

Pension Fund - Risk Register

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Original Risk			Controls		Current Risk		
							Impact	Likelihood	Score	Current Controls	Control Assessment	Impact	Likelihood	Score
PF101	Funding	If the Investment Strategy is inconsistent with the Funding Strategy it may lead to assets of the fund being insufficient to meet future liabilities.	Lack of appropriate & sufficient information to inform strategies; Lack of knowledge & skills; Failure to forward plan; Co-dependency of Investment Strategy & Funding Strategy; Sufficiency of resources/lack of capacity; Failure to undertake scenario planning re. potential investment returns.	Future liabilities of the Fund may not be covered by its assets; Employer contribution rates are set incorrectly; Unplanned requirement for Employers to increase contribution rates to address funding shortfall.	Ongoing - Cyclical Risk	Director Finance & Procurement	3	3	9	Full actuarial valuation undertaken on Triennial basis; March 2021 Triennial Funding Strategy Statement and March 2023 Annual Statement of Investment Strategy Statement updated and approved at the same time as the Strategy Review; Investment Strategy completed post Triennial valuation (Last done June 2021); Funding Strategy Statement approved by Committee in March 2021; Statement of Investment Principles approved by Committee in March 2023; Revised Strategic Asset Allocation (approved in June 2021) a key part of Statement of Investment Principles; Information Update to Joint Committee/Board quarterly meeting; Remedial actions, in consultation with Employer Contributors can be taken to address funding shortfalls; Ongoing dialogue with Fund Actuary; Actuary attendance at Pension Fund Committee on an annual basis between triennial valuations; Committee Set objectives for Investment Advisor and monitor this on an annual basis (this is a regulatory requirement); Investment Strategy informs Funding Strategy; Funding Strategy developed using a range of scenarios relating to Investment Performance.	All Fully Effective	3	2	6
Notes:														
PF103	Funding	If a Scheme Employer fails to pay sufficient contributions then it may lead to a shortfall in the required assets to meet benefit payments.	Failure by employer to notify the fund of significant changes of membership (human error/inaccurate information); Failure to monitor/reconcile contributions received; Failure to apply and demonstrate fairness in the treatment of different scheme employers; Loss of income for employer resulting in inability to fund contributions; Increases in early retirements (e.g. ill health, voluntary severance etc.) leading to employers' requirement to fund the strain on the Pension fund); Employer default (missed deadline anomalies/inaccurate contribution amount); Worst case scenario - Scheme employer ceasing to operate and bond/guarantee being insufficient to fund exit costs; Failure to set appropriate Funding Strategy.	Shortfall in cash flow to pay pensioners; Incurred deficit could result in cross-subsidisation of employers out with the agreed pooling arrangements; Requirement for scheme employers who are in deficit to make this up; Possible shortfall in assets to cover the Pension Fund liabilities; Improper management of the Fund.	Ongoing	Director Finance & Procurement	4	3	12	Full actuarial valuation undertaken on Triennial basis (next valuation underway in 2023); Bonds in place for Amey and CGI, and Council agreement in place for Live Borders & Guarantee in place with SG for SOSE; Bonds and guarantees monitored on annual basis; Monthly monitoring of Scheme Employer Contributions; Movement to closed scheme requires Actuarial review; Contribution rates based on open/closed status of scheme employer; Updated Admission Agreement Policy 2019; Funding Strategy sets required contributions for all Scheme Employers and reflects the circumstances of employers (incl. cessation responsibilities); Review Pooling arrangements at each Valuation and implement appropriate de-pooling e.g. SBHA, SOSE & CGI to reflect employer situations; Ensure full reporting of options are presented to the Committee and Board as and when employer circumstances change to ensure decision making fully informed; Annual declaration now required from each scheme employer (incl. changes to the scheme membership for current and future years); Annual Employers Liaison group established to improve two-way communication, provide clarification of expectations and evaluate their position; Active involvement of actuary in projects affecting membership structures where Scheme Employers exit or enter the Fund; Low number of admitted and scheduled bodies and any new admitted bodies are carefully considered before admission.	All Fully Effective	3	2	6
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PF104	Funding	Significant differences between Actuarial Assumptions in the Triennial Valuation Reports and reality may lead to setting Funding and Investment Strategies which may result in insufficient cash flow to fund current obligations or insufficient funding to cover future liabilities.	Lack of information to inform Actuarial Assessment; Economic Drivers (e.g. CPI inflation/pay increases); Mortality levels; Poor Investment Returns; Reducing workforce (e.g. number and value of early retirements, recruitment & retention challenges); Changes in composition of Pension Fund membership, i.e. active/deferred/pensioners.	Insufficient cash flow to fund current obligations or insufficient funding to cover future liabilities; Incorrect Employer contributions being set leading to potential requirement to increase employer contributions; Fund Matures more quickly than currently anticipated and may lead to there being insufficient assets in the Fund to meet the future liabilities as they fall due; Potential requirement to change Funding & Investment Strategies outwith planned reviews.	Ongoing	Director Finance & Procurement	3	3	9	Full actuarial valuation undertaken on Triennial basis; Detailed dialogue with Actuary ahead of valuation to agree evidence-based assumptions to be used; Regular information provided by Actuary on differences as they occur from assumptions; Any strain on fund incurred paid by scheme employer at point of retirement (ill health/early retiral/voluntary severance strains); Regular monitoring of investment performance (including when medium to long term trend in returns is identified); Longer-term monitoring of cash flow position/Forecasting; Funding Strategy, Statement of Investment Principles and Triennial Valuation all aligned to identify funding requirements and how these are met; Use of an Investment Adviser and Actuarial services as required; Pension Administration Strategy in place and monitored; Scheme Employer Liaison Group in place; Annual Report includes analysis of membership changes; Estimated monthly cash flow completed and monitored and reported to Committee on quarterly basis.	All Fully Effective	3	2	6
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PF201	Investment	Failure to achieve the target investment returns set out in the Investment Strategy may lead to an inability to sufficiently meet future liabilities and could lead to incurring costs associated with implementing changes to the Investment Strategy.	Inappropriate strategic asset allocation; Inappropriate investment approaches within asset class; Underperformance / negative investment returns; Investment Strategy inconsistent with Funding Strategy; Lack of information from fund managers; Underperformance of Investment Manager(s); Failure of Investment Managers to prevent fraud, misappropriation or erroneous investment activity; Insufficient scrutiny of manager mandates; Lack of investment performance monitoring; Lack of officer capacity; Significant and sustained Global market and socio-economic events/factors; Failure to undertake horizon scanning.	Costs involved in implementing changes to Investment Strategy (e.g. changing investment managers); Funding Deficit for Fund; Returns do not sufficiently cover current and future liabilities; Inability to achieve the target investment returns set out in the Investment Strategy; Liabilities increased beyond levels covered by assets; Employers may need pay more contributions into Fund to meet shortfall; Financial and/or information loss in relation to investment assets.	Ongoing	Director Finance & Procurement	4	5	20	Engagement with Investment Adviser to update Investment Strategy (strategic asset allocation and introduction of other asset types); Formal investment advice provided by Investment Advisor to Committee; Quarterly monitoring of Investment Strategy by Committee; Robust procurement processes around the investment managers; Diversification of investment managers; Ongoing dialogue with Fund Actuary (Hymans-Robertson); Annual review of Statement of Investment Principles; Continual monitoring of investment performance by Investment & Performance Sub-Committee (to which Fund Managers attend); Scrutiny of Investment Manager performance by Investment & Performance Sub-Committee; Continual monitoring of investment performance against benchmark, targets and tolerance; Monitor and evaluation of inflation and pay awards; Engagement with Investment Adviser to monitor external environment and set benchmarks for investment managers; Actuary attendance at Pension Fund Committee on an annual basis between triennial valuations; Information Update to quarterly Joint Board/Committee meeting; Reconciliation of Custodian to Investment Manager Records through accounts process; Further Diversification of investment managers; Pension Fund regulated by FCA; Receipt of annual controls reports from Investment Managers' External Auditors; Legal recourse within contracts.	All Fully Effective	4	2	8
Notes:														
PF202	Investment	Failure to react to major changes in market/economic conditions may lead to an inability to manage the fund properly resulting in significant adverse impact on valuation of investment assets and assessment of Fund's future liabilities	Adverse movements in market/economic conditions incl. negative changes in currency rates; Lack of comprehensive market knowledge and horizon scanning; Failure to invest in a diverse range of assets; Failure to encompass 'lessons learned' within future Strategies; Failure to monitor investment performance; Failure to recognise and capitalise on investment opportunities.	Adverse impact on valuation of investment assets and assessment of Fund's future liabilities.	Ongoing	Director Finance & Procurement	4	5	20	Diversification of asset classes, geographical spread and investment managers; Engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation; Continual monitoring of investment performance; Scrutiny of Strategic Asset Allocation and Investment performance by Investment & Performance Sub-Committee; Information Update taken to Joint Board/Committee meeting every quarter; Follow advice of external advisers that fund should take long term view of currency fluctuations.	All Fully Effective	4	2	8
Notes:														
PF203	Investment	Failure to manage the liquidity required for the Fund's cash flows may lead to assets being sold at unattractive times or investment opportunities missed due to unavailability of cash, resulting in an adverse impact on the valuation of the Fund's assets.	Higher than anticipated levels of retirement; Higher levels of lump sums or commutation of pension taken on retirement; Changing demographics - increased early retrials, ill health retiral, withdrawal, 50:50 uptake, commutation marriage/partnership; Wider 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; 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.	Requirement to divest investment assets at an unattractive time or missing investment opportunities which result in an adverse impact on the value of the Fund's assets; Negative pressure on cash flow and funding equation; Insufficient funds transferred/received to meet future obligations; Failure to meet the rights of transferring members in accordance with regulations; Referral to the Pension Regulator; Reputational damage; Requirement to release large unexpected payment amounts to members; Disinvest current assets in a much more unplanned manner with the potential to disadvantage the Funding position.	Ongoing	HR Shared Services Manager / Pension Investment & Accounting Manager	4	3	12	Investment strategy (Strategic Asset Allocation) adjusted to ensure income returned to Pension Fund to fund any cash shortfall; Daily and weekly monitoring of Pension Fund's Cash flows; Estimated monthly cash position identified; Investment Strategy monitored; Monitoring of active numbers and cash flow and reported to Committee quarterly; Scheme Employers to notify the Fund of any significant changes to membership numbers; Pension administration system (Altair) continues to provide automated support in calculation, using nationally approved factors, at point of transfer; 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; With effect from 1 April 2015 members with funds in excess of £30k must receive professional advice from a Financial Conduct Authority (FCA) regulated adviser, includes signed declaration by individual; Continue to monitor ongoing legislation around this area; Communication Strategy agreed and website launched.	All Fully Effective	3	1	3
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PF301	Administration	If there is an over reliance on key Officers or if Officers fail to maintain a sufficient level of competence to discharge their duties (incl. providing decision making support & advice) it may lead to an inability to manage the Fund effectively.	Availability of resources; Single Points of Failure (SPOFS); Absence of succession management in relation to supporting crucial aspects of the operation of the Fund; Officers do not maintain sufficient levels of skills, knowledge & experience; Changes in legislation; New investment types and vehicles; Lack of documented procedures. Small size of Teams supporting work of Pension Fund.	May lead to significant knowledge gaps resulting in failure to manage and operate the Fund effectively; Inability to provide decision making support & advice; Delay in or lack of progress in implementation of required developments to achieve Business Plan Objectives; Negative cost implications associated with procuring external expertise.	Ongoing	Director Finance & Procurement / Director People, Performance & Change	3	4	12	Use of external advisers (investment/tax/SPPA) provides additional resilience and resources and helps to supplement knowledge; Pension administration system implemented with help modules which can be enhanced to include details specific to SBC Pension Fund; Teams structured to reduce single points of failure and manage succession planning (Finance & HR); Procedure notes written, tested, system of regular review agreed (Finance & HR); Competency appraisal process implemented to identify and fulfill training and development requirements; Active participation in Scottish Investments and Governance Group (IGG) and Scottish Pensions Liaison Group to keep abreast of any new developments/requirements.	Fully Effective Partially Effective (help modules will need to continuously evolve) Partially Effective (linked to Team Size, recruitment/retention, retirements etc.) Partially Effective (pockets of improvements to be made.) Partially Effective (see new action.) Partially Effective (location of F2F meetings can be a barrier.)	3	3	9
Notes:														
PF302	Administration	Failure to process pension payments and lump sums on time may lead to financial distress for retiring staff and potential referral to the Pensions Regulator and/or external auditor resulting in the possibility of penalty costs and reputational damage.	Insufficient information from member or employer; Lack of access to pension fund system administration information (Altair); Lack of access to BW system to process payments; Absence of specialist pension admin resource; Lack of Business Continuity Plans; Failure to prevent fraud or misappropriation by scheme member, employee or scheme employer (Lack of monitoring; Lack of segregation of duties).	Financial distress for retired staff; Potential referral to the Pensions Regulator and/or external auditor; Potential for penalty costs to be levied; Reputational damage; Inability to provide a high quality pension service to members.	Ongoing	HR Shared Services Manager	3	3	9	Pension administration system with remote access available for staff (Cloud hosted); Business World used for monthly pension payments with remote access available for staff; Pensions Administration Strategy sets out performance standards and performance against these is monitored annually; Staffing structure of HR Shared Services continues to be monitored to ensure adequate staffing and knowledge maintained; CHAPS Payments through Banking Team in event of BW failure (only if access to banking info is possible or we have paper copy details/previous months BACS details) - Business Continuity Planning; Robust segregation of duties and other internal controls to mitigate against this risk; Immediate action taken upon discovery of fraud; Internal & External Audit programmes cover the monitoring of fraud/misappropriation risk. Participation in National Fraud Initiative in line with other Public Sector Organisations.	Fully Effective Fully Effective Fully Effective Partially Effective (SPOFS, very specialist area and takes time to skill staff up, succession planning, recruitment) Fully Effective Fully Effective Fully Effective	3	2	6
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PF303	Administration	Failure to collect and account for contributions from employers and employees on time may lead to adverse cash flow implications for the Fund potentially resulting in adverse external audit opinion, referral to the Pensions Regulator, reputational damage and requirement to divest investments to fund the cash flow deficit.	External employers not remitting contributions on time; Sufficiency of communication with employers e.g. to advise on changes in contacts/rates following triennial valuation; Failure to prevent fraud or misappropriation by scheme member, employee or scheme employer (Lack of monitoring; Lack of segregation of duties).	Adverse cash flow implications for the Fund; Adverse external audit opinion; Referral to the Pensions Regulator; Reputational damage; Requirement to divert investments to fund the cash flow deficit; Inability to provide a high quality pension service to members; Financial loss to the Fund; Negative impact on benefits paid to members.	Ongoing	HR Shared Services Manager	3	4	12	Pension administration system with remote access available for staff; Business World used for monthly pension payments with remote access available for staff; Pensions Administration Strategy sets out performance standards and performance against these is monitored annually; Staffing structure of HR Shared Services continues to be monitored to ensure adequate staffing and knowledge maintained; Robust segregation of duties and other internal controls to mitigate against this risk; Immediate action taken upon discovery of fraud; Internal & External Audit programmes covers the monitoring of fraud/misappropriation risk. Scheme Employers submit a copy of their audited accounts, to confirm the internal controls they have in place for the LGPS pension process in relation to their membership of the Scottish Borders Council Pension Fund.	Fully Effective Fully Effective Fully Effective Partially Effective (SPOFs, very specialist area and takes time to skill up staff, succession planning, recruitment) Fully Effective Fully Effective Fully Effective Partially Effective	2	2	4
Notes:														
PF304	Administration	Failure to manage data and information appropriately (security, completeness and accuracy) could result in personal data loss, incorrect pensions information being issued or incorrect benefits being calculated or paid, reputational damage and potential financial penalty.	Lack of controls (e.g. segregation of duties); Lack of monitoring; Lack of procedures; Lack of training and awareness; Lack of info from members and employers; Human error (incl. via self-serve function for pension members); IT systems failure; Cyber attacks.	Data lost or compromised; Potential financial Penalty from Information Commissioner; Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions payments or transfers being paid; Reputational damage/loss in credibility; Potential negative impact on Pension Fund Cash Flow.	Ongoing	HR Shared Services Manager	3	4	12	Pension administration system with remote access available for staff; Business World used for monthly pension payments with remote access available for staff; Staffing structure of HR Shared Services continues to be monitored to ensure adequate staffing and knowledge maintained; All HRSS staff fully trained in mandatory Information Management (Data Protection; GDPR) and fully compliant: annual refresh required. Annual Statements issued to active and deferred members, including list of beneficiaries. Form included for changes or discrepancies; Communication strategy reviewed annually by Board/Committee; Self-service function available to all active and deferred members to ensure personal information is up-to-date; Restricted system access re. pensions administration - Altair; Overpayments Policy in place.	Fully Effective Fully Effective Partially Effective (SPOFs, very specialist area and takes time to skill up staff, succession planning, recruitment) Fully Effective Fully Effective Fully Effective Partially Effective Partially Effective Fully Effective	3	3	9
Notes:														
PF305	Administration	If there is a cyber security breach then we may lose data relating to deferred and active pension fund members. This could result in a potential inability to process and pay pensions on time and could mean that we are in breach of GDPR legislation and face litigation and reputational damage.	Hacking or malware attacks; Failure to update software systems; Human error; Lack of appropriate training and awareness.	Security breach; Loss of data; Breach of GDPR legislation; Inability to process payments to pensioners; Reputational damage/complaints; Litigation; Potential negative knock-on impacts to other software systems from hacking attack; Negative impact on resources to undertake remedial actions; Negative cost implications associated with remedial actions.	Ongoing	HR Shared Services Manager	5	4	20	Hosted environment for pension admin system (Altair); IT contractual requirements for all IT providers (system back-ups, software upgrades & Disaster Recovery Plans); CGI have contractual responsibility for security of BW ERP; Monitored and regularly improved firewalls; Security installed on all hardware devices; Hymans are adopting Multi Factor Authentication (MFA) for all users of their system; Mandatory Information Security E-Learning Course for all staff (incl. Cyber Security); Business Continuity Plan.	Fully Effective Fully Effective (we have a dependency on suppliers for assurances) Fully Effective Fully Effective Partially Effective (to be delivered) Partially Effective (work underway following Digital Security maturity assessment to add to this provision) Partially Effective (to be reviewed following new BC2 system)	5	2	10
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PF501	National Policy / Regulations	Failure to administer and manage the Fund in line with requirements of legislation and other regulations e.g. LGPS regulations and HMRC may lead to benefits being calculated incorrectly and/or breach of legislation.	Changes to legislation; Lack of staff training; Lack of knowledge and skills; Failure to comply with the Pensions Regulator's Code(s) of Practice; Lack of monitoring, oversight & scrutiny; Lack of external assurance arrangements.	Wrong pension payments made or estimates given; Breach of regulations/legislation; Prosecution; Reputational damage; Sanctions from Pensions Regulator.	Ongoing	HR Shared Services Manager/ Pension Investment & Accounting Manager	4	3	12	Compliance with 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; Pensions Board/Committee have oversight, scrutiny and monitoring roles; Staff Appraisal process in place to identify training and development requirements.	Fully Effective Fully Effective Fully Effective Partially Effective (training need identification vs. capacity to undertake training)	4	2	8
Notes:														
PF502	National Policy / Regulations	If we are unable to keep up with changes in legislation and other regulatory frameworks there may be negative impacts on the Fund in terms of funding levels and governance structures may not be compliant with regulatory requirements.	Central Govt. legislative changes; Government Actuary Department review and subsequent regulatory changes; Changes to LGPS Structures; Lack of knowledge and resources to implement required changes.	Loss of independence in the management of the Fund if LGPS structures change; Impact on Fund value and benefits; Increased costs to the Fund and increased employer contributions; Worst case scenario - Fund may cease to exist, assets and administration may be pooled. Potential breach of regulations.	Ongoing	Director Finance & Procurement	5	5	25	Participation as appropriate in CIPFA and Scottish Pension network allow changes and impacts to be identified quickly; Monitoring and highlighting actions and decisions from Scheme Advisory Board; Monitoring of political position via Scheme Advisory Board; Commissioning of Consultants to undertake formal assessments against regulatory requirements as needed; Regular Training Sessions for the Board, Committee and Officers.	Partially Effective Fully Effective Fully Effective Fully Effective	4	3	12
Notes:														
PF503	National Policy / Regulations	If the Pension Fund does not fulfil its fiduciary duties with appropriate regard to its Environmental, Social & Governance (ESG) responsibilities then there may be breach in statutory or regulatory requirements.	Lack of staff and Member skills & knowledge; Lack of capacity and resources; Lack of information from Investment Managers; Lack of clear Pension Fund policies; Increasing effect of climate change on global economy and regulatory expectations; Speed at which changes to legislation are implemented. Failure to track and monitor compliance with statutory and regulatory changes. Changing consumer demand patterns results in obsolescence, impairment or stranding of assets. Resulting in reduced investment returns.	Failure to manage the Pension Fund in line with ESG Policy Statement; Reputational damage; Regulatory/Statutory Breach; Enhanced scrutiny of Pension Fund; Poor Audit Report findings (Internal & External).	Ongoing	Director Finance & Procurement	4	4	16	Training provided to Members and Officers on their roles and fiduciary responsibility; Responsible Investment policy approved with agreed priorities; Only invest with Fund Managers who have strong ESG credentials; Monitoring on quarterly basis (via the Pension & Investment Performance Sub-Committee) of Segregated Portfolios voting policy contained within Statement of Investment Principles (including support for United Nations Principles for Responsible Investment (UNPRI)); Responsible Investment Policy annual monitoring report by Committee and Board completed; Positive engagement with Internal & External Auditors; Isio provide routine reports to Pension Fund Committee on ESG considerations.	All Fully Effective	4	2	8
Notes:														