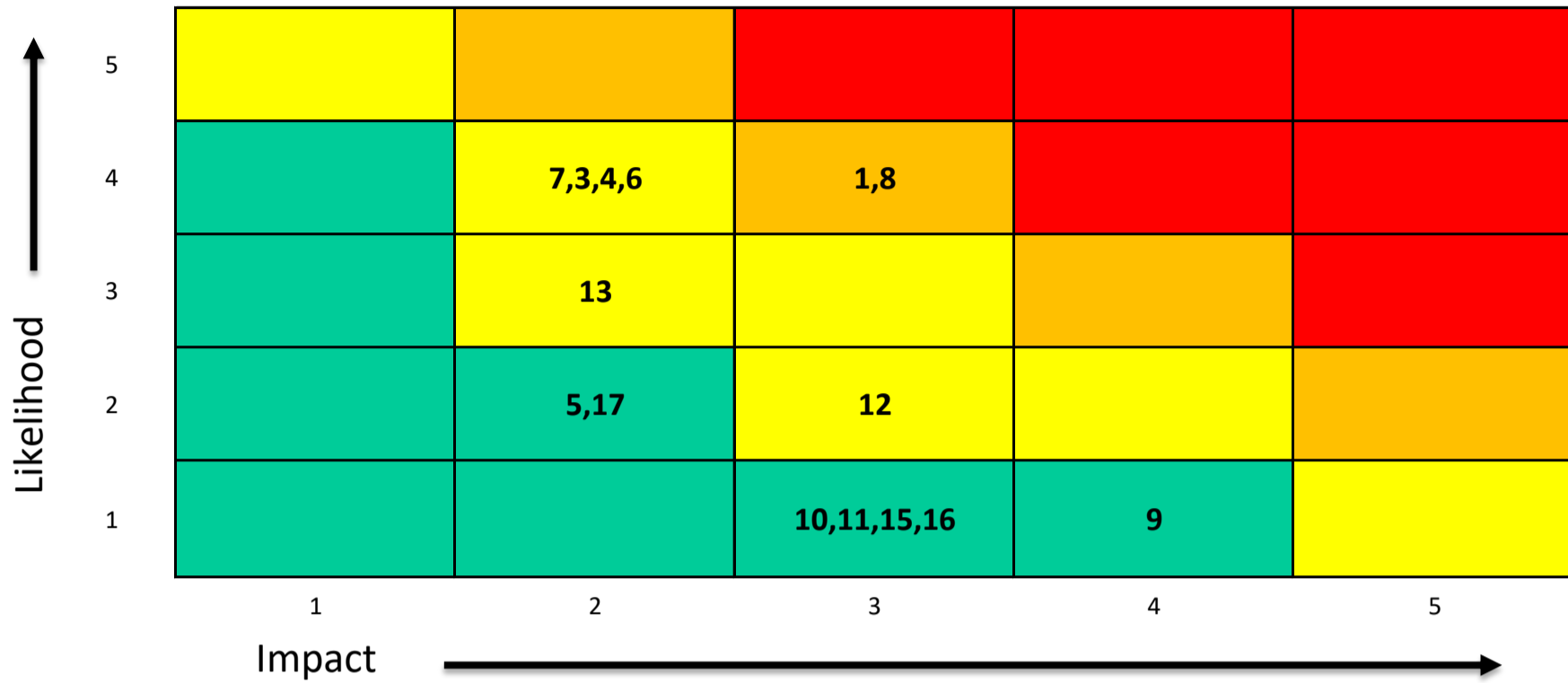


## Pension Fund Risk Register



Risk Ref	Risk Description	Gross Risk Rating	Net Risk Rating
1	Market Risk:	16	12
2	External Environment Risk:	12	9
3	Currency Risk:	12	8
4	Credit Risk:	12	8
5	Liquidity/ Cashflow Risk:	6	4
6	Interest Rate Risk:	12	8
7	Other Price Risk:	12	8
8	Investment Manager Underperformance:	16	12
9	Custodian Negligence/Fraud:	4	4
10	Inadequate Investment Decisions	4	3
11	Government Intervention	3	3
12	Pooling	12	6
13	Employer Governance Risk:	16	6
14	Operational Risk:	5	3
15	Cyber risk:	5	3
16	Administration risk:	6	3
17	Fraud/ Scam:	8	4

## Pension Fund Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	RISK OWNER
				LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
1	<b>Market Risk:</b> Potential losses due to factors that affect the overall performance of the financial markets.	- Fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. - Reduction in market value of investments.	Strategic Investment	4	4	16	1. Asset Allocation Strategy provides hedging strategies to protect against volatility and market risk. 2. Investment mandates with Investment Managers restrict the types of investments that can be made. 3. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance and market values.	4	3	12		Director of Finance
2	<b>External Environment Risk:</b> Risk that arise from events outside of the Fund's control. E.g. pandemic, natural disasters and political changes.	- Fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. - Reduction in market value of investments. - Significant change in Fund's membership leading to mismatching investment. - Business interruption.	Strategic Investment and Operational Investment	3	4	12	1. Asset Allocation Strategy provides hedging and diversification to protect against volatility and external risk. 2. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance and market values. 3. Business continuity procedure in place to reduce the impact of business interruption.	3	3	9		Director of Finance
3	<b>Currency Risk:</b> Risk of loss from fluctuating foreign exchange rates as the Fund has foreign currency traded investments.	- Unfavourable movement in foreign exchange rates. - Reduction in market value of investments denominated in currencies other than £Sterling.	Strategic Investment	4	3	12	1. Asset Allocation Strategy provides diversification of investments. 2. Investment mandates with Investment Managers restrict the types of investments that can be made. 3. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance and market values.	4	2	8		Director of Finance
4	<b>Credit Risk:</b> Risk of financial instrument or transaction counterparties fail to discharge their obligations.	- Reduction to or loss of market value of the instrument	Strategic Investment	4	3	12	1. Asset Allocation Strategy provides diversification of investments. 2. Investment mandates with Investment Managers restrict the types of investments that can be made. 3. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance and market values.	4	2	8		Director of Finance
5	<b>Liquidity/ Cashflow Risk:</b> Risk that the Fund is unable to liquidate investments in a timely manner to meet its financial obligations as they fall due.	- In the short term, the Fund would effectively borrow from the Council. In the long term, as Council resources became strained, the ability to make payments to pensioners would be at risk.	Strategic Investment	2	3	6	1. Asset Allocation Strategy approved during 2019/20 should meet short to medium term liquidity/cash flow requirements. 2. Quarterly investment performance reports provided to Pensions Investment Sub-Committee include details of the Pension Fund Revenue Account.	2	2	4	Asset Allocation Strategy will likely need to be reviewed in future to meet expected longer term cash flow requirements.	Director of Finance
6	<b>Interest Rate Risk:</b> Potential losses that result from a change in interest rates.	- Fluctuations in market interest rates. - Reduction to the fair value of future cash flows of a financial instrument.	Strategic Investment	4	3	12	1. Asset Allocation Strategy provides diversification of investments. 2. Investment mandates with Investment Managers restrict the types of investments that can be made. 3. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance and market values.	4	2	8		Director of Finance
7	<b>Other Price Risk:</b> Other risk than those arising from interest rates or foreign currency. E.g. earning volatility, poor business management and price changes	- Fluctuations in the value of financial instruments as a result of market prices - Reduction in market value of investments.	Strategic Investment	4	3	12	1. Asset Allocation Strategy provides hedging and diversification of investments. 2. Investment mandates with Investment Managers restrict the types of investments that can be made. 3. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance and market values.	4	2	8		Director of Finance

## Pension Fund Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	RISK OWNER
				LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
8	<b>Investment Manager Underperformance:</b> Investment managers fail to meet performance expectations.	- Overall Fund performance does not meet actuarial assumptions.	Operational Investment	4	4	16	1. Asset Allocation Strategy provides diversification of investments across multiple investment managers. 2. Investment managers are given benchmark returns that they are expected to meet/exceed and against which their performance can be measured. 3. Investment mandates with Investment Managers restrict the types of investments that can be made. 4. Quarterly investment performance monitoring reports provided to Pensions Investment Sub-Committee include details of Manager performance.	4	3	12		Director of Finance
9	<b>Custodian Negligence/Fraud:</b> Custodian does not sufficient safeguards in place.	- Loss of Fund investments (segregated global equities portfolios).	Operational Investment	1	4	4	1. Quarterly reconciliations of custody holdings.	1	4	4		Director of Finance
10	<b>Inadequate Investment Decisions</b> Risk of inadequate advice and skills/knowledge to make appropriate investment decisions.	- Inappropriate advice from third parties. - Pensions Investment Sub-Committee members have inadequate skills/knowledge. - Fund fails to meet performance expectations/loss of market value of investments.	Governance	1	4	4	1. Pensions Investment Sub-Committee advised by Director of Finance and independent adviser. 2. Pensions seminars for members provided by Director of Finance. 3. Rigorous process to select advisers.	1	3	3		Director of Finance
11	<b>Government Intervention</b> Change in regulation and/or directs the Fund to make certain investments e.g. in infrastructure	- Paying exit credit within a timeframe. i.e. short selling assets - Potential reduction to overall Fund return.	Regulatory	1	3	3	1. Robust responses provided to government consultations. 2. Notify employers of updated regulation.	1	3	3		Director of Finance
12	<b>Pooling</b> Mandatory pooling of investments (London CIV) may result in appointment of poorer performing investment managers.	- Reduction to fund returns.	Regulatory/Strategic Investment	3	4	12	Active engagement of Pension Investment Sub Committee, Council representative as shareholder of CIV (Chairman of Pension Investment Sub Committee) and Director of Finance to monitor progress and provide scrutiny and action where possible.	2	3	6		Director of Finance
13	<b>Employer Governance Risk:</b> Admitted body is unable to pay calculated cessation value.	- Deficit is picked up by fund effecting all employers in the scheme.	Operational	4	4	16	1. Procedures in place, particularly on newer contracts to have Bond or guarantors in place to cover any cessation debts mitigating risk to Pension Fund. 2. Work with employer to have a deficit repayment plan.	3	2	6		Pensions Manager
14	<b>Operational Risk:</b> Inadequate or failed procedures, systems or policies.	- Employee errors lead to incorrect calculation. - System failures lead to loss of data.	Operational	1	5	5	1. Provided training to employees. 2. Check and review process in place. 3. Daily data backups by software provider Heywoods.	1	3	3		Pensions Manager
15	<b>Cyber risk:</b> Risk of financial loss, disruption or damage to the reputation resulting from the failure of its information technology systems.	- Loss of data. - Business disruption.	Operational	1	5	5	1. Cyber risk is regularly reviewed by the IT department. 2. Controls restricting access to system and data. 3. Critical systems and data are regularly backed up.	1	3	3		Pensions Manager
16	<b>Administration risk:</b> Malpractice from service provider.	- Delayed responses and quotations to members - Incorrect quotation. - Increase numbers of complaints	Operational	2	3	6	1. Request service provider to provide training to new staff 2. Regular service review meeting to provide feedback 3. Check and review process in place	1	3	3		Pensions Manager
17	<b>Fraud/ Scam:</b> Risk of loss in assets.	- Increase in transfer value out and cash commutation. - Poor reputation for not protecting members.	Operational	4	2	8	1. Required sign-off from Independent Financial Adviser. 2. Checked details of transfer-out Scheme. 3. Include Fraud/ Scam information in annual Newsletter and Transfer Value quotation letter	2	2	4		Pensions Manager

## Risk Assessment Guidance

Likelihood	Almost Certain (5)	5	10	15	20	25	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr><td style="background-color: red;">15+</td><td><b>High Risk</b> - review controls and actions every month</td></tr> <tr><td style="background-color: orange;">10 - 12</td><td><b>Significant Risk</b> - review controls and actions every 3 months</td></tr> <tr><td style="background-color: yellow;">5 - 9</td><td><b>Medium Risk</b> - review controls and actions every 6 months</td></tr> <tr><td style="background-color: green;">1 - 4</td><td><b>Low Risk</b> - review controls and actions at least annually</td></tr> </table>	15+	<b>High Risk</b> - review controls and actions every month	10 - 12	<b>Significant Risk</b> - review controls and actions every 3 months	5 - 9	<b>Medium Risk</b> - review controls and actions every 6 months	1 - 4	<b>Low Risk</b> - review controls and actions at least annually
	15+	<b>High Risk</b> - review controls and actions every month													
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	5 - 9	<b>Medium Risk</b> - review controls and actions every 6 months													
	1 - 4	<b>Low Risk</b> - review controls and actions at least annually													
Highly likely (4)	4	8	12	16	20										
Likely (3)	3	6	9	12	15										
Unlikely (2)	2	4	6	8	10										
Remote (1)	1	2	3	4	5										
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)	Impact									

Risk Likelihood Key					
	Score - 1	Score - 2	Score - 3	Score - 4	Score - 5
	Remote	Unlikely	Possible	Likely	Definite
Expected frequency	10 - yearly	3 - yearly	Annually	Quarterly	Monthly

Risk Impact Key					
Risk Impact	Score - 1	Score - 2	Score - 3	Score - 4	Score - 5
	Insignificant	Minor	Moderate	Major	Catastrophic
<b>Compliance &amp; Regulation</b>	Minor breach of internal regulations, not reportable	Minor breach of external regulations, not reportable	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Significant breach of external regulations leading to intervention or sanctions	Major breach leading to suspension or discontinuation of business and services
<b>Financial</b>	Less than £50,000	Between £50,000 and £100,000	Between £100,000 and £1,000,000	Between £1,000,000 and £5,000,000	More than £5,000,000
<b>Service Delivery</b>	Disruption to one service for a period of 1 week or less	Disruption to one service for a period of 2 weeks	Loss of one service for between 2-4 weeks	Loss of one or more services for a period of 1 month or more	Permanent cessation of service(s)
<b>Reputation</b>	Complaints from individuals / small groups of residents Low local coverage	Complaints from local stakeholders Adverse local media coverage	Broader based general dissatisfaction with the running of the council Adverse national media coverage	Significant adverse national media coverage Resignation of Director(s)	Persistent adverse national media coverage Resignation / removal of CEX / elected Member
<b>Health &amp; Safety</b>	Minor incident resulting in little harm	Minor Injury to Council employee or someone in the Council's care	Serious Injury to Council employee or someone in the Council's care	Fatality to Council employee or someone in the Council's care	Multiple fatalities to Council employees or individuals in the Council's care

## INSTANT GUIDE TO RISK MANAGEMENT

The Process	Identify your risks	Assess your risks	Control your risks	Monitor and Review your risks
<p>Risk Management is an important element of the system of internal control. It is based on a process designed to identify and prioritise risks to achieving Bromley's policies, aims and objectives.</p> <p>The Risk Management process is a continuous cycle:</p> <p>Using your objectives Identify your risks&gt; Assess your risks &gt; Control your risks&gt; Monitor and Review your risks.</p> <p>Useful definitions:</p> <p><b>Risk Management</b> is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives.</p> <p><b>Risk</b> is the chance of something happening which will have an impact on objectives.</p> <p>The message is that if you don't manage your risks then you are unlikely to achieve your objectives</p>	<p>Brainstorming session using IE&amp;E plans and departmental objectives, to identify threats and opportunities.</p> <p>Useful analytical tools:</p> <p><b>Political</b> <b>Economic</b> <b>Social</b> <b>Technological</b> <b>Legal</b> <b>Environmental</b></p> <p><b>PESTLE</b> provides a simple and useful framework for identifying and analysing external factors which may have an impact on your service.</p> <p><b>Strengths</b> <b>Weaknesses</b> <b>Opportunities</b> <b>Threats</b></p> <p>Using the <b>PESTLE</b> output <b>SWOT</b> is a technique that can help a service to focus on areas for improvement and opportunities that could be pursued.</p> <p>Remember if it can go wrong it will go wrong.</p>	<p>We use a 5 x 5 matrix to assess risks (see Risk Assessment Guidance tab).</p> <p>Risk is scored using a traffic light system:</p> <p>Red = High Amber = Significant Yellow = Medium Green = Low</p> <p>There are two risk variables that make up the overall risk rating:</p> <p>Impact – how minor / severe is it when it happens?</p> <p>Likelihood – how likely is it / how often does it happen?</p> <p>The Risk Management Toolkit provides detailed guidance on how to score these.</p> <p>Some of these assessments can be based on past experience. In other cases you will need to take a view.</p> <p>We measure both gross risk (before any controls are taken into account) and net or residual risk.</p>	<p>Consider the controls you have in place to mitigate or reduce the risk.</p> <p>What further controls are required? Record these as actions until they are completed.</p> <p>Consider the cost of any controls against the potential benefit gained.</p> <p>What is our <b>Risk Appetite</b>? An element of risk is unavoidable or we would never do anything!</p> <p><b>AVOID</b> a risk – stop doing the activity</p> <p><b>REDUCE</b> a risk – put additional controls in place</p> <p><b>TRANSFER</b> a risk – by insuring or passing the risk to a third party</p> <p><b>TAKE</b> a risk – monitor to ensure the impact and likelihood do not change</p> <p>Risk of service failure can be minimised by ensuring effective <b>Business Continuity Plans</b> are in place. For guidance contact Laurie Grasty x4764..</p>	<p>Risks should be reviewed at least annually and whenever your business plans change.</p> <p>Remember risks evolve and change over time. Are the controls still effective?</p> <p>Your aim should be to:</p> <p>Manage <b>threats</b> that may hinder delivery of priorities and maximise <b>opportunities</b> that will help to deliver them.</p> <p>The Bromley Risk Register is maintained centrally by Audit and includes details of the risks, risk owners, controls and actions. Contact James Newell x4842.</p> <p>Further guidance on <b>Risk Management</b> can be found in the Managers' Toolkit on onebromley. This also provides links to the <b>Risk Management Strategy, Risk Management Toolkit</b> and <b>Risk Register</b>.</p> <p>The site also provides a link to the <b>Health and Safety</b> Unit who carry out H&amp;S risk assessments. For guidance contact the Corporate Safety Advisor Charlotte Faint x7584.</p>