

Pension Fund Risk Register May 2022

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
<b>Employer Risk</b>												
E1	<b>Contributions Funding Risk</b> Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	<p>Failure to collect contributions on time</p> <p>Failure to collect contributions in line with Rates and Adjustments certificate</p> <p>Failure to monitor and reconcile contributions</p> <p>Liquidity failures with employers due to business risk or Covid 19 implications</p> <p>Incorrect coding of contributions</p> <p>Employer unable to pay increased contributions on a trigger event</p> <p>New outsourced arrangements made without thought to Pensions implications and contribution costs</p> <p>Poor employer covenant</p> <p>Employers not informing Fund of correct pay and contribution data for all active employees</p>	<p>Inaccurate financial statements</p> <p>Cashflow risk to pay out pensions</p> <p>Funding deficits</p> <p>Failure to track employer cashflows leading to inaccurate FRS17/IAS19 report and Valuation reports</p> <p>Future reduction in funding level</p> <p>Future Increase in employer contributions</p> <p>Employer forced into liquidation</p> <p>Increase in investment risk taken to access higher returns</p> <p>Forced to sell investments to meet cashflow requirements</p>	3	3	9	<p>Monthly Employer contribution monitoring completed</p> <p>Monitoring of late payments by Employer engagement team to address breaches for late payment. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time</p> <p>Contributions recorded in Finance system by employer to track all employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected.</p> <p>Administration strategy in place from January 2021 clearly outlining ability to charge employers for late payment and late receipt of remittance advice or poor quality of data. Late payment charges are now being administered as a deterrent and to cover the impact on the Fund for late payment.</p> <p>Implementation of I-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill in the accuracy of employers contribution payments, however functionality is still being improved by the software provided.</p> <p>Report produced for Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021</p> <p>Covenant review to begin in 2021 - PWC appointed to carry out the work, high risk employers identified , the results of this will feed into the triennial valuation and impact contribution rates and security of employers where there is a significant risk.</p> <p>Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions</p> <p>Guide to Employers on implications to Pensions on Outsourcing polished and issued to all employers</p> <p>Contribution deferral policy approved by Committee in June 2020.</p> <p>Employer engagement team are confirming the correct signatories for contribution submissions to ensure they are signed off at an appropriate management level</p> <p>Regular communication with Employers through Employer engagement team</p>	2	2	4	Head of Pensions	On-going
E2	<b>Employer data Risk</b> Employers fail to provide accurate and timely data to the PAT team	<p>Failure to provide Starter and Leavers information</p> <p>Failure to provide EOY returns on time and to a acceptable data standard</p> <p>Covid 19 has reducing the ability of employers to participate in the data cleansing</p> <p>Inability for Employers to respond to additional data requests for changes in regulations</p>	<p>Risk of financial loss and damage to reputation.</p> <p>Incorrect employer's contribution calculations</p> <p>Delays to triennial actuarial valuations process.</p> <p>Fines and enforcement action by The Pension Regulator</p> <p>Inability to produce ABS in time or accurately to comply with legislation</p>	4	3	12	<p>Administration Strategy approved in operation from January 2021 after consultation with employer</p> <p>Employing authorities are contacted for outstanding/accurate information;</p> <p>User Guide and Training provided to Employers for outsourcing implications with LGPS</p> <p>Regular communication and meeting with administration services regarding service updates and additional data, when required.</p> <p>Employer engagement team established from January 2021 to support employers and provide training where required</p> <p>Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund</p> <p>A data cleansing plan was completed in June 2020 lead by Hymans. The PAT look at Data Improvement as part of BAU and is a regular item on the Administration working group.</p> <p>Introduction of I-Connect system will limit employer ability to submit incorrect data. Data is received monthly rather than annually to allow for regular cleansing and discussion with employers.</p> <p>Meetings held between senior pensions Management team and employers where there are current or historic data concerns</p> <p>As part of the lead into the 2022 triennial valuation data cleansing and challenge is being conducted by the Actuary with PAT to ensure the integrity of data</p>	3	3	9	Head of Pensions	On-going

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E3	Delay in employers agreeing Admission Agreement	<p>Complexity around agreeing contribution rate</p> <p>Negotiations around provision of security</p> <p>Delays in negotiating terms and execution of documentation</p> <p>Late notification of an outsourcing arrangement</p> <p>Failure to understand the regulatory responsibilities on tenderers of new LGPS employers</p>	<p>Inability to recover missed payments in event of employer insolvency event</p> <p>Pension and service benefits are not accrued during the negotiation phase, and could result in retirement or death in service to be delayed for the period of the new employer</p>	3	2	6	<p>New templates being developed for pooling rate. Fixed rate template and Bond template in place. These templates are shared with the employers early in the process to speed up the agreeing new admission agreements</p> <p>The fund will continue to consider moving to a template portal which will automatically populate the variable data in the admission agreement ensuring no addition terms are changed and provides assurance from external legal term that the agreement are comprehensive and enforceable. However the functionality is not yet sufficient to make the processes easier for letting employers and contractors.</p> <p>Guide to outsourcing is publicly available and distributed to all employers with coverage in both Employer forum in November 2020 and 2021. This guide directs employers of all the activities and considerations they need to take on any outsourcing arrangement with TUPE staff implications.</p> <p>Officers meet at least monthly to review status and movement on each in progress admission and an update is provided at team meetings monthly to ensure the admission is complete and effective at all stages.</p> <p>A new data flow and process map has been written to ensure officers request and communicate all the required information in a timely manner and on execution of the agreements data is required in line with the Administration strategy.</p> <p>Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status</p>	2	2	4	Head of Pensions	On-going
<b>Administration</b>												
A1	Pensions service Delivery Risk Inadequate delivery of Pensions Administration	<p>The Scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including as a result of poor data</p> <p>Paying pension benefits incorrectly</p> <p>Members not provided with required information</p>	<p>Members of the pension scheme not serviced to an adequate standards</p> <p>Damaged reputation</p> <p>Financial hardship to members</p> <p>Employers dissatisfied with service being provided resulting in formal complaint</p> <p>Complaints which progress to the Pensions Ombudsman</p> <p>Financial loss</p> <p>Statutory deadlines not met</p> <p>Active members not aware of delay in employee contributions being paid</p>	3	3	9	<p>The PAT team is an inhouse provision since December 2020 and enables the management team to have complete control over service delivery</p> <p>Annual internal audit report on the administration of pensions including regular reporting and monitoring of recommendations to ensure the service is acting in line with best practice. The Fund has received reasonable assurance since bring inhouse.</p> <p>Quarterly Reports to Pension Board and Committee on areas of work and KPIs</p> <p>New service level KPI's now reportable within the Administration software.</p> <p>Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses</p> <p>Task workflow is managed by the Senior Pension Officers to all PAT staff and helpdesk add all tasks to the workflow system, to ensure all all tasks completed as planned and to a high standard. All tasks are peer reviewed</p> <p>Checklists in place and all activity for members recorded on member records for other teams members to access</p> <p>All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members</p> <p>In house risk logs, including for projects</p> <p>SAP / Altair reconciliation monthly to ensure financial records complete and correct</p> <p>Task management systems built into Altair to ensure activity is competed and monitored</p> <p>Pension meetings held monthly to include S151, COO, IT and Business Admin to ensure other ESCC services are working effectively to ensure the Pensions team can work effectively</p> <p>Pensions Admin working group in place to discuss service delivery issues on a regular basis</p>	2	3	6	Head of Pensions Administration	On-going
A2	Risk resulting from Regulatory Change Risk that new benefit structures can not be set up correctly or in time	<p>GMP reconciliation</p> <p>GMP rectification</p> <p>GMP equalisation</p> <p>McCloud</p> <p>Pensions Dashboard</p> <p>Other changes to legislation or regulatory guides</p>	<p>Members of pensions scheme exposed to financial loss</p> <p>Inaccurate record keeping</p> <p>Damaged reputation</p> <p>Delays due to conflicting deadlines on heavy workloads</p> <p>Penalty applied due to non-compliance</p>	3	3	9	<p>Projects and/or working groups in place to deal with current regulatorily benefit changes</p> <p>Attendance at networks and officer groups to stay on top of up coming changes in regulation</p> <p>Reports to Pension Board and Committee to ensure knowledge is shared to decision makers</p> <p>Oversight via Admin Working Group</p>	2	3	6	Head of Pensions Administration	On-going

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A3	Production of Statutory member returns	Inability to produce all ABS by the statutory deadline Inability to produce Annual Allowance statements by the statutory deadlines Provision of incorrect statements to members Failure to complete event reports in time for HMRC	Reputational risk and complaints Fines and enforcement action by The Pension Regulator Interest charges or fines from HMRC for inaccurate AA statements Breaches occurred	4	3	12	Regular contact with employers to get data. Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff. Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors through out the year. Currently many leavers are not being notified until year-end. Structure of Pensions team to include an Employer Engagement team to support Pensions Administration with end of year returns liaising and supporting employers through the process Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels	3	2	6	Head of Pensions Administration	On-going
A4	Risk on Dissolution of Business Operations from Orbis to ESCC <b>Recommendation this risk is withdrawn from Risk Register</b>	Risk that support unavailable to procure services Risk that existing procurement exercises are delayed during handover Risk of delay to recruitment during handover period Lack of access to Pensioner payroll services and helpdesk	Essential support from third party service provider cannot be obtained in timely manner Unable to employ and onboard new staff, delaying efforts to reach full FTE Unable to pay benefits as they fall due	3	3	9	Engaging through Financial Management Team to monitor developments in this space, allowing opportunity to adapt tasking as needed Minimise new procurement projects until after disaggregation Agreements in place with SCC for provision of helpdesk and payroll services separate to Orbis	2	3	6	Head of Pensions	Ongoing
A5	Failure to comply with CETV anti scam checks	Lack of clear process Process not followed	Reputational damage TPR intervention and penalties Loss to Fund due to requirement to pay compensation	3	2	6	Process in place for making checks required by law and/or recommended by TPR. Appropriate training to be identified and offered to staff to build understanding of risk and appropriate mitigations. <b>Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity</b> Member informed of "red flags" identified Scorpion campaign material provided to members seeking a CETV Quality assurance checks ensure appropriate checks carried out	1	2	2	Head of Pensions Administration	on-going
A6	Major Incident preventing staff access to office <b>Recommendation this risk is withdrawn from Risk Register</b>	Major weather, technological or illness event	Staff unable to access post/documents Staff unable to issue payment instructions to bank	2	2	4	Administrative team equipped with laptops and can work virtually Officer's able to instruct payment be made to pensioner members	1	2	2	Head of Pensions	on-going
A7	MBOS Project	Transfer to new reporting system leads to unexpected errors and incorrect data being provided Set up of new system restricts accounts reporting for statement of accounts production, budget monitoring or other data requirements	Member records updated incorrectly Publication of accounts late Accounts qualified <b>Inability to Pay suppliers</b> Inability to effectively monitor spend	2	3	6	Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being taken into account Officers produced process mapping for all functions within the existing finance system <b>A specific stream of planning has been identified in the project for the interface with Altair</b> <b>S151 officer on the programme board</b>	1	3	3	Head of Pensions	on-going

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<b>Governance</b>												
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	Poor management of staff  Failure to provide progression within the team structure  Poor absence management  Higher risk of sickness absence and reduced working hours as a result of Covid-19  Failure to provide an supportive working environment Failure to communicate with staff members in relation to potential service changes Concentration of knowledge in a small number of officers and risk of departure of key and senior staff.	Damaged reputation  Inability to deliver and failure to provide efficient pensions administration service, support to employers, accurate accounts or effective management of investments Disruption and inability to provide a high quality pension service to members. 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.	4	4	16	Diversified staff / team  Attendance at pension officers user groups to network and exchange information  Procedural notes which includes new systems, section meetings / appraisals  Succession planning within team structure, building from within the team  Robust business continuity processes in place around key business processes, including a disaster recovery plan. Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas.  Training requirements are set out in training strategy, job descriptions and reviewed annually with team members through the appraisal process.  Training officer post within team structure since 2021 Training strategy in place and regularly reviewed with training log where required	2	2	4	Head of Pensions / Head of Pensions Administration	On-going
G2	Lack of decision making caused by loss of Pension Committee/Pension Board member	Several Committee members lose seats in an election  Members resign posts  Terms of multiple members expire at same time	Committee/Board not quorate and unable to fulfil role  Inability of Pension Board to support Committee due to loss of Knowledge and Understanding  Clear instructions not given to officers  Intervention by secretary of state Action taken by TPR for failure meet basic compliance standards	3	3	9	Record kept of terms of Office  Pension Board terms of Office staggered  Deputy Chairs in place to cover chair absence  Officers aware of election cycle's  Training plans in place for new members	2	3	6	Head of Pensions	On-going
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	Cyber attack on ESCC systems and firewalls  Cyber Security of member data - personal employment and financial data Attempt to infiltrate emails systems and data exchanges Cyber attach on third party systems where ESPF data is stored Cyber attach on third party systems that ESPF require to carry out service requirements and investment functions Covid-19 Cybercrime Spike	ESCC may incur financial penalties for data breaches  Damaged reputation  Legal issues  Members of the pension scheme exposed to financial loss / identity theft  Members of the pension scheme data lost or compromised  Financial loss resulting from data manipulation  Inability to trade Impact on funding levels  Inability to access key systems, or substantial rebuilding of alternative systems  Ransomware prevents access to key systems	4	4	16	ICT defence - in-depth approach  Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols  Email and content scanners  Using anti-malware.  ICT performs penetration and security tests on regular basis  Encryption used on all data transfers  Service level agreement with termination clause Regular reports SAS 70/AAF0106  Industry leaders providing services to the fund with data protection and cyber defence systems  Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset  Pensions Team specific BCP to be developed  Engagement with ICT to understand and receive reports on monitoring for successful cyber attacks	2	4	8	Head of Pensions	On-going

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G4	Inadequate governance arrangements to discharge powers & duties	<p>Pensions Board &amp; Committee members do not have the knowledge &amp; experience to carry out their duties properly</p> <p>In sufficient internal audit review of the fund</p> <p>Lack of advisory services</p> <p>Insufficiently qualified officers</p> <p>Poor level of testing and challenge from external auditors</p>	<p>Poor decision making</p> <p>Breaches occurred</p> <p>Areas of work not completed</p> <p>Unreliable accounting or budgetary information</p> <p>Intervention by secretary of state or Pension Regulator</p>	2	3	6	<p>Training strategy in place which covers Pension Committee, Pensions Board and officers</p> <p>100 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board, including Governance and Compliance areas</p> <p>External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board</p> <p>Investment regulations require proper advice, procurement processes in place to ensure quality within replacement advisers</p> <p>Review carried out against TPR COP14 requirements to identify any governance gaps</p> <p>Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation</p> <p>Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee</p> <p>Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs</p>	1	3	3	Head of Pensions	On-going
G5	Failure to comply with General Data Protection Regulations	<p>Data breaches through failure to encrypt data</p> <p>Poor security on systems</p> <p>Unpublished privacy notice, policy and guidance</p> <p>Lack of knowledge on GDPR rules by staff</p> <p>DPO not identified</p>	<p>Reputational damage</p> <p>Fines and enforcement</p> <p>Breaches by contractors and employers</p> <p>Failure to report breaches within timescales and through correct reporting methods</p>	3	3	9	<p>Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements</p> <p>Data Impact assessment is carried out on all new tenders where data is involved</p> <p>DPO is in place via ESCC</p> <p>Privacy notice is on the website - the privacy statements have been refreshed in August 2021 and April 2022</p> <p>Memorandum of Understanding in place with employers within the fund</p> <p>All staff are required to complete an information governance course on joining the Council and this is refreshed annually</p> <p>Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations have been completed as at September 2021</p> <p>Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period</p>	2	2	4	Head of Pensions	On-going
<b>Investment/Funding</b>												
I1	Funding risk due to poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	<p>Poor strategic asset allocation resulting in insufficient protection against inflation risk of liabilities</p> <p>Performance consistently under benchmark</p> <p>Inability to rebalance portfolio</p> <p>Failure to take proper advice</p> <p>Unrealistic discount rates in valuation assumptions</p>	<p>Funding Gap</p> <p>Damaged reputation</p> <p>Increase in employer contribution</p> <p>Inability to Pay Pensions</p> <p>Forced to sell investments to meet cashflow requirements</p>	3	3	9	<p>Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser.</p> <p>Triennial valuation ensures funding position is known and contribution rates are stabilised</p> <p>Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officer have a rolling programme to meet and challenge investment managers</p> <p>Annual Investment Strategy Review, with interim rebalancing</p> <p>Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance</p> <p>Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy</p> <p>Investment decisions are made in compliance with the ISS/FSS</p> <p>All investment decisions made, based on proper advice</p> <p>Diversified strategy to reduce correlation of manager volatility</p> <p>Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned.</p> <p>Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation.</p>	2	2	4	Head of Pensions	On-going

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12	<p><b>Changes to International Trade</b> The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses</p>	<p>Inability to access certain investment vehicles</p> <p>Changes to Banking legislation and MIFID II and Basel requirements</p> <p>Falls /instability in markets</p> <p>Currency fluctuations</p> <p>Inability to realise certain assets</p> <p>Increased taxation on certain assets</p>	<p>Financial loss, and/or failure to meet return expectations.</p> <p>Future Increase to employer contribution costs resulting from lower funding positions</p> <p>Changes to the regulatory and legislative framework within which the Fund operates.</p> <p>Changes in employer funding positions causing liquidity risk to employers</p> <p>Unable to sell assets preventing realignment with funding strategy or withdrawal from underperforming fund/asset class</p>	3	3	9	<p>Diversification of the Fund's investments across the world.</p> <p>Regular monitoring of investment performance and reports on potentially problematic trends</p> <p>Diversification of the Fund's investments across multiple asset classes</p> <p>Currency Hedging requirements considered within the investment strategy</p> <p>Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented</p>	2	2	4	Head of Pensions	On-going
13	<p><b>Regulatory risk</b> Failure to comply with regulations, legislation and guidance from an accounting and investment perspective</p>	<p>Failure to comply with CIPFA code of practice for accounting for the pension fund</p> <p>Failure to provide employers with accurate reporting for their financial statements</p> <p>Failure to comply with the LGPS investment regs</p> <p>Failure to Comply with statutory guidance from MHCLG</p> <p>Failure to comply with the Pensions Regulator requirements</p>	<p>Risk of the accounts being qualified by the auditors.</p> <p>Risk to employers of qualified accounts causing reputational damage and potential costs</p> <p>Intervention by the secretary of state in investment strategy</p> <p>Breaches occurred</p>	3	3	9	<p>Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</p> <p>Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations.</p> <p>Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</p> <p>Internal Audits - carried out in line with the Pension Audit strategy.</p> <p>External Audit review the Pension Fund's accounts annually</p> <p>Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation</p> <p>Breaches policy in place to ensure breaches mapped and reported</p>	1	2	2	Head of Pensions	On-going

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14	Investment pooling risk	<p>Asset classes not available in line with the funds investment strategy</p> <p>Excessive asset transition costs</p> <p>Poor governance of the ACCESS pool</p> <p>Investment beliefs on ESG issues not shared within the pool</p> <p>Inability to report performance to the fund</p> <p>Inability to manage the investment managers and structure to deal with poor performance</p> <p>Insufficient Capacity in sub funds</p> <p>There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure.</p> <p>ACCESS pool unable to generate cost efficiencies</p> <p>Mandation by government to pool more assets</p>	<p>Increase in investment risk taken to access higher returns</p> <p>Increased costs</p> <p>Poor governance and reputational damage</p> <p>There is a risk that an investment may not transition to the ACS if Link cannot resolve on-going issues relating to the operating model for the planned Feeder fund structure.</p> <p>Asset transition costs are greater than forecast.</p> <p>Failure to control operational risks and transaction costs during the transition process</p> <p>Insufficient risk and return parameters to comply with guidance on pooling and the investment strategy</p> <p>Intervention of the secretary of state in failing to invest in line with the statutory guidance on pooling</p> <p>An increase in the set-up costs for implementing new asset classes and managers</p> <p>Conflict between strategy and to ability to invest</p>	3	3	9	<p>ACCESS Support Unit team provide support to the pool</p> <p>Operator contract provided by Link for assets held within the ACS</p> <p>The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS</p> <p>KPI's introduced within revised operator agreements</p> <p>Consultants involved in analysing the creation of sub-funds and transitioning of our current assets into the pool, under a variety of scenarios.</p> <p>Opportunities to transfer securities in 'specie'. Reducing cost on transition</p> <p>Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled.</p> <p>Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest.</p> <p>S151, chair of pension committee and monitoring officer representation on respective committees and working groups to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes</p> <p>Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making</p>	2	3	6	Head of Pensions	On-going
15	Funding risk due to higher inflation leading to increased liabilities and a funding gap	<p>Inflation rises faster than the actuarial assumption as a result of Govt. response to COVID-19</p> <p>Bond yields return to much higher levels</p>	<p>Liabilities are higher than expected.</p> <p>Bond-equity correlations rise, and equities also fall in price</p> <p>Fund's solvency level falls</p>	4	3	12	<p>Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation.</p> <p>Potential to further increase infrastructure weightings</p> <p>Fund monitor portfolio sensitivity to inflation via expert investment consultants</p> <p>Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation.</p> <p>Flexibility in the DGF mandates to react to the market and adapt the investment portfolio Report received in Feb 22 on inflation possibilities with possible actions to take in the medium term. To be considered as part of the strategy review day.</p> <p>Quarterly monitoring of funding position helps identify risk early</p>	3	2	6	Head of Pensions	On-going

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16	<b>Environmental, Social and Governance risks</b> within Investment strategy and implementations on investment decisions	<p>Incorrect assumptions on current exposure , risk profiles and scenarios analysis leading to poor decision making</p> <p>Risk to income yields by restricting the market due to ESG concerns without considering the bigger picture of the investment strategy to compensate</p> <p>Investment environment changes radically, and Fund is slow to respond</p> <p>Risk to wider social and economic risks by focusing on a single issue</p> <p>Poor transparency on underlying investment manager investments decisions on behalf of the fund</p> <p>Failure of fund managers to explain or comply against voting guidelines</p> <p>Poor corporate Governance or corruption in underlying investments</p> <p>Risk of regulatory policy changes resulting in fines to underlying investments</p>	<p>Volatile investment returns</p> <p>Loss of market value</p> <p>Reputational risk where EGS beliefs and strategy are not aligned with expectation of members</p> <p>Increased workload responding to questions and challenges over ESG risks taking officer time away from manging the fund effectively</p> <p>Increase in investment risk taken due to unassessed ESG issues</p> <p>Weaker control leading to poorer governance</p> <p>unconscious exposure to companies in violation of UN policies, human rights violations, poor governance structures</p>	3	2	6	<p>Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors.</p> <p>Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions</p> <p>Trim unconscious exposure to companies with poor ESG rating through r removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account</p> <p>Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks</p> <p>Production of annual reports on the carbon footprint of the Fund and review of managers from EGS perspective including transition pathway of underlying companies</p> <p>2020 Stewardship code submission in process</p> <p>Membership of collaborative groups to help drive policy change</p> <p>Challenging managers on their holdings with regard ESG issues</p> <p>Introduction of an ESG assessment for all managers reported in July 2021 including improvement actions for each manager on ESG methodology, reporting or collaboration. This will be updated and reported annually</p> <p>Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power</p>	2	2	4	Head of Pensions	On-going



Pension Fund Risk Register May 2022

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
17	Climate change - risk on assets and liabilities associated with Climate Change	<p>Uncertainty in energy transition impacts and timing</p> <p>Risk of stranded assets where invested in fossil fuel companies</p> <p>Lack of reliable carbon measurement data for investment pooled funds and or underlying holdings of those pooled funds.</p> <p>Risk of natural disasters on underlying investments</p> <p>Risk of changes in oil prices</p> <p>Increased capital costs of underlying investment companies to transition to greener energy solutions or lower carbon emitting supply chain models and production methods</p> <p>Fines or penalties incurred by underlying holdings by company or sector</p> <p>Increased global temperature and or erratic climate events causing devastation to underlying holdings</p> <p>Social consequence on members welfare and longevity within the fund</p> <p>Breach of law in taking political action over fiduciary duties</p>	<p>Unconscious exposure to high carbon emitters</p> <p>Reputation issues around how the Fund is progressing the move to a decarbonised global economy.</p> <p>Volatile investment returns</p> <p>Reputational risk where Climate risks, reporting, mitigations and strategies are not aligned with member views or poorly communicated</p> <p>Loss of income to the Fund from missed opportunities in oil price rally to accommodate the infrastructure to enable to the world to comply with the energy transition</p> <p>Loss of market value</p> <p>Major ecological disaster in the UK could lead to increased mortality quicker than anticipated within the funding models impacting on cash outflows and increased workloads for lump sum payments.</p> <p>Possible increase to ill health retirement cases leading to a change in cash flows and possible enhancements beyond those anticipated</p> <p>Loss of investment returns / underperformance from absence of Fossil fuel companies in equity mandates in oil price raise</p>	4	3	12	<p>Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors and has a strong focus on climate change</p> <p>Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions</p> <p>Restructuring of the equity portfolio to avoid high risk companies and exploit opportunities, including decision to invest in impact fund in September 2020</p> <p>Trim unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through agreed removal of traditional index funds</p> <p>Member of Institutional Investors group on climate change</p> <p>The fund carry out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio</p> <p>Signatory to UN PRI with first planned submission in 2022 and commitment to report TCFD's with a first attempt in the Annual Report for 2020/21</p> <p>The Fund has planned for climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks.</p> <p>The Fund continue to have some occasional exposure to high carbon emitting or fossil fuel sector companies from a tactical perspective to use its vote to help drive the sector forward through engagement and voting using the power of a collective voice. A number of Fund managers are Climate 100+ engagement partners leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action</p> <p>Focus on Climate change through training to committee and officers</p> <p>Focus on Climate Change in decision making and strategy changes</p> <p>Investment in climate impact Funds and solutions to climate change who will benefit from a 1.5 degree aligned world and organised or radio energy transition</p> <p>Very small outstanding percentage exposure with fossil fuel companies that extract oil and gas or coal, which if the sector fall to zero value, the impact of the Fund would be negligible in market movement perspectives.</p>	2	2	4	Head of Pensions	On-going

Pension Fund Risk Register May 2022

Reference	Risk	Potential Triggers of risk	Consequences of risk	Pre Mitigation			Risk Control / Response	Post Mitigation			Risk Owner	Timescales
				Likelihood	Impact	Risk Score		Impact	Likelihood	Risk Score		
18	Insufficient cash to pay benefits as they fall due	Too much investment in illiquid assets Failure to track payments due Large investment commitments not anticipated and planned for  Contributions not collected when due	Benefits not paid as they fall due Beneficiary financial hardship  Forced sale of investments  Reputational risk	2	4	8	Contributions monitored on monthly basis monitoring of members close to retirement Daily cash position monitored.  Distributing investments to ensure stream of income from investment activity Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed liaison between administration and investment team on cash requirements	1	4	4	Head of Pensions	on-going
19	Internal fraud	Member of staff has multiple accounts and can self authorise  Lack of internal controls and sign off procedures Failure to monitor staff actions Failure to monitor payments from the Fund	Loss of Fund assets  Reputational risk Loss of member confidence Loss of Fund assets	2	3	6	Quarterly review of log in credentials  Senior officer's have sight of bank account  Senior officer's are signatories to bank account Multiple sign off needed to make payment	1	3	3	Head of Pensions	On-going
110	External fraud	Failure to properly authenticate benefit claims  Failure to identify deceased members No mortality tracing service contract in place Inability to track members address	Reputational risk  Unable to issue ABS statements to postal members leading to recovery of payments Loss of member confidence	4	3	12	Mortality checks, Tell us once and NFI data Officers working with legal and procurement to liaise with preferred provider to resolve contract talks. Risk of not signing contract is higher than signing with disputed terms so efforts being made to arrange for contract to be signed Alternative provider will be considered should contract not be signed	3	2	6	Head of Pensions	On-going

### Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20
60-90%	This Month	High		4	4	8	12	16
40-60%	This year	Medium		3	3	6	9	12
10-40%	Next 5 years	Low		2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
				1	2	3	4	
				IMPACT				
				Negligible No noticeable impact	Minor Minor impact, Some degradation of service	Major Significant impact, disruption to core services	Critical Disastrous impact, Catastrophic failure	
SERVICE DELIVERY				Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project	
FINANCAL				Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.	
REPUTATION				Little or no publicity. Little staff comments.	Limited local publicity. Mainly within local government community. Causes staff concern.	Local media interest. Comment from external inspection agencies. Noticeable impact on public opinion.	National media interest seriously affecting public opinion	