

# GWYNEDD PENSION FUND

## RISK REGISTER: Version 4 – February 2021

Risk Assessment Matrix					
Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				

Assessment of Impact				
		Financial	Reputation	Stakeholder/Customer
1	Negligible	< £35k	Minimal and transient loss of public trust.	Minimal impact on stakeholders or customers.
2	Minor	£35k - £300k	Slight loss of trust with no lasting impact. Little adverse publicity.	Minor impact on stakeholders or customers and customer dissatisfaction. Limited service disruption.
3	Moderate	£300k - £3m	Moderate loss of trust that receives significant adverse publicity locally with no lasting impact.	No lasting impact. Moderate disruption to stakeholders, moderate impact on customers and customer dissatisfaction. Moderate service disruption.
4	Major	£3m - £30m	Significant loss of trust and receives local media attention with potential for lasting impact.	Significant service disruption and opposition from stakeholders and/or customers. Threat of legal action.
5	Catastrophic	> £30m	Significant loss of trust and receives national media attention with potential for persisting impact.	Major service disruption and significant opposition from stakeholders and/or customers. Legal action. Long term public memory.

Assessment of Likelihood			
		Probability Descriptors	Numerical Probability
1	Rare	This will probably never happen/recur.	Under 1%
2	Unlikely	Do not expect it to happen/recur, but it is possible it may do so.	1% - under 5%
3	Possible	Might happen or recur occasionally.	5% - under 20%
4	Likely	Will probably happen/recur, but it is not a persistent issue or circumstances	20% - under 50%
5	Almost Certain	Will undoubtedly happen/recur, possibly frequently. A project more likely to fail than succeed.	Over 50%

Risk No.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plan	Time scale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Governance											
	<p>The Administering Authority does not have appropriate governance arrangements including the requirement for a Pension Board resulting in:</p> <ul style="list-style-type: none"><li>Non-compliance with legislation or best practiceInability to determine policy, make effective</li></ul>	4	3	12	<p>Gwynedd Pension Fund (GPF) has a Governance Policy Statement and a Governance Compliance Statement as required by the LGPS Regulations 2008.</p> <p>Both statements are reviewed and updated when required. Scheme employers are consulted when changes are proposed to ensure the policy is still appropriate.</p>	3	1	3	<p>Head of Finance</p> <p>Investment Manager</p>		

	<p>decisions and deliver services.</p> <ul style="list-style-type: none"> <li>Risk to reputation</li> </ul>				<p>The Statement is available on the Gwynedd Pensions website: <a href="http://www.gwynedd.gov.uk">www.gwynedd.gov.uk</a></p> <p>GPF has a Pensions Committee to discharge the Council's duties as Administering Authority of the Pension Fund.</p> <p>Gwynedd Pension Board has been established as required by the Public Service Pension Act 2013.</p> <p>Support and training are being provided to ensure that the members of the board have the knowledge and skills to undertake their role.</p>									
	Conflict of Interests affect, or are seen to affect decision making	2	2	4	<p>Committee and Board members are aware of the legal responsibilities</p> <p>All members of the Pension Board declare any possible conflicts and conflicts at the beginning of each meeting.</p>	1	2	2	<p>Pension Committee</p> <p>Chairman of the Pension Board</p> <p>Head of Finance</p>					
	The Pensions Committee and the Pension Board are unable to fulfil their responsibilities effectively resulting in:	4	3	12	The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills and regular training is provided to ensure that	3	2	6	Investment Manager	The new members of the Committee and the Board have received basic training.				

	<ul style="list-style-type: none"><li>Non-compliance with legislation or best practice</li><li>Inability to determine policy, make decisions and / or deliver service.</li><li>Risk to reputations.</li></ul>				<p>members have the level of understanding required.</p> <p>A training and induction programme is available for new Committee and Board members.</p> <p>The Fund subscribes to relevant bodies (i.e. CIPFA and LAPFF) and sends representatives to major conferences.</p> <p>Committee and Board members are made aware of and adhere to the Governance Compliance Statement and are encouraged to identify training requirements.</p>					Relevant training is offered to Committee members and board members.	
Funding and Investments											
	<p>The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received resulting in:</p> <ul style="list-style-type: none"><li>Poor Fund performance</li><li>Financial loss</li></ul>	5	3	15	<p>GPF Investment Strategy is set in accordance with LGPS investment regulations.</p> <p>The Investment Strategy takes the Fund’s liabilities into account.</p> <p>The Investment Strategy is approved and reviewed by the Pensions Committee.</p> <p>GPF uses an external investment advisor who provides specialist guidance to the Investment Panel</p>	2	2	4	<p>Head of Finance</p> <p>Investment Manager</p>		

	<ul style="list-style-type: none"> <li>Increased employer contributions</li> </ul>				<p>and Pensions Committee regarding the Investment Strategy.</p> <p>Members and Officers are encouraged to challenge advice and guidance received.</p>						
	<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>The Pension Fund's investment strategy fails to produce the required returns.</p> <p>Performance is damaged by:</p> <ul style="list-style-type: none"> <li>Fund Managers failure to produce the required returns.</li> <li>Fund managers damage performance by failing to make organisational changes or manager departures.</li> </ul> <p>Resulting in</p> <ul style="list-style-type: none"> <li>Financial loss</li> <li>Insufficient funds available to meet future obligations</li> </ul>	5	3	15	<p>Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this.</p> <p>The 2019 actuarial valuation includes provision for the fund to achieve full funding over 17 years. The 31 March 2019 valuation showed that there was 108% provision for the Gwynedd Fund.</p> <p>GPF investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</p> <p>Fund-specific benchmarks and targets are set.</p> <p>Fund assets are kept under regular review as part of the Fund's performance management process.</p> <p>Fund managers are thoroughly vetted prior to appointment and performance is reviewed regularly</p>	2	2	4	Investment Manager	<p>Although the fund was 108% funded as at 31 March 2019 the fund still uses prudent assumptions for the valuation.</p>	

					<p>against the benchmark and performance objectives by the Investment Panel.</p> <p>Appropriate action may be taken if a Fund Manager is underperforming.</p> <p>The depth of expertise in the fund manager's team will be assessed as part of the appointment process.</p> <p>Performance targets are agreed by the Pensions Committee and are based upon recommendations for the external advisor.</p> <p>The Pensions Committee have the power to terminate a fund manager's contract if it is deemed that the manager has not performed as expected or there are concerns about future performance due to organisational change or manager departures.</p>						
	<p>The fund is exposed to unnecessary risks and avoidable costs due to poorly structured investment arrangements resulting in:</p> <ul style="list-style-type: none"> <li>Financial loss</li> </ul>	5	3	15	<p>The Fund aims to ensure best value and to minimise exposure to risk as follows:</p> <p>The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</p>	2	2	4	Investment Manager		

					<p>Investment managers provide invoices for fees and disclosure of fees within funds.</p> <p>Specialist services such as transitions or currency transfers are considered where appropriate in order to reduce costs.</p> <p>Banking and custodian arrangements are reviewed and retendered as appropriate.</p>						
	<p>Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager resulting in:</p> <ul style="list-style-type: none"> <li>Financial loss</li> </ul>	4	3	12	<p>The Fund considers the financial stability of managers during the appointment process and the situation is kept under review.</p> <p>GPF uses a global custodian service to ensure that investment of assets is segregated from custody of assets.</p> <p>Legal requirements for fund managers are set out in their management agreements.</p> <p>Fund managers are required to be fully compliant with Financial Conduct Authority (FCA), the Pensions Regulator (TPR) and other regulatory requirements.</p>	2	3	6	Investment Manager		

					The Fund's custodian can deal provide a transition service if a fund manager is being wound up.						
	Market risk - Market crash leading to failure to reduce the deficit resulting in: <ul style="list-style-type: none"> <li>Financial loss</li> <li>Increased employer contribution costs.</li> </ul>	5	4	15	<p>The Fund is diversified across a range of asset classes to mitigate the impact of poor performance in an individual market segment.</p> <p>Investment performance and monitoring arrangements exist which provide the investment officers with the flexibility to rebalance the portfolio in a timely manner.</p> <p>The long term nature of the liabilities provides some mitigation, in that markets fluctuate down and up which significantly reduces the impact.</p>	3	3	9	Investment Manager		
	Liquidity risk - insufficient funds to meet liabilities as they fall due.	4	3	12	<p>Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows.</p> <p>The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.</p>	4	2	8	Investment Manager		
	Interest rate risk- Arises from the risk that the fair	4	3	12	The Fund's interest rate risk is routinely monitored in accordance	4	2	8	Investment Manager		



	value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates				with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.						
	<p>Currency risk- the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates which could result in:</p> <ul style="list-style-type: none"> <li>Funding level decreases.</li> <li>Increase in employers' costs as employer contribution rates would need to be raised.</li> </ul>	4	3	12	Establish & review strategic asset allocation (within regions).	4	2	8	Investment Manager		
	<p>The Fund fails to adequately account for climate change, climate risk and ESG factors which could result in:</p> <ul style="list-style-type: none"> <li>Financial loss to assets within the fund</li> <li>Reputational risk to the Pension Fund</li> </ul>	4	3	12	<p>Establish and develop a suitable climate risk policy</p> <p>Constant engagement and challenging of managers on how they account for climate risk/ change and ESG factors</p>	4	2	8	Investment Manager	Formulate a suitable climate risk policy	2021

Pay and price inflation are significantly more than anticipated leading to:	3	3	9	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Employers pay for their own salary awards.</p> <p>The Fund has committed to investments in infrastructure funds which helps to mitigate this risk.</p>	2	3	6	Investment Manager		
<p>Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing</p> <p>An increase in liabilities which exceeds the previous valuation estimate.</p>	3	5	10	<p>Employers are charged the extra capital cost of non-ill health retirements following each individual decision.</p> <p>Employer ill health retirement is monitored.</p> <p>Small employers are required to take out the ill health retirement insurance provided by the Fund.</p>	1	5	5	Investment Manager		
<p>The average life expectancy of pensioners is greater than assumed in actuarial assumptions.</p> <p>An increase in liabilities which exceeds the previous valuation estimate.</p>	4	4	16	<p>Life expectancy assumptions are reviewed at each valuation.</p> <p>The Fund uses bespoke assumptions based on the life expectancy across Gwynedd Pension Fund's area.</p> <p>Mortality assumptions include some allowance for future increases in life expectancy.</p>	2	4	8	Investment Manager		
Scheme employers' contributions to the Fund are	4	3	12	Formal timescales for receipt of contributions.	2	2	4	Investment Manager		

	<p>not received or are processed or recorded completely and accurately</p> <p>Increased costs across all the remaining scheme employers</p>				<p>The team monitor the receipt of contributions to the fund closely.</p> <p>The team monitor the receipt of contributions to the fund.</p> <p>The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.</p> <p>Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.</p>						
	<p>An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.</p> <p>Departing employer does not fully meet its liabilities which leads to increased costs across the remaining scheme employers.</p>	4	3	12	<p>The risk is mitigated by: Vetting prospective employers before admission and ensuring that they fully understand their obligations.</p> <p>Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required.</p> <p>Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</p>	3	3	9	<p>Head of Finance</p> <p>Pensions Manager</p>	<p>Identified 7 employers with no Admission Agreements. Have taken steps to rectify this.</p>	2021

					<p>The actuarial valuation attempts to balance recovery period with risk of withdrawal.</p> <p>If necessary, appropriate legal action will be taken.</p>						
	<p>A significant number of LGPS members transfer their pension pots to other pensions providers in order to obtain a capital sum under the Government's "Freedom and Choice" legislation resulting in: Significant cashflow out of the Fund.</p> <p>Reduction in assets greater than reduction in the Fund's liabilities.</p>	4	3	12	<p>The risk is mitigated by: Effective communication of the benefits of remaining in the LGPS.</p> <p>Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability.</p> <p>Requirement to seek financial Advice if transfer exceeds £30,000</p>	2	3	6	<p>Pensions Manager</p> <p>Investment Manager</p>		
	<p>The result of the EU Referendum and the decision to leave the European Union results in significant economic instability and slowdown and as a consequence lower investment returns resulting in:</p> <ul style="list-style-type: none"> <li>Financial loss and / or failure to meet return expectations.</li> </ul>	5	4	20	<p>The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</p> <p>The Fund will consider the impact when the terms of leaving the EU are clear and take any actions required.</p>	3	4	12	Investment Manager		

	<ul style="list-style-type: none"> <li>Increased employer contribution costs.</li> </ul>											
<b>Custody</b>												
	<p>Failure of custodian leading to losses which results in:</p> <ul style="list-style-type: none"> <li>Failure to reduce the deficit</li> <li>Financial loss</li> </ul>	5	3	15	<p>Fund assets are protected in the event of insolvency of the custodian.</p> <p>The custodian must adhere to FCA and TPR financial regulations.</p>	2	2	4	Investment Manager			
<b>Wales Pension Partnership</b>												
	<p>The Gwynedd Pension Fund has insufficient resources available to deliver the pooling proposal within the required timescale without impacting the day-do-day management of the fund.</p> <p>The management of the Pension Fund is affected due to existing resources working on the establishment of the investment pool.</p>	5	5	25		5	5	25	Head of Finance	Additional staffing resources will be required when it becomes apparent that insufficient resources exist to take forward the proposal without impacting the day-to-day management of the fund.		
<b>Communication</b>												
	Insufficient communication and engagement with the Pension Fund Stakeholders.	3	3	9	<p>A Communications Policy is in place.</p> <p>The Gwynedd Pension Fund website is kept up to date.</p>	3	2	6	Pensions Manager	Gwynedd Pension Fund website requires revision		2022

	<p>Non-compliance with legislation and/or best practice.</p> <p>Inability to determine policy, make effective decisions and/or deliver service.</p> <p>Reputation risk.</p>				<p>Fund Performance is reported to the Investment &amp; Pension Fund Committee on a regular basis.</p> <p>Meetings are held periodically with the Fund's Employing Authorities.</p> <p>Annual Benefit Statements and newsletters are sent annually to active and deferred Fund members.</p> <p>The contact list for employers is updated regularly.</p> <p>An AGM is held for employers and Trade Unions.</p> <p>The annual report and accounts are published on the Gwynedd Pensions website.</p> <p>A Member Self Service website is available to members to calculate their own benefits.</p>						
<b>Data Protection</b>											
	<p>The Pension Fund systems and data may not be secure and appropriately maintained.</p> <ul style="list-style-type: none"> <li>• Loss of sensitive data.</li> <li>• Reputation risk.</li> </ul> <p>Financial loss arising from legal action.</p>	3	2	6	<p>It is a mandatory requirement for all employees to undertake Data Protection training and to adhere to Gwynedd's data protection policy.</p> <p>Egress (A secure email system) email system is used where possible to send emails to employers not</p>	3	1	3	Pension Manager		

					listed on the Secure Email Organisation list.						
<b>Pension Administration</b>											
	Pension benefits are not paid: <ul style="list-style-type: none"> <li>• Risk of financial loss arising from compensation claims</li> <li>• Damage to reputation.</li> </ul>	4	2	8	The payroll system is set up to pay pensioners monthly.  Disaster recovery plan in place with Heywood which will restore data within 7 days in the event of system failure.	4	1	4	Pension Manager		
	Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error. <ul style="list-style-type: none"> <li>• Unauthorised payments under the Finance Act 2004.</li> <li>• Risk of financial loss and damage to reputation.</li> </ul>	3	2	6	Information and instructions are only accepted from authorised sources.  Employers are required to review and confirm membership records annually or monthly using the secure data portal iConnect  Benefit calculations are checked by senior colleagues.  All transactions comply with DCC financial regulations and are subject to independent authorisation.  Members approaching 75 are separately identified monthly.	3	1	3	Pension Manager		
	Failure of employing authority to provide timely and accurate member data resulting in delays or errors with benefit payments.	3	3	9	Administration Strategy is in place and employer duties are clearly identified.	3	3	9	Pension Manager		

	Risk of financial loss and damage to reputation.				Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.						
	Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: <ul style="list-style-type: none"> <li>Incorrect payments being made.</li> <li>Risk of financial loss and damage to reputation</li> </ul>	3	3	9	<p>LGA/External training.</p> <p>Project work approach to implementation of legislative changes.</p> <p>In house training for all staff.</p>	2	2	4	Pension Manager	Additional resources required to implement McCloud remedy	2022
	<p>Pension benefits continue to be paid to deceased pensioners.</p> <p>Risk of financial loss and damage to reputation.</p>	2	3	6	<p>All pensioners are contacted annually.</p> <p>Pensioners are incorporated into National Fraud Initiative.</p> <p>Further targeted checks are conducted with credit reference agencies as appropriate.</p> <p>Monthly mortality screening is undertaken and any positive matches are ceased immediately</p> <p>Tell Us Once service is in operation</p>	2	2	4	Pension Manager		
	<p>System failure</p> <ul style="list-style-type: none"> <li>Loss of sensitive data.</li> <li>Reputation risk.</li> </ul>	5	2	10	The system is backed-up daily.	5	1	5	Pension Manager		



	<ul style="list-style-type: none"> <li>Financial loss arising from legal action.</li> </ul>				A full disaster recovery plan is in place and tested annually (In line with Gwynedd Council's policy).						
	Member Self Service failure <ul style="list-style-type: none"> <li>Reputation risk.</li> </ul>	5	2	10	Hosted by software provider Heywood	5	1	5	Pension Manager		
	Cyber Attack <ul style="list-style-type: none"> <li>Loss of sensitive data.</li> <li>Systems damaged or destroyed.</li> <li>Reputation risk.</li> </ul> Financial loss arising from legal action.	3	3	9	Firewall in operation  Software regularly updated with latest security features  The system is backed up daily  Password access is required	3	2	6	Pension Manager		
	Employing authorities not fulfilling their responsibilities e.g. not supplying us with correct employee data or not supplying it in a timely manner <ul style="list-style-type: none"> <li>Incorrect benefit calculations</li> </ul> Delays while we request missing information	3	2	6	<ul style="list-style-type: none"> <li>- Admin strategy details employer responsibilities and timescales</li> <li>- Advice and consultancy provided.</li> <li>- Yearly checks on data to highlight gaps</li> <li>- Employer administration meetings held periodically.</li> </ul> Guidance available on website.	3	1	3	Pension Manager	Plan to set Service Level Agreement's as there is currently no consequences for not fulfilling their responsibilities	
	Failure to comply with disclosure regulations e.g. the requirement to issue information within a certain timescale after a request/event	3	2	6	Robust workflow management system in place.	3	1	3	Pension Manager		

	Complaints / Fines										
	<p>Failure to issue Annual Benefit statements to active and deferred members by 31st August:</p> <ul style="list-style-type: none"> <li>- Reputational risk and complaints</li> <li>- Fines</li> </ul>	2	4	8	<p>Project management approach</p> <ul style="list-style-type: none"> <li>- Regular contact with employers to get data.</li> </ul> <p>Statements are presented online at the self-service web site.</p> <p>Monthly interfacing to reduce workload at year end with the main employers (iConnect)</p>	2	3	6	Pension Manager		

### Internal processes

	<p>Concentration of knowledge in a small number of officers and risk of departure of key staff.</p> <p>The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.</p>	4	3	12	<ul style="list-style-type: none"> <li>- Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff.</li> <li>- Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.</li> <li>- Specific relevant qualifications for administration and investment staff.</li> <li>- External consultants and independent adviser available for short term assistance.</li> </ul>	4	2	8	Pension Manager and Investment Manager	Internal 'how to guides' are being developed on all internal processes	2021
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### Uncontrollable External Factors

	<p>Normal operations disrupted by uncontrollable external factors</p> <p>Service delivery threats from fire, bomb, extreme weather, electrical faults, sickness, epidemic, pandemic etc.</p> <p>Insufficient daily back up, disaster recovery, and IT cover to support systems.</p> <p>Temporary loss of ability to provide service to stakeholders</p>	5	5	25	<ul style="list-style-type: none"> <li>- Working from home where possible</li> <li>- Disaster Recovery Plan for pensions system with the software provider for Member Self Service</li> <li>- Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls</li> </ul>	3	5	15	Pension Manager	Develop new methods of working	
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