowledge and experience gap of new members. | Poorly considered decision making. | Ongoing | Pension Fun Committee/Dir Finance & Corp Govern | Pension Fund committee and Board have access to External Advisers and Council Officers to help advise and inform them; Pension Fund committee and nominate representatives of Board have access to Investment Managers via the Investment and Performance sub committee; Members Training Policy for Pensions Fund established, monitored and reported on annually; Annual training programme in place; Skills and training assessment undertaken annually. TREAT Annual monitoring and reporting of training undertaken | Effective | 2 | 2 | 4 | Training plan for 2022/23 approved 26/6/22 based on skills and knowledge assessment. 3 external training events have been circulated, internal event held on 30/8/22 and 2 additional events currently being organised. |
| 3.5 | Resources & skills | Failure of Officers to maintain sufficient level of competence to discharge their duties could lead to failure to manage the Fund effectively as a result of their inability to provide appropriate decision making support and advice. | Changes in legislation; New investment types and vehicles; Lack of documented procedures. | Failure to manage the Fund effectively. | Ongoing | Dir Fin & Corp Govern/ Dir People, Perform & Change | Use of External Advisers provides additional resilience and resources; Competency appraisal process implemented to identified training and development requirements; Active participation in Scottish Investments and Governance Group (IGG) and Scottish Pensions Liaison Group; Procedural notes completed Regular engagement with external Investment Managers to supplement knowledge. TREAT Improvement in quality of procedure notes for officers. Annual review of Competency Framework for all staff | Partially Effective | 2 | 3 | 6 | Continual review of processes and procedural notes to ensure they are compliant with regulations and system requirements (Altair and Business World). Competency Framework implemented for all staff along with new appraisal process |

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| 4.5 | Liability | New pension access reforms ("freedom of choice") may lead to pension fund members electing to transfer all or part of their pension entitlement much earlier than projected resulting in the potential for a significant change in the liability profile for the Fund. | Changes in legislation and increase in awareness. | Requirement to release large amounts of cash to members; Disinvest current assets in a much more unplanned manner with the potential to disadvantage the Funding position; Scheme sanction charges for any transfer to unapproved scheme. | Ongoing | Dir Fin & Corp Govern/ Dir People, Perform & Change | Requests for transfers are currently mitigated by obtaining enhanced levels of indemnity for the members, the receiving scheme and written confirmation of the scheme approval from HMRC; Monitoring will be undertaken during the year and reported to Members as part of the annual report. With effect from 1 April 2015 members with funds in excess of £30k must receive professional advice from a Financial Conduct (FCA) regulated adviser, includes signed declaration by individual; Continue to monitor ongoing legislation around this area. Communication Strategy agreed and website launched TREAT Review and watch to be placed on advice and guidance issued from The Pension Regulator and Government and included in the TPR Single Code. | Effective | 2 | 2 | 4 | Continue to monitor advice and information from The Pension Regulator and Government bodies. Review being carried out on changes required to meet the "Single Code". Full report to be presented to Committee. |
| 5.3 | Administrative | Failure to provide pensions administration service due to major operational disruption could lead to inability to provide a high quality pension service to members | Loss of main office; Computer system; Staff absence. | Ability to process payments on time; Financial distress to members; Reputational risk. | Ongoing | HR Shared Services Manager | Robust business continuity processes in place across the Council around key business processes, including a disaster recovery IT site. Reviewed regularly. Pensions Administration System is hosted system allowing ability for homeworking; TREAT in line with core HR risk review full business continuity review to be undertaken. | Effective | 2 | 3 | 6 | Work to commence on business continuity review with Altair a fully hosted solution. Data centre maintenance is carried out by the system provider on a monthly basis. |
| 5.4 | Administrative | Failure to prevent fraud or misappropriation by scheme member, employee or scheme employer within the Fund may lead to loss of funds. | Lack of monitoring; Lack of segregation of duties. | Inability to provide a high quality pension service to members; Financial loss to the Fund; Impact on benefits paid to members. | Ongoing | HR Shared Services Manager | Robust segregation of duties and other internal controls to mitigate against this risk; Immediate action taken upon discovery of fraud; Internal & External Audit programme also picks up the monitoring of this risk. TREAT To request from each External Employers audited accounts to provide assurance on their internal controls | Effective | 2 | 2 | 4 | To be incorporated into the 21-22 year end sign off, wording agreed for inclusion |
| 5.8 | Administrative | Failure to ensure pension transfer payments due to/payable by the fund are calculated accurately and received/paid resulting in incorrect funds being held within the Fund to pay future benefits to individuals | Failure to ensure pension transfer payments due to the fund are calculated accurately and received | Insufficient funds transferred/received to meet future obligations; Failure to protect the solvency of the fund and equivalent rights acquired are transferring members in accordance with the regulations; Referral to the Pension Regulator; Reputational damage; Financial penalty. | Ongoing | HR Shared Services Manager | Pension administration system continues to provide automated support in calculation, using nationally approved scheme based on number of standard assumptions at point of transfer. Procedure reviewed regularly TREAT Specific transfer training has been undertaken and knowledge transfer to then be cascaded across wider team | Effective | 2 | 2 | 4 | |

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| 6.1 | Regulatory & Compliance | Failure to administer and manage Fund in line with requirements of legislation and other regulations e.g. LGPS regulations, HMRC may lead to benefits calculated incorrectly and/or breach legislation | Changes to legislation; Lack of staff training; Lack of knowledge and skills | Wrong pension payments made or estimates given; Breach of regulations; Prosecution. | Ongoing | HR Shared Services Manager/ Pension & Investments Manager | Compliance with new accounting standards and pension fund regulations are subject to robust internal and external audit review and reporting; Participation in the active Scottish Pensions networks and CIPFA updates; External Audit review extends beyond financial controls; Pension Board review of decisions; Appraisal process implemented to identify training and development requirements. TREAT Annual review of Competency Framework to all staff Review and action to be developed for requirements under The Pension Regulator Single Code | Effective | 2 | 2 | 4 | Competency Framework implemented for all staff along with new appraisal process. Annual review meetings taking place. Review commissioned on required changes resulting from Single Code. Full report to be presented to Committee |
| 6.2 | Regulatory & Compliance | Changes in legislation and other regulatory frameworks may impact adversely on the Fund in terms of funding levels and governance structures | Central Govt. legislation changes. Government Actuary Department review and subsequent regulatory changes | Loss of independence in the management of the Fund; Impact on Fund value and benefits; Increased costs to the Fund, employer contributions; Potential loss of active scheme members. | Ongoing | Dir Fin & Corp Govern/ Dir People, Perform & Change | Participation in active CIPFA and Scottish Pension network allow changes and impacts to be identified quickly; Involvement with COSLA discussions on Pensions; Monitoring and highlighting actions and decisions from scheme advisory board; TREAT Seek to input into any of the legislative change through active membership of COSLA; Review and actions to be developed for requirements under The Pension Regulator Single Code | Partially Effective | 4 | 4 | 16 | Responding to all consultations and participating in all national groups. Director Finance & Corporate Governance is active member of Director of Finance group. Monitoring Scheme Advisory Board web site on monthly basis. Review commissioned on required changes resulting from "Single Code". Full report to be presented to Committee. |
| 6.3 | Regulatory & Compliance | Failure to produce accounts, notices and publications correctly or on time resulting in inability to manage the fund effectively and compliantly. | Lack of capacity; Conflicting operational demands, including Transformational activity. | Accounts qualified by External Auditors; Referral to Pensions Regulator or Scheme Advisory Board | Ongoing | Dir Finance & Corp Govern | Compliance subject to robust internal and external audit review and reporting; Participation in the active Scottish Pensions networks; Staff training requirements identified via Appraisal and attendance at appropriate training events. TREAT Annual review of Competency Framework to all staff | Effective | 2 | 2 | 4 | Competency Framework implemented for all staff along with new appraisal process. Annual review meetings taking place |
| 6.5 | Regulatory & Compliance | Changes in LGPS Structures | Review by Scheme Advisory Board on LGPS structures | Fund may cease to exist, assets may be pooled, Administration could be pooled | Ongoing | Dir Finance & Corp Govern | Monitoring of political position via Scheme Advisory Board TREAT Actively engage with Scheme Advisory Board and consultants undertaking review | Partially Effective | 3 | 4 | 12 | Minutes of SAB tabled as meetings for information when available |
| 6.6 | Regulatory & Compliance | Risk of cyber security breach | Security breach due to data hacking or malware incidents | breach of GDPR, inability to process payments to pensioners, loss of data | Ongoing | Dir Fin & Corp Govern/ Dir People, Perform & Change | Hosted environment for pension admin Monitored and regularly improved firewalls security installed on all hardware IT contractual requirements for all IT providers Hymans are adopting Multi Factor Authentication (MFA) for all users of their system from August TREAT Continue engagement with IT providers, introduce annual assurance from providers of cyber security policy and adherence. | Partially Effective | 5 | 2 | 10 | Cyber security report has been provided by Aquila Heywood, Hymans Robertson and CGI |

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| 7.3 | Reputation | Failure to appoint relevant advisers and review their performance may lead to inappropriate management of the Fund resulting from poor advice to decision makers | Lack of capacity of Officers to monitor. | Failure to achieve Pension Fund objectives; Inappropriate management of the Fund resulting from poor advice to decision makers; Legal challenge | Ongoing | Dir Fin & Corp Govern/ Dir People, Perform & Change | Identify requirements of external advisers and appoint appropriately. Annual review undertaken with Investment Advisor and Custodian. TREAT Undertake annual review of Adviser; | Effective | 2 | 2 | 4 | Review meetings to be held with Northern Trust and Isio. |
| 7.6 | Reputation | Pension Fund does not fulfil its fiduciary duties with appropriate regard with its ESG responsibilities | Lack of skills & knowledge Lack of information from Managers Lack of clear policy | Failure to manage the Pension Fund properly; Financial loss; Reputation damage. | Ongoing | Dir Finance & Corp Govern | Training provided to Members and Officers on their roles and fiduciary responsibility; Monitoring on quarterly basis of Segregated Portfolios voting policy contained with Statement of Investment Principles including support for UNPRI. Responsible Investment policy approved and annual monitoring report completed TREAT Action plan developed for implementation of revised policy and monitoring | Partially Effective | 2 | 2 | 4 | Work has commenced with fund managers being contacted and training held for members on 30/08/22 |