

	Pensions Risk Register									
	Risk Scenario			Current Risk Rating			Future controls		Future Risk Rating	
	Risk	Type	Existing Controls	Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the burden falls on the other employers in the Fund to make good the shortfall.	Governance Risks	As part of the valuation a revised Funding Strategy Statement and separate satellite policies on Contribution Reviews, Academies Funding, Bulk Transfers, Cessation and Prepayments were agreed by the Committee on 14 March 2023. The existing Admissions policy which was agreed by the Committee at their meeting of 3 December 2021 remains in place.	3	3	9	Our Fund actuary will be carrying out a covenant monitoring exercise.	2	3	6

			<p>These policies are designed to mitigate the risk to the Fund. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures. As part of the triennial valuation exercise, individual employer profiles were considered and contribution rates were adjusted to plan for a zero value deficit or surplus at cessation as far as possible.</p>							
2	<p>The Fund's invested assets are not sufficient to meet its current or future liabilities. This would lead to pressure to</p>	Funding - Assets and Liabilities Risks	<p>A formal actuarial valuation is carried out every three years. The Funding position of the Fund has improved to 97%.</p>	4	2	8	<p>Officers are looking at ways of monitoring the funding level on a more frequent basis</p>	4	1	4

	increase contribution rates in the future.		The Funding Strategy for the Fund has been agreed on with help of advice from the Fund's Actuary and is based on the likelihood that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee in March 2023.				rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.			
3	Liquidity risk - High inflation increases benefits payable at a faster rate and third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term	Funding - Assets and Liabilities Risks	The Fund's contribution income is currently enough to cover the short term liabilities and medium term cashflow projections imply that there is no immediate threat to the Fund's liquidity. This is kept under constant review.	3	1	3	No future controls planned	3	1	3

	and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.		There are also sufficient income generating assets in the portfolio which can be drawn on to cover any cash requirements. Cash held by the Fund is at 2%, but we are looking to reduce this following implementation of a revised asset allocation following review.							
4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Funding - Assets and Liabilities Risks	A structured process is in place to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by the Pensions Board. These measures are	3	3	9	Our administration strategy was agreed by the Committee in their meeting of 20 June 2023. Should engagement with scheme employers to resolve issues not be successful, which is always our	3	2	6

			<p>improving outcomes. In the event of significant issues occurring the authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is still one significant ongoing case in terms of contributions due arising from a dispute concerning valuation which we are working with our legal advisors to resolve.</p>				<p>preferred option, there are opportunities within the strategy to impose financial penalties. This, together with our checking and engagement processes, require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.</p>			
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6	There is a risk that, under any set of circumstances, an asset will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.	Investment Risks	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. The revised asset allocation review recommended an allocation to credit which should increase the diversification of the Fund.	3	3	9	Implement the revised asset allocation.	3	2	6
8	General underlying risk of a global collapse in investment markets. The markets have experienced a continuous	Global Macro-economic Risks	The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations.	4	3	12	No future controls planned	4	3	12

	sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch, the Coronavirus pandemic and Russia's invasion of Ukraine. Other crises are inevitable.		The Fund is also well-diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic.							
12	Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting	Operational Risks	Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila	4	3	12	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	4	2	8

<p>workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.</p>		<p>Heywood and Hymans Robertson both have ISO:270001 which is the international standard for information security management systems (ISMS).</p>							
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13	<p>Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of</p>	<p>Operational Risks</p>	<p>Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management. When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in</p>	4	3	12	<p>We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.</p>	4	2	8
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	data being lost in the event of a system failure.		public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on appointment or change of role, according to the requirements of the role.							
14	McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal	Operational Risks	The team are working overtime to try and ensure the data quality is as good as it can be and the Scheme Advisory Board has issued guidelines on how to deal with problems caused by data accuracy. We expect the financial impact on the Fund to be small, the impact on members to be small, but the work for the	3	3	9	No future controls planned	3	3	9

	breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.		admin team to be high.							
15	Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.	Operational Risks	In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries.	4	3	12	Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.	4	2	8

17	In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.	Investment Risks	It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.	4	2	8	If the risk materialises the Fund will seek to follow the direction over a period of time in order to manage any imbalance in the portfolio.	4	2	8
18	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines	Operational Risks	Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative	4	3	12	Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement.	4	2	8

	are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge.		requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.							
19	System malfunction or interruption of our banking systems. The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds. The 6 largest banks on average experience one IT failure every 2 weeks. The risk is that one of these	Operational Risks	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	4	3	12	No future controls planned	4	3	12

	failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council. This could prevent members of the public and businesses from accessing funds, result in financial loss and /or service interruption.									
20	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.	Operational Risks	The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources.	3	4	12	Developing in-house knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further developing effective service delivery.	3	3	9

22	<p>Lack of Fund specific Conflicts of interest Policy – This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.</p>	<p>Governance Risks</p>	<p>There is an existing Board Conflicts of Interest Policy in place and elected members are required to disclose interests in their capacity as Councillors. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services</p>	4	3	12	<p>A new Fund specific Conflicts of Interest Policy has been drafted and has had legal input on behalf of the Monitoring Officer. A report recommending members to adopt the policy was taken to the June 2023 committee meeting however the committee requested some amendments. A revised version will be presented to the next committee meeting in September 2023. This will</p>	4	2	8
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			keep a log of Member Interests.				provide greater clarity on disclosable items and potential areas where a conflict might arise.			
23	Climate Change	Investment Risks	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some assurance that the funding strategy is resilient to climate risks.	3	5	15	The investment strategy is currently being reviewed with the particular focus on climate change risks and is setting a framework to firstly establish the Fund's current carbon footprint and secondly to enable to future reporting and monitoring of the Fund's exposure to	1	5	5

							climate change risks. A revised strategy will be set by December 2023.			
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Below 10 is considered a Green Risk.
A score between 10 and 19 is an Amber Risk.
A score of 20 or above is a Red Risk.

16	No of Risks on Register
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7	No of Current Green Risks
9	No of Current Amber Risks
0	No of Current Red Risks

14	No of Future Green Risks
2	No of Future Amber risks
0	No Future Red Risks

Risk Matrix		IMPACT				
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	5 Almost Certain	5	10	15	20	25
	4 Likely	4	8	12	16	20
	3 Possible	3	6	9	12	15
	2 Unlikely	2	4	6	8	10
	1 Rare	1	2	3	4	5

Impact is measured on a scale of 1 to 5.

A score of 1 suggests that the potential impact would be insignificant and a score of 5 would be catastrophic.

Likelihood is also measured on a scale of 1 to 5.

In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be almost certain to happen.